

Enterprise Value Assessment for Xiaomi Group under the Condition of Xiaomi's Electric Vehicle Release

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Abstract:

The unveiling of Xiaomi's foray into the automotive industry marks a significant strategic shift for the technology conglomerate. This study explores the impact of the Xiaomi car launch on the overall corporate value of Xiaomi Inc. Employing a combination of SWOT analysis and comparative study with other tech-to-automotive transitions, financial modeling, the research evaluates potential synergies with Xiaomi's existing ecosystem, the feasibility of competing with established car manufacturers, and the market's reception of a Xiaomi vehicle. The study also examines potential market positioning, competitive landscape, and future revenue streams in relation to the new venture. The results suggest that while the move could enhance Xiaomi's brand image and open lucrative revenue channels, it also poses substantial financial and operational risks. Furthermore, the success of the Xiaomi car heavily relies on the company's ability to navigate technological innovation, regulatory compliance, and consumer acceptance. The conclusion underscores the need for strategic prudential management decisions to balance the opportunities and challenges presented by this new business domain, ensuring it aligns with the company's long-term sustainability strategy.

Keywords: Xiaomi; automotive Industry; SWOT analysis; corporate strategy; brand expansion.

1. Introduction

With the efficient development of the world economy, the more intense the competition in the communication industry, the more competitive the content will be. Enterprises should thoroughly change their strategic planning and implementation based on the constantly changing competitive natural environment, ensuring that they can solve unfavorable factors and enable them to live and develop steadily and healthily in the long term. The value analysis of enterprises is generated in this context to address the issues that enterprises are concerned about during their development [1]. The changes in the business service environment have led to the rapid development of enterprise value evaluation logic. From analyzing the development of static resources and capabilities to analyzing the dynamic competition of enterprises, marketing strategies and dynamic standards are formed. But the regularity of enterprise competition is constantly changing, and the action of enterprise value evaluation may face higher challenges. The division of global resources, assets, technology, and human resources markets has undergone significant changes [2]. Continuous technological innovation has intensified competition among enterprises, with an increasing number of competitive enemies. Enterprises face

more risks and traditional strategic and performance management can no longer meet the requirements of the new era. Therefore, in order to ensure that enterprises make the best decisions and obtain the best economic benefits, how to evaluate and analyze the value of many domestic experienced new energy vehicle brands based on correct market research and natural environment, and then make decision-making management and analysis judgments is the key [3].

As one of the most influential private telecommunications companies in China, Xiaomi's enterprise development value strategy has largely saved popular multinational enterprises from competitive disadvantages and achieved success, maintaining high-quality assets. Therefore, this article takes Xiaomi Group's launch of Xiaomi Motors as an example, taking into account its internal and external natural environment in detail, adopting a combination of theory and practice, and interpreting Xiaomi's strategic choices. With the efficient development of the world economy, the more fierce the natural environment of competition in the communication industry, the more competitive the content is, and the less competitive the advantages will be [4]. Enterprises should thoroughly change their strategic planning and implementation based on the constantly changing competitive natural environment. Xiaomi Group

should ensure that they have the ability to solve unfavorable factors and enable them to live and develop steadily and healthily in the long term. Enterprise strategic management is a process that arises in this context to address the issues that enterprises are concerned about during their development [5]. The changes in the business service environment have led to the rapid development of modern logic in strategic management. The basic theory of strategic management, from analyzing the development of static resources and capabilities to analyzing the dynamic competition of enterprises. Then it can constitute the cultivation of marketing strategy and dynamic standards.

However, the basic theory of enterprise strategic management cannot be further developed and optimized and the regularity of enterprise competition is constantly changing. The basic theory of strategic management may face higher tests. The division of global resources, assets, technology, and human resources markets has undergone significant changes [6]. Continuous technological innovation has intensified competition among enterprises, increasing the number of competitive enemies, and enterprises are facing more risks. In dealing with many experienced multinational enterprises, China's People's Information Industry is at a disadvantage [7]. In the absence of any unique advantages, the key is to correctly research the natural environment of the market, make decision-making management decisions, and analyze judgments. As one of the most influential private telecommunications companies in China, Xiaomi's corporate development strategy has largely saved popular multinational companies from competitive disadvantages and achieved success, maintaining high-quality assets [8].

This study takes Xiaomi as the research subject, taking into account its natural environment both inside and outside in detail and combining with the basic theory of strategic management to carry out marketing strategies. The value evaluation and analysis of enterprise development has become a key issue for enterprise development and Xiaomi's achievements today are closely related to its correct enterprise value analysis. Therefore, based on the analysis of Xiaomi's external environment and its execution and strategic choices in the development process, the article emphasizes the advantages and disadvantages of Xiaomi's development and provides opinion. Based on the analysis of Xiaomi's external environment and strategic choices, not only do it deeply understands Xiaomi's advantages and disadvantages in the development process, but also proposes corresponding enterprise value evaluation analysis, bringing specific suggestions for Xiaomi's future development. Using it as a reference, it provides some basic theories for similar private communication enterprises to carry out marketing strategies and improve

ments.

2. Basic Descriptions

Xiaomi Corporation is a multinational electronics manufacturer in China, founded in 2010 and headquartered in Beijing. Its founder and CEO is Lei Jun. Xiaomi is renowned for its cost-effective smartphones and has quickly achieved significant success in the global market. In addition to smartphones, Xiaomi also produces various electronic products, such as laptops, tablets, smartwatches, smart home devices, etc. In recent years, the development of Xiaomi has been closely monitored. According to IDC data, in the third quarter of 2020, Xiaomi became the world's third-largest smartphone manufacturer, second only to Samsung and Huawei. However, due to the impact of US sanctions on Huawei, Xiaomi's market share in the global market has increased. In addition, Xiaomi is continuously expanding its overseas markets, especially in India, Europe and other places, and has achieved significant market share [9].

The company's revenue declined year-on-year in the first three quarters of 2022 and 2023, indicating that the company's business is greatly affected by macroeconomic cycles [10]. The inventory turnover rate has been declining year by year, reflecting the weak demand in the smartphone market in recent years. Due to the impact of high-end strategies, the turnover speed has slowed down [11]. The declining asset turnover rate year by year indicates the transformation of the company's strategy from the previous Internet light model to the self research and manufacturing heavy model. The gross profit rate of Internet services is far higher than that of smart phones and IoT services. Xiaomi still needs to improve the efficiency of traffic conversion after grasping the hardware traffic portal [12]. The adjusted net profit and operating cash flow have not changed in the same direction, indicating that the company's free cash flow is unstable. In 2023, the net profit and cash flow have significantly improved and the change in cash flow is much greater than that of net profit, indicating that the company has greatly improved its operating efficiency. The reasons for the significant increase in Xiaomi's stock price in the past year include the launch of the popular Xiaomi 14 and Xiaomi cars. The global new energy vehicle market is in a period of rapid explosive growth. In 2022, global sales of new energy vehicles reached 10.52 million units, with a penetration rate of 13% and a total market size of 425 billion US dollars. Among them, China's sales reached 6.49 million units, leading the way. It is expected that the global sales of new energy vehicles will reach 25 million units by 2025, with a penetration rate of over 25%, and a total market size of

over 800 billion US dollars.

Xiaomi is a typical cyclical growth company. Cyclicity is reflected in Xiaomi's revenue being significantly influenced by hardware product cycles and macroeconomic cycles. The growth potential is reflected in Xiaomi's reform of its supply chain, expansion of overseas markets, and product iteration that crosses cycles to boost growth. The leverage effect of ecological chain expansion has revealed its drawbacks. On the one hand, ecological chain enterprises are rampant in using "x rice", and when problems arise, negative public opinion will revolve around Xiaomi. On the other hand, the natural financing/listing needs of ecological chain enterprises will cause them to "de milletize" without forming a positive feedback on the Xiaomi ecosystem. The LOT ecosystem has not developed an exponential monetization model. Mobile Internet has created exponential cash flow models such as live broadcast e-commerce and short video advertising through strong network effects, while Xiaomi Internet plus's new manufacturing model has not achieved exponential growth in revenue, but rather converged growth rate. The high-end market still faces fierce competition and changes in the macro environment. After occupying the mid to low end market, Xiaomi faced numerous difficulties in attacking the high-end market. The drastic changes in the macro environment have also added uncertainty to the overseas market, which accounts for half of Xiaomi's revenue.

Despite numerous difficulties, Xiaomi's advantages are still evident in the strong support of China's technology manufacturing industry and supply chain. Xiaomi has been supporting China's manufacturing industry for many years through its ecological chain, and has gone global to solve the pain points of overcapacity and internal competition in China's manufacturing industry. Xiaomi also benefits greatly from this, as it can gain more product design freedom and form differentiated product barriers while maintaining a comprehensive cost leadership [13]. Affluent price, moving people and tens of millions of different levels of loyal fans support. The corporate value

of "allowing everyone to enjoy the fun of technology" gives Xiaomi users a strong sense of identification and belonging. The brand's stickiness and repurchase rate are high, ensuring the basic sales of Xiaomi products in the first time after their release. The fulcrum of all logic is Lei Jun. Lei Jun's strong sense of participation in world development and the great vision of changing the world, as demonstrated by his outstanding efforts against Amazon and Xiaomi against Apple, is like Steve Jobs to Apple and Elon Musk to Tesla. This is the biggest logical pivot for Xiaomi to cross the cycle and become a great company.

3. Analysis

As technology companies continue to expand their business scope, cross-border entry into the automotive industry has become a trend. Xiaomi, as a technology enterprise mainly focused on intelligent hardware and electronic products announced its entry into the automotive industry, which is undoubtedly an important step in its diversification strategy. As a globally renowned technology company, Xiaomi's entry into the automotive industry itself has received high attention. As shown in Fig. 1, the release of Xiaomi's SU7 marks Xiaomi's official entry into the smart electric vehicle market, and this move will undoubtedly increase the market expectations of Xiaomi's concept stocks. The technological innovations of Xiaomi's SU7, such as high-performance motors, intelligent cockpit, and autonomous driving technology, are all manifestations of its market competitiveness. Seen from Fig. 2, Xiaomi's technological accumulation in the fields of smartphones and AIoT has provided a solid foundation for its development in the field of smart cars. The launch of Xiaomi Motors will drive the development of related industry chains, including battery suppliers, component manufacturers, software service providers, etc. This provides new growth points and cooperation opportunities for Xiaomi's concept stocks. Most studies in the field of new electric vehicle publication of Xiaomi Group have only focused on the positive effects.

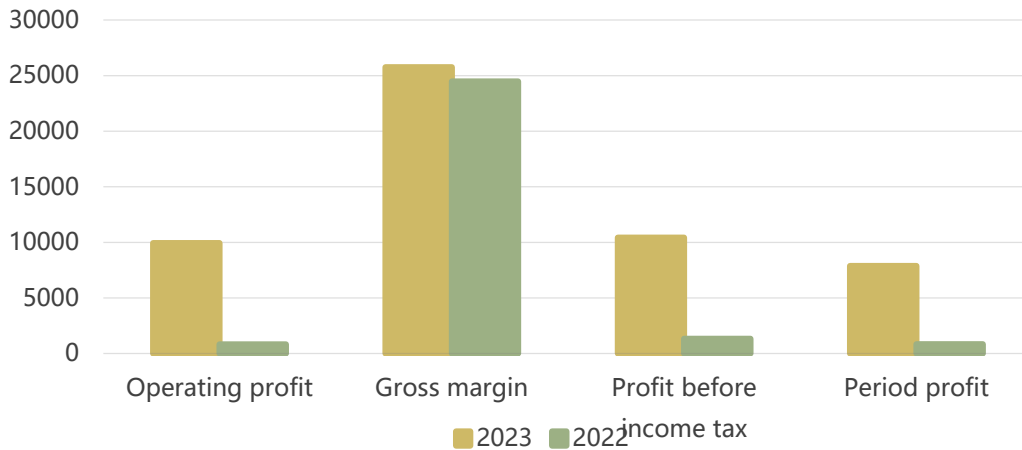


Fig. 1 Comparison of annual revenue statement of Xiaomi Company(RMB million)

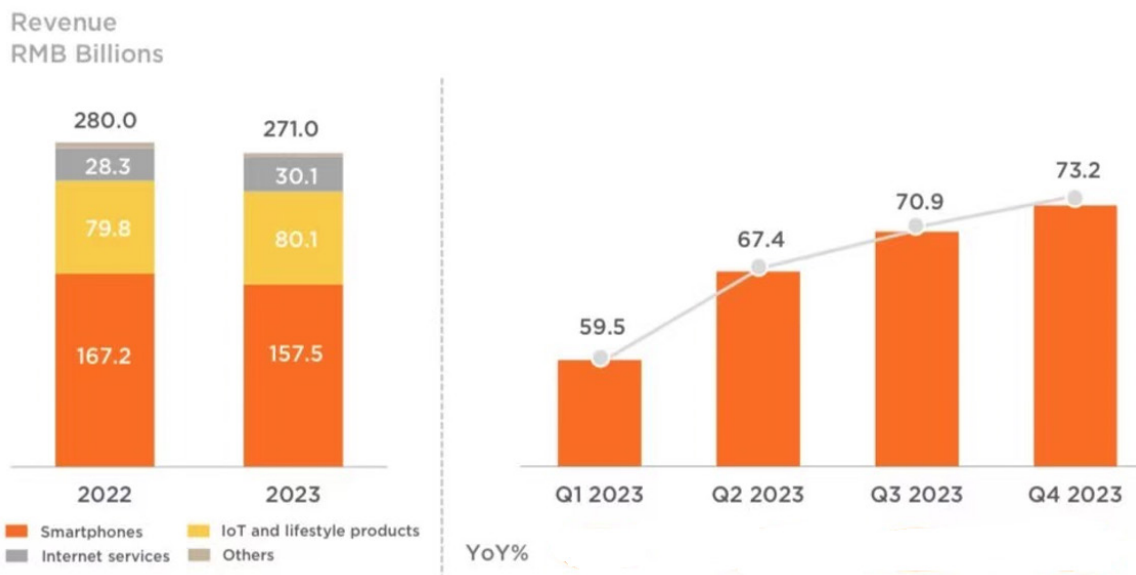


Fig. 2 Quarterly Revenue Increased throughout 2023.

Previous studies of Xiaomi Group have not taken too seriously with the potential threats. From the perspective of its impact on the company’s revenue, the release of Xiaomi Motors is expected to bring new revenue growth points to Xiaomi. The automotive industry is a high value-added industry. Although it may require significant R&D investment and capital expenditures in the early stages, once the product is recognized by the market, it may bring sustained cash flow to Xiaomi. In addition, the establishment of Xiaomi’s sales and service network will also create additional sources of profit for the company. However, it

should be noted that the competition in the automotive industry is fierce and requires extremely high levels of technology and safety. The fluctuations in the global supply chain may affect Xiaomi’s production and delivery. The fluctuation of raw material prices and the production capacity of suppliers may become potential risk factors. At the same time, as the domestic new energy vehicle market is about to reach saturation, a situation of oversupply is formed. Therefore, the success of Xiaomi Motors is not without risks.

Table 1. SWOT Analysis of Xiaomi’s electric vehicle release

Market demand growth Policy support Technological innovation potential		opportunities	threats
		Increased competition Regulatory risks Technical hurdles	
strengths	Technology integration capabilities Brand loyalty Ecosystem synergy	<p>SO strategy: Use the brand influence and user base to promote Xiaomi Automobile, and lay a good foundation for the marketing and sales of Xiaomi Automobile</p> <p>2. Give full play to the technology research and development capabilities, apply Xiaomi’s technology accumulation in AI, Internet of Things, 5G communication and other fields to the research and development of intelligent vehicles.</p>	<p>ST strategy: 1. Take advantage of Xiaomi’s brand effect and user base to counter the threat of intensified competition in the industry, and maintain market share through brand loyalty and user engagement.</p> <p>2. With the help of Xiaomi’s cost control ability, cope with the challenge of rising raw material costs, and reduce the cost pressure by optimizing the supply chain and production process.</p>
weaknesses	New entrants of building cars and technology Capital and resource consumption Market education cost	<p>WO strategy: 1. Strengthen brand building in the automotive field. Although Xiaomi has a high reputation in the consumer electronics field, it still needs to increase brand publicity and market education in the automotive field to enhance consumers’ trust and recognition of Xiaomi cars.</p> <p>2. Strengthen the research and development and innovation of core technologies. Although Xiaomi has strong technical strength, the competition in the automotive field is very fierce, and it needs to constantly launch differentiated innovative technologies to maintain its competitiveness.</p>	<p>WT strategy: 1. Improve the adaptability to the regulations and standards of the automobile industry. Since Xiaomi is a new enterprise entering the automobile field, it needs to strengthen the compliance with the automobile safety and environmental protection to avoid potential legal risks.</p> <p>2. Increase the introduction and training of automobile professionals. Due to Xiaomi’s relative lack of experience in the automotive field, it needs to recruit and train professionals to supplement the company’s shortcomings in automobile design and manufacturing.</p>

From the perspective of brand positioning, Xiaomi’s core competitiveness lies in its high cost-effectiveness and excellent user experience. The addition of Xiaomi Motors may further strengthen or reshape the company’s brand image. If Xiaomi can transform its successful experience in smartphones and home appliances into an advantage in automotive manufacturing, then Xiaomi cars may become synonymous with cost-effectiveness. It can attract more price sensitive consumers. On the contrary, if Xiaomi cannot meet consumer expectations, it may have a negative impact on the existing brand reputation. From the perspective of its strategic impact on Xiaomi, the release of Xiaomi Motors is an important part of Xiaomi’s implementation of diversification strategy. By entering the automotive industry, Xiaomi can not only expand its

product line, but also leverage its capabilities in software and hardware integration to promote the development of intelligent automotive technology.

As shown in Table 1, in the long run, Xiaomi cars may become an important component of the Xiaomi ecosystem, forming interconnectivity with other intelligent devices, enhancing user stickiness and overall competitiveness. From the perspective of ecological impact, Xiaomi has established an ecosystem covering multiple fields such as smart homes, wearable devices, and smart home appliances. The addition of Xiaomi Motors will further expand this ecosystem and provide users with more comprehensive intelligent living solutions. Xiaomi can create more innovative usage scenarios through the linkage between cars and other devices. It is beneficial to increase user depen-

dence on Xiaomi products and services, and thus enhance the value of the entire ecosystem.

The release of Xiaomi Motors is a significant strategic decision for Xiaomi, which will have a profound impact on the company's revenue, brand positioning, strategic layout, and ecological construction. Although there are certain risks and challenges. If Xiaomi can fully leverage its technological advantages and brand influence in the consumer electronics field, Xiaomi Automobile has the potential to become a new growth engine for the company, further consolidating and enhancing Xiaomi's competitiveness in the global market. This can allow for faster iteration of intelligent driving capabilities and have a positive impact on the chip industry.

4. Suggestions and Implications

According to the analysis, following suggestions are given. Firstly, some argue that Xiaomi cars have a single style, lack novelty and are relatively expensive. This is mainly because Xiaomi has only released one model so far and its exterior design has been criticized to some extent. Meanwhile, its price may have exceeded the expectations of some consumers. Secondly, some people have questioned Xiaomi's assembly method, believing that many of its components such as motors, batteries even chassis are not self-produced and belong to assembly vehicles. However, there are also opinions that such assembly methods are not uncommon in the current new energy vehicle market, and as long as they are assembled properly, there may not be any problems. However, Xiaomi also has some positive reviews. For example, Xiaomi Motors has its own self-developed generator. With the V6 and V6s already in mass production, while the more advanced V8s is expected to be mass-produced in 2025. In addition, Xiaomi has independently developed CTB body battery integration technology, which is in a leading position globally. At the same time, Xiaomi Motors has also performed well in thermal management and die-casting technology, challenging the king of winter endurance and having the highest wind resistance coefficient in the world. However, what pleases the public the most is Xiaomi's marketing methods. Public opinion praises Xiaomi's marketing capabilities more than its car manufacturing capabilities. In terms of marketing strategy, Lei Jun is worth learning whether he is doing Xiaomi mobile phone or Xiaomi car marketing: focusing on user experience, in-depth interaction with users, hungry marketing, taking advantage of the hottest platforms (community, Sina Weibo, Tiktok) and interaction with celebrities. At the same time, at the press conference, storytelling was brought into the scene, pain points were explained in the scene, compari-

sons were made in the pain points, data was presented in the comparison, and a series of operations such as certificates were displayed on the data. Xiaomi Motors excels at using digital storytelling to simplify complex concepts into eye-catching data. Allowing consumers to use Xiaomi style copywriting not only allows those with clear brand value to directly understand the charm and value of the product, but also generates a desire for purchase among users in a short period of time.

Xiaomi Motors adopts a "lightning marketing" approach, with its core philosophy of finding benchmarks, leveraging marketing opportunities, and quickly establishing brand mindset. The benchmarking strategy is not simply a vehicle benchmarking, but it should focus on benchmarking local functions to highlight the unique advantages of the product. In terms of appearance and price, Xiaomi cleverly took advantage of Porsche and attracted the attention of young consumers through topic marketing such as "Young people's first Porsche may not necessarily be a Porsche", establishing a communication bridge with young people. In terms of price, Xiaomi is benchmarking against Tesla MODEL3. While in terms of performance, it is more benchmarking against Tesla, demonstrating its high-performance characteristics. In terms of emotional value, Xiaomi CEO Lei Jun, as the brand's super IP, is not only the brand's spiritual totem, but also the spokesperson for walking. By leveraging its own influence and marketing actions, Xiaomi Motors has gained momentum and increased brand exposure and discussion. For example, when the first batch of Xiaomi SU7 was delivered, Lei Jun personally opened the door for the first batch of car owners. This move not only improved the user's car buying experience, but also created additional emotional value for the brand through word-of-mouth among netizens. In addition, Xiaomi Motors is also adept at using celebrities to create brand buzz. As the spokesperson for Xiaomi's mobile phone branch, actor Zhang Songwen's positive image and affinity have brought positive emotions to the brand. The interaction between Lei Jun and Zhang Songwen further promoted Xiaomi's public exposure. The last point that cannot be ignored is that the Xiaomi car brand has seized the characteristic of maintaining curiosity about the world and accurately grasping user expectations. Whether it is marketing or products, the key lies in accurately grasping user expectations. The user's identity and background set the tone for their basic needs for the vehicle. Different user groups naturally have varying demands for vehicles. In terms of consumer habits, users' past driving experience becomes their criterion for evaluating new products. These experiences not only shape users' consumption concepts, but also influence their expectations for new products. Expectation is a relative value. Con-

sumers tend to have a psychological estimate relative to the social average when making purchases. This estimate does not depend on the absolute value or positioning of the product. Good products, cheap products, good and cheap products may not necessarily create a good reputation. The products that can truly win word-of-mouth are those that can exceed user expectations. The fundamental purpose of providing products and services is to solve the most fundamental problems of users, rather than superficial habitual needs. Enterprises need to deeply explore user usage scenarios or tasks, and understand their fundamental motivations. For example, the reasons of users willing to become the first batch of users of Xiaomi SU7 and customers' real needs. On the road to improving user experience, the real competitors are not existing brands in the market, but user expectations. Only by constantly exceeding these expectations can be a brand win the trust and reputation of its users.

5. Conclusion

To sum up, Xiaomi can leverage its strong brand influence, technological accumulation, cost control capabilities, and vast user base in the consumer electronics field to promote Xiaomi cars. By integrating the smart home ecosystem, Xiaomi has the potential to replicate its success in other markets in the field of smart cars. However, considering Xiaomi's newness in the automotive industry, the company needs to strengthen brand building, technological innovation, regulatory compliance, and talent introduction to cope with market competition and industry challenges. The limitation of this study is that the analysis is mainly based on existing literature and public information, and may not cover all the micro and macro factors that affect the success of Xiaomi Motors. In addition, as Xiaomi Motors has not yet been widely launched, some analyses may not be able to fully anticipate the actual market response and operational issues. Future research can focus on the market performance of Xiaomi after its actual launch, as well as the effectiveness of the company's strategy execution. At the same time, cases of other technology companies entering the automotive industry can be compared to gain a deeper understanding of the advantages and disadvantages of different market entry strategies. In addition, with the development of Xiaomi's automotive business and changes in the industry environment, dynamic adjustments to strategic planning are also important topics worth studying. The significance of this study is to provide Xiaomi with a systematic set of strategic recommendations, helping the company find a suitable development path in the automotive industry. It also provides reference cases for other technology companies

to enter new business areas, especially those considering transitioning from the consumer electronics field to the intelligent automotive field. By conducting in-depth analysis and drawing on the experiences of successful enterprises, this study helps to reduce the risks faced by new entrants and accelerate their growth in new markets.

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