

China's Xiaomi leads Asia's low-cost smartphone drive

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Hugo Barra, Xiaomi's global vice-president, speaks at the Startup Asia technology conference in Singapore, May 8, 2014

Xiaomi may be little known outside China, but the fast-growing smartphone maker is at the forefront of a new wave of Asian brands challenging the dominance of Apple and Samsung with high-spec, low-price phones.

In the three months to March, Xiaomi surpassed Apple and other established Asian players such as Huawei and Sony to become the third largest [smartphone](#) brand in China by [market share](#), research firm Counterpoint Technology said.

Samsung holds the top spot at 18 percent, followed by homegrown Lenovo with 12 percent.

The Beijing-based tech upstart sold 18.7 million phones in 2013, and is targeting sales of 60 million this year and 100 million in 2015.

Using a high-tech but low-cost sales model, Xiaomi aims to tap into a vast market of budget-conscious young Asians who want the newest in smartphone technology.

Technology research firm IDC said in a February report that cheap smartphones would be a key driver of sales in the low-cost segment of emerging markets outside China.

Handsets selling for less than US\$100 accounted for nearly half of mobile sales worldwide, with two-thirds of those priced under US\$50, its research shows.

Cost-conscious youth

"Asian markets have burgeoning young populations who want the latest smartphone technology, but (they have) restrictive budgetary constraints," Mykola Golovko, senior consumer electronics analyst at research firm Euromonitor International, told AFP.

Euromonitor data in 2013 showed that this key market of 15-34-year-olds made up between 25 percent and 40 percent of the population in countries such as Malaysia, Vietnam, Indonesia and China.

Unlike its giant rivals, Xiaomi has minimal advertising and no retail outlets which help keep costs down.

Instead, it has gathered a cult-like following on social media, including China's Weibo.

Most consumers—dubbed "Mi fans" by Xiaomi—buy their phones directly via its website during regular "flash" sales.

Xiaomi, whose name means millet in Mandarin, is looking further afield and poached former Google high-flyer Hugo Barra to lead its international expansion.

The firm caused a mini-frenzy in Singapore in February when it began its global roll-out under the watchful eye of Barra.

Xiaomi phones, boasting processors and sleek designs that rival top Samsung models and using the latest iteration of Google's Android software, are sold at a fraction of the price of a Samsung Galaxy S5 or iPhone 5s.

Its low-end Redmi retails at Sg\$169 (\$135) compared with Sg\$388 for the Samsung Galaxy S3, which has comparable specifications.

The higher-end Mi3 retails at Sg\$339, compared with Sg\$1,068 for the Galaxy S5 and Sg\$1,148 for an iPhone 5s with 32 gigabytes of storage.

Emerging players

Xiaomi is not alone and industry experts say Asia is ripe for more such makers.

The Philippines' Cherry Mobile, India's Micromax and Q-Smart in

Vietnam are already making the leading players nervous, with feature-packed and large-screen smartphones retailing from as low as \$30 without any carrier subsidies.

Others include Smartfren and Cyrus in Indonesia, Ninetology in Malaysia, QMobile in Pakistan and I-Mobile in Thailand.

A report by IDC said such "homegrown vendors" hold 39 percent of the total market share in the Asia-Pacific region excluding Japan.

Nearly 530 million smartphones were shipped to consumers in Asia-Pacific countries in 2013, IDC said, making up 52 percent of the global total.

Xiaomi may be doing well but internationally Samsung's dominance is undoubted.

IDC said Samsung sold 313.9 million smartphones in 2013, compared with Apple's 153.4 million.

But Xiaomi's global vice president Barra sees big things ahead for the Beijing-based fledgling.

"The company is bound to change the world in many significant ways," Barra said at the Startup Asia conference in Singapore on May 8, referring to chief executive Lei Jun and seven other co-founders as "insanely smart".

Singapore-based Golovko said upstart Asian makers will have to continuously reinvent themselves.

"As smartphones become more commonplace... consumers in emerging markets will become more demanding and willing and able to spend on

them," he said.

"Without a significant shift in branding and product portfolio low-cost manufacturers will see deteriorating prospects over the mid-to-long term."

Nicole Peng, a mobile industry analyst with market research firm Canalys, said many Asian consumers of brands like Xiaomi are curious "early adopters" who want to have a first-hand experience of whether low-cost phones can actually match top models.

"This segment of the market are the geeks, if I can say that. They just want to experience the latest gadgets and are not so cost or brand-conscious," she said.

Hurdles remain

Other analysts warn that significant hurdles remain, especially expanding overseas.

Xiaomi plans to move into nine other countries apart from Singapore this year. India's Micromax too retails outside its home country, with sales in Russia and Romania. It has priced its latest top-range Bolt A69 phone at 5,999 rupees (\$100).

"With Xiaomi for example, it could find its online sales model difficult to implement in countries like Indonesia and Philippines where you don't have the Internet penetration rates like in Singapore," said Ryan Lai, a Kuala Lumpur-based mobile devices research analyst with IDC.

But while leading players such as Apple and Samsung have branched out to "wearable electronics" like wrist devices, they are unlikely to cede smartphone territory to the upstarts, says Euromonitor's Golovko.

"We expect smartphones to remain the centres of attention for the current market leaders and low-cost manufacturers alike," he said.

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