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Xiaomi in the MENA Region
A Potential Entry Strategy in Morocco

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1. Introduction

Over the past decades, technology, and most importantly the Internet, have forever transformed not only the way people interact with each other but also the way all industries, from entertainment to retail and hospitality, interact with their customers. The lines between the physical and virtual worlds become more blurred every day and societies dominated by information technology systems and other digital tools are no longer a far-fetched illusion but have rather become a daily reality. Under these circumstances, the business opportunities offered by the worldwide web in terms of business have proven limitless: the Internet can serve as the main source of information for marketing research, act as a retailing gateway or stand as a well-performing advertising channel (Anderson & Sasinovskaya, 2011).

The success of e-business, which would be defined as “the use of digital interactive technologies and information technology in order to conduct a firm’s business” (Gilmore et al., 2007, p. 235), is not to be proven anymore. According to Euromonitor (2012) global online retail sales grew by 13% between 2006 and 2011, Amazon’s revenues surpassed USD 74 billion in 2013 while B2C e-commerce sales worldwide are expected to grow by 18.3 % until 2018 (Chen, 2016; Statista, 2016a). Consequently, e-commerce activities do not represent a simple option anymore but rather stand as a “must-do” for most, if not all, business organizations.

Even though brick-and-mortar is still prevalent, a growing number of businesses have opted for a physical as well as a digital presence¹, while others –Amazon, Alibaba and eBay being amongst the most prominent ones – have chosen to launch their business solely on the cloud. Xiaomi, the Chinese start-up that will constitute the core study material of this dissertation, followed the steps of these e-behemoths, standing as the first smartphone provider to start its activities without any form of physical presence, thereby putting a precedent in the industry.

The business model of this young company is astonishing in many aspects: in Mainland China, Xiaomi managed to create and raise awareness among the tech geeks first and tech-savvy youngsters then without spending a single Yuan on marketing; without any physical presence, it managed to become one of the top-three phone sellers in terms of global unit sales in 2015 and 2016 (IDC², 2016) through a strategy that gives a sizable part to the direct interaction with consumers and, in no more than six years, it managed to set new rules in the Internet industry.

For these reasons and many others that will be thoroughly discussed in the main text, I have chosen to further investigate the business model and international strategy of this company

¹ We will see that brick-and-click is not a simple trend anymore but rather stands as the only option in order to survive in the fast-moving environment most industries evolve in.

² See chart in appendix.

that positions itself as the next giant in the Internet-of-Things industry³. I believe this firm has started a revolution in co-creation and the larger Internet business since it has taken advantage of all the opportunities offered in the digital age without relying on the old-fashioned and book-tailored business models and strategies of the past.

Xiaomi offers a disruptive and innovative business insight that has not, so far, attracted the attention it deserves along rivals such as Apple, Samsung or Huawei. This dissertation thereby stands among the first academic papers dealing with the start-up. In order to understand how the company has taken advantage of the digital age to market its brand, the literature review will aim at analyzing how social media and other online networking platforms have impacted marketing tools and how companies should adapt their business model in order to reach out to consumers.

In an attempt to offer a more practical side next to the theoretical body of the text, my research will aim at determining what dimensions of Xiaomi's operational marketing should be adapted in order to penetrate the Moroccan market as a starting-point to its larger expansion to other Arab and African countries. To fulfill this objective, the last part of this dissertation will be dedicated to understanding the international expansion of the brand in emerging markets with two case studies: Xiaomi's landslide achievement in India and its mitigated success in Bahrain⁴. These analyses will reveal what key strategic moves should be retrieved and the ones that should be avoided when devising a strategy to penetrate Morocco.

It is worth stressing in the present section that I have chosen these specific company and region for strategic reasons: the MENA ranks high in terms of opportunities in the Internet and mobile businesses^{5,6} and the digital tools (i.e.: social media) play an overwhelming role in the everyday life of Arab teenagers and young adults^{7,8,9}. For these reasons, I strongly believe Xiaomi would benefit entering these markets with a dedicated strategy rather than relying on a distributor. This being said, I am well aware that the Arab world is not a monolithic block but rather a highly diverse patchwork of countries characterized by different cultures,

³ This particular aspect of their business will be explained in the dedicated sections of the present study.

⁴ As I will explain in the last part of this dissertation, Xiaomi has sealed an agreement with a distributor to sell its products in three countries of the MENA: Bahrain, Kuwait and the United Arab Emirates (UAE).

⁵ The countries of the Arabian Gulf are among the most connected in the world. Around 77% of the Gulf Cooperation Council (GCC) states are smartphone users (GSMA, 2016).

⁶ "The number of smartphone connections has more than doubled over the last three years to reach 263 million in Q2 2016, accounting for 42% of total connections in the region. MENA will see the second fastest growth in smartphone adoption of any region over the next few years (behind Sub-Saharan Africa), bringing smartphone adoption to 65% by 2020, largely closing the gap on the global average" (GSMA, 2016, p.2).

⁷ Twitter penetration is the highest in Saudi Arabia while the country ranks first worldwide in terms of viewership on YouTube. Indeed, according to the Financial Times, Saudi "residents watch more hours of YouTube content per capita than anywhere else in the world" (Kerr, 2014, para.1).

⁸ According to ICEF Monitor (2015), the phenomenon is largely due to the fact that more than a third of the total 355 million inhabitants of the region are aged 15 to 25.

⁹ The MENA is the fastest growing region in terms of viewership on Facebook (McKinsey, 2016).

business opportunities and purchasing powers. Therefore, analyzing every single country of the Middle East and North Africa was impossible and it was necessary to narrow down the scope of my research to one specific market. Considering the growing importance of Morocco as an African hub and its being one of the most advanced countries of the continent in terms of telecommunications (Ducass and Kwadjane, 2015), providing an entry strategy on this market made complete sense.

In order to devise a sound strategy, I proceeded to the thorough analyses of the country's political and economic contexts as well as the social and cultural norms that might impact Xiaomi. A market research was conducted in an attempt to better understand the shopping habits of young Moroccan consumers living in urban areas and determine how they would position themselves with regard to the main dimensions of the Chinese start-up's business model. Drawing upon these analyses and the results of my market study, I will expose what dimensions should be adapted and what advantages the company should rely on to succeed in the country.

2. Part I: Literature Review - the Digital Age and the New Marketing Rules

This literature review will aim at giving a large overview of how specific marketing tools have been impacted by the digital age. The tools will have been selected with respect to how they constitute a core element of Xiaomi's business model.

1. The Customer Experience and Branding in the Digital Age

While the Web 1.0 was seen by companies worldwide as the new Eldorado to be colonised in order to enhance business opportunities and reap off profits from competitors, Web 2.0 – defined as “the technical infrastructure that enables the social phenomenon of collective media and facilitates consumer-generated content” represents the boomerang that hit them back quite harshly with the shifting paradigm it brought in the industry (Berthon et al., 2012, p.262). Hoffman and Novak (1996) were the first to envision that hyper computer-mediated environments would have an irreversible impact on the customer's relationship with the brand. Indeed, they predicted some twenty years ago that the consumer would become “an active participant in an interactive exercise of multiple feedback loops and highly immediate communication” (p. 66).

As for Stewart and Pavlou (2002), they foresaw that online content creation would allow consumers to break free from their position of passive recipients of organisations' communication techniques to become active online reputation builders and influencers. As such as, the advent of the Web 2.0 tools and, more specifically, the development of social media and other networking platforms have profoundly transformed the relationship between brands and customers since firms have ever less control over the customer journey and larger experience. As expressed by Christodoulides (2007, p.291): “What consumers now hear or read about brands from other consumers or communities (e.g.: on epinions.com and numerous less formal media, such as blogs and discussion boards) is becoming far more important than what marketers have to say about their own brands.”

These changes have unmistakably reshaped the customer experience¹⁰ by shifting more focus to the customers themselves (Duncan et al., 2010). Creating a strong customer experience has become so important in today's marketing that many companies, among which Google, Amazon and KPMG stand as the most prominent ones, have stated that enhancing the customer experience occupies the top of their list of priorities (Accenture, 2015). Even though it is plain in the digital age that customers have seen their power increase spectacularly, the importance of creating a strong customer experience is not a new marketing recommendation

¹⁰ The customer experience has become such an important and complex subject in the field of marketing research that The Marketing Science Institute regards the topic as one of its crucial research challenges in the years to come (The Marketing Science Institute, 2016).

as Pine and Gilmore already addressed the business opportunities companies would benefit from in enhancing it with the brand as early as 1998. Strangely enough though, the customer journey and the enhanced experience that should come with it have not been at the heart of marketing practices in the past years since firms gave more importance to metrics that measure customers' value creation for firms (i.e.: customer lifetime value) rather than to metrics that determine the firm's value creation for customers. It is the development of social media as main digital tools¹¹ that forced brands to acknowledge that power had shifted away from them and to concentrate more on the customers since the customer journey has become ever more complex (to the extent that the journey of every single customer has become impossible to manage from beginning to end). Customers now interact with brands through more touch points than ever before¹². Consequently, omni-channel management quickly rose as the new standard since media and thereafter audiences themselves become more and more fragmented¹³ and hard to impact (De Pelsmacker et al., 2013; Lemon and Verhoef, 2016)

In spite of its growing importance in the field of marketing research, the “customer experience” is still a relatively new concept. Therefore, empirical studies on the subject are hard to come by in the scientific literature. Some authors however have contributed to its definition. The customer experience is highly complex in nature as it is very holistic. Indeed, it incorporates the “customer's cognitive, emotional, sensory, social, and spiritual responses to all interactions with a firm” (Lemon and Verhoef, 2016, p. 70). As for Meyer and Schwager (2007, p. 2), they define the customer experience¹⁴ as “ (...) every aspect of a company's offering—the quality of customer care (...), advertising, packaging, product and service features, ease of use, and reliability. It is the internal and subjective response customers have to any direct or indirect contact with a company.”

Different definitions exist in the literature and it would be irrelevant to list them all in the present paper in the hope of exhaustivity. However, it is worth noticing that all definitions stress the multidimensional nature of the construct: it is a sensory (sense), affective (feel), cognitive (think), physical (act), and social-identity (relate) experience (Schmitt¹⁵, 1999; Verhoef et al., 2009).

¹¹ This phenomenon prompted Lemon and Verhoef (2016, p.69) to assert that “customer experiences are more social in nature”.

¹² The journey is not more complex only because of the increased number of touch points but also because of the necessary integration of departments that had little to do with each other in the past (i.e.: IT, logistics, marketing, human resources) in the hope of enhancing the customer experience (Lemon and Verhoef, 2016).

¹³ “Communications tend to become customised for narrower and narrower markets, and customer contact is established by means of multimedia methods” (De Pelsmacker et al., 2013, p. 47).

¹⁴ “In a retail context, the customer experience includes, for example, the store atmosphere, the service interface, assortment and merchandising” (Schmitt, 2011, p. 74).

¹⁵ Schmitt's theory was largely based on Dewey's (1925) philosophical analyses.

The development and broader management of the customer experience depends on the perspective adopted by the firm. Three main views can be adopted:

1. The firm's view (as developed by Berry et al. 2002; Stuart and Tax, 2004): the customer experience is a tool in the sole hands of the firm's management to manage;
2. The customer's view (as developed by Schmitt, 2011): the experiential world of the customer is at the heart of the development of the experience. Building the experience should first and foremost be based on the analysis of the experiential world of the customer. This would mean "researching not only the brand, but also consumption and usage patterns of customers and the socio-cultural context that affects consumers' experiential needs and wants" (p. 88);
3. The co-creation perspective (as developed by Chandler and Lusch, 2015; De Keyser et al., 2015): the customers play an active role in shaping their experience as it represents the climax of their interaction with other key agents in the brand's ecosystem.

The last perspective is the one that will interest us most throughout this dissertation, as co-creation not only plays a significant role in shaping the customer experience but it also plays a part in customer engagement. Indeed, on the basis of the multiple definitions of engagement, it appears that there is an overall consensus to acknowledge that customer engagement stands as a construct that allows "to distinguish customer attitudes and behaviors that go beyond purchase" (Lemon and Verhoef, 2016, p. 73). According to Brodie et al. (2011, p. 260), more specifically, customer engagement is "a psychological state that occurs by virtue of interactive, co-creative customer experiences with a focal agent/object (e.g.: a brand) in focal service relationships." Hence, engagement is directly derived from the customers' interaction with brands. As for Beatty et al. (2012, p. 133), they define engagement as "the intensity of an individual's participation in and connection with an organization's offerings or organizational activities, which either the customer or the organization initiates", which is consistent with the view expressed above.

2. The Customer Decision Journey in the Digital Age

In 2009, McKinsey was among the first consulting companies to investigate how the consumer decision journey has changed and how marketers should adapt to it. Indeed, with the advent of digital tools, the old "funnel" metaphor that theorises that consumers start off their journey with a specific number of potential brands from which to choose from while these choices are narrowed down as they are impacted by marketing tools directed at them while they move along is now obsolete. It was probably accurate in the past but the metaphor proves unable to capture the myriad of today's touch points and to reflect the more complex behaviour of an "increasingly discerning, well-informed consumer" (para.2), which results in

his/her empowerment. In order to overcome this drawback, McKinsey designed the “consumer decision journey¹⁶”, a new approach to understanding the complexities of markets that are characterized by different kinds of media, Internet access, and a wide range of product choices (McKinsey, 2009).

McKinsey’s research shed light on two important new parameters:

1. Because of the proliferation of media and products, including one’s brand into the consumer’s initial-consideration set takes more than billboards and TV spots;
2. The one-way communication that saw marketers address consumers’ needs has been replaced by a two-way conversation. This translates into the need for new ways to meet customers’ demand as well as tools to manage word-of-mouth (which is often expressed on online platforms).

The consumer journey as it is now seen is a never-ending loop that is both iterative and dynamic. It encompasses the three following stages (McKinsey, 2009; Lemon and Verhoef, 2016):

1. The prepurchase phase that acts as “the initial consideration” and “the active evaluation” stages as seen by McKinsey (2009) (this includes the consumer’s researching potential products). This stage comprises all interactions between the customer and the brand, the product/service category and its broader environment as they take place before purchase;
2. Purchase or “closure” as developed by McKinsey (2009). This stage encompasses all interactions between the customer and the brand during purchase itself;
3. Post purchase. This stage, which will interest us most, is made up of all the interactions that occur between the customer, the brand and its environment after the actual purchase of the product. At that stage of the journey, it is the product itself, and not the advertising, the website or the retailing environment, that serves as the main touch point. It is at that stage that particular aspects of the customer engagement towards the brand will be shaped such as the willingness to engage in word-of-mouth to advocate or demote the brand. Therefore, post purchase stands as a stage of the utmost importance in the customer journey since it is where the “loyalty loop” will be formed or destroyed. As Lemon and Verhoef (2016, p. 76) said, “a trigger may occur [at that stage] that either leads to customer loyalty (through repurchase and further engagement) or begins the process anew, with the customer re-entering the prepurchase phase and considering alternatives”.

The main goal of today’s businesses, as expressed by top companies such as Google and Amazon, lies in enhancing the customer experience. In order to do so, companies need to

¹⁶ See graph in appendix.

have a deep and thorough understanding of the new consumer decision journey as it was reshaped by the digital age: a journey filled with multiple –digital as well as traditional– points of interaction with the brand that might impact the potential choices in the initial-consideration phase as well as the paths leading to the fulfilment of the purchasing goal.

3. Co-creation and Online Communities

Even though the advent of Web 2.0 was essentially technological in nature, its effects were mostly sociological and, in terms of business, revolutionary to a large extent. The shift of value production from the brand to the customer brought about a major change in many industries as it propelled forward the concept of “co-creation” (Berthon et al., 2012). Content generated online on social media can take different shapes but it expresses itself mostly through the creation of text and video formats. These “informal online discussions” are often aimed at reviewing and evaluating a certain product or service for the general public to read or watch. Thereby, “consumers become involved in the promotion or demotion of brands through self-created advertising” content (Berthon et al., 2012, p. 263). Unlike traditional media (i.e.: TV, radio, newspapers, magazines) that were static one-way devices used by marketing teams to “push” ads at customers, Web 2.0 tools have made it simple for anyone to create and [...] issue their own content” (Saravanakumar & SuganthaLakshmi, 2009, p.4444). Co-creation, however, means more than merely producing virtual content on social media.

The Internet has not only profoundly transformed the consumer decision journey and the larger purchasing experience, but has also brought about tremendous changes in the ways consumers interact with each other and with the brand as well as in the ways they share information. Indeed, the Web 2.0 tools have facilitated the “development of specialized consumer knowledge reservoirs in the form of virtual communities of consumption, i.e., ‘affiliative groups whose online interactions are based upon a shared enthusiasm for, and knowledge of, a specific consumption activity or related group of activities’ ” (de Valck et al, 2009, p.185). Virtual brand communities (VBC) are defined “a specialized, non-geographically bound community based on a structured set of social relationships among admirers of a brand” (Muniz Jr. and O’Guinn, p.412). They are meant at sharing product and/or service information. In spite of their great success, studies have shown that 90% of VBC members are passive participants while most of them do not maintain their membership on the long run but rather see it as a “one-shot” experience. It appears thereby that organizations struggle at maintaining an active membership base. In order to enhance the VBC experience, many firms have implemented different strategies, such as creating discussion forums to provide customers with a space dedicated to interaction (Lee et al., 2015).

Drawing on Aaker and Joachimsthaler's (2000) view, interactive communication between people in the context of an online platform leads to the creation of a virtual bond that can foster the subsequent creation of a meaningful and stronger social experience. This enhanced social experience online will help build a "greater sense of community among visitors, thereby encouraging them to want to keep returning" (De Chernatony, 2001, p.188).

These online communities do not only serve as platforms to share opinions and information about a certain brand. They can also serve a gateway for consumers to provide suggestions and ideas to develop the brand. The main challenge marketers need to address is finding the best way to motivate consumers to participate and contribute to these online communities in order to provide sufficient input for the marketers to use in product development (de Valck et al., 2009).

According to Bagozzi and Dholakia (2002), people, when joining online communities, pursue functional as well as hedonic goals. Indeed, virtual communities allow consumers to share useful information about a certain type of good and to live a positive consumption and/or creation experience through direct interaction with other members who, together, act, for each other, as a reference group. The extent and frequency of participation is mostly determined by volitional choices and can be terminated whenever the member wishes to do so.

Virtual communities can take different shapes and forms: some are characterized by tightly bound relationships between members while others are looser connections between individuals who will never meet; some are socially driven while others exist for specific commercial reasons. However, whatever their specific characteristics, all virtual communities share a specific commonality, which is that "text-based communication in the digital environment is the primary formative and shaping force for their evolution, growth, and sustenance" (Bagozzi and Dholakia, 2002, p. 4). Most communities are also organized around a specific "*raison d'être*", a common interest shared between members that elicits their input, while they create for each member a sense of belonging as well as a sense of separation from all others, providing all the reasons to come back and contribute to the community. Online communities can also combine the marketer's perspective and search for commercial insight together with the consumer's volitional choice to participate in the community to encourage other individuals to take part in co-creation experiences.

4. Social Media as the New Century Marketing Tool

Social media is defined as "a collection of online platforms and tools that people use to share content, profiles, opinions, insights, experiences, perspectives and media (...), [and to facilitate] conversations and interactions online between groups of people". As for social

media marketing, it is “the process of promoting a product or a service" through the various social media channels" (Bagaturia and Johnson, 2014, p.6, 8).

The success of social media (SM) and the importance it rapidly acquired in the marketing field prompted business organisations to integrate it into their marketing mix. There are two main ways to use social media for marketing purposes:

1. Using one’s own brand SM accounts to engage with consumers, build followers, share content;
2. Using paid advertising to be displayed on people’s SM feeds (Bagaturia and Johnson, 2014).

In spite of this, it remains to determine how the marketing team can measure the efficacy of social media marketing. Measuring the impact of social media is a rather complicated task as they differ in nature from traditional communication tools and the measurement constructs that were generally associated with them. Being “dynamic, interconnected, egalitarian and interactive organisms beyond the control of any organization” (...) “social media require a distinct approach to measurement, analysis, and subsequently management”. (Chen et al., 2013, p. 281).

According to Bagaturia and Johnson (2014), organisations still choose the wrong approach to social media as a marketing tool since they ask themselves how they should have control over it as if it were yet another channel for them alone to manage like emails or websites. However, this approach is unsustainable as social media stands as a five-fold concept that is owned by brands as well as consumers themselves. Indeed, social media:

1. “is a strategic tool for uncovering business insights;
2. is managing the influencers who are driving the conversation around your brand;
3. is marketing that provides value and turns customers into evangelists;
4. is a critical component customer care;
5. is transforming your organization to meet the transparency and humanity customers now expect of brands” (p.6).

Therefore, organisations should not be asking themselves who is to have absolute control over these online platforms but rather how they can use them at their advantage and lead the consumer’s conversation as they please in order to achieve marketing goals and increase sales on the long run.

SM can be used to achieve a variety of goals: support the brand, create virtual communities of fans, create and share content, collect data and crucial information about customers, increase traffic on the brand website, identify unforeseen business opportunities and most importantly engage in direct conversations with consumers (Christodoulides et al., 2011).

Engaging in a direct conversation with customers has become crucial in the digital age if a brand is to thrive and survive. SM represents the best tool to directly interact with consumers not only because of the non-transactional nature of these tools (Christodoulides et al., 2011) but also because SM allows organisations to track people's reactions and instantly respond to their feedback to find out what they exactly need and want. This would be engaging with people who are already consumers of the brand (Bagaturia and Johnson, 2014).

However, how can SM influence those who have not yet purchased the brand? Can SM help build brand awareness among potential users? A 2012 research conducted by Sterlin proved this hypothesis to be true. Indeed, he found out that about 91% of consumers decided to purchase a specific good in stores because of a positive experience they had online. Considering online information plays a significant role on purchasing decisions, he recommends all organisations should have their websites and SM updated regularly to provide all the necessary information likely to impact the purchase behaviour. Most purchase decisions happen in-store (De Pelsmacker et al., 2013) while 62% of in-store decisions are taken after the consumer has researched the product online (Peneycard, 2013). Peneycard (2013) also showed that 72% of all consumers trust online reviews as much as personal recommendations. Therefore, organisations have started devising strategies to encourage consumers to leave reviews on their SM accounts (Bagaturia and Johnson, 2014). However, even though consumers see the buyer-created information as more trustworthy than seller-created information, Peneycard (2013) showed that 78% of all consumers are nonetheless influenced by the posts organisations leave on their SM accounts.

SM is slowly replacing more traditional forms of online communities. In this context, what is the role to be played by the marketers? Marketing teams should not disturb the community as a "monitoring" entity. Indeed, this would be counter-productive as "social media conversations about brands are usually unstructured or semistructured and moderated by the participants themselves, using unwritten rules. People join in freely because they enjoy and learn from the discussion. [The] company can also join, and to some extent influence, the conversation –but only if [it is] accepted by the other participants" (Barwise and Meehan, 2010, p.84).

The team should rather join the conversation and share with people things that are fun and that interest them in order to become an intrinsic part of the community. Communities are a key element leading to enhanced brand engagement. Indeed, several studies have shown that consumers engage more with the brand when they are part of a community. This would mean that in order to most benefit from the use of SM, marketing teams should encourage consumers to make idea suggestions and contribute to the creation of the online content (Bagaturia and Johnson, 2014).

As such, co-creation and consumer's collaboration are important strategies to incorporate in social media management.

Even though SM can help organisations achieve their goals (e.g.: increased brand awareness, increased online traffic, direct interaction with consumers), the question that remains is the following: how do organisations measure the effectiveness of social media on the general performance? As any other marketing tools, the effective use of SM in the marketing strategy should be assessed using specific metrics (Christodoulides et al., 2011). Accountability through measuring the impact of marketing tools has become even more important in an era characterized by increased cost-awareness and cost-effectiveness sensitivities. Furthermore, considering that the time horizon of most organisations is more short-term oriented than ever before, the direct impact of the marketing tools should be evaluated instantaneously (De Pelsmacker et al., 2013). However, the metrics of traditional marketing tools are based on linear forms of communication and are, for this reason, non adaptable to the interactivity of Web 2.0 (Christodoulides et al. 2011). Many researchers have highlighted the issue, among whom Borders, Johnston, and Rigdon (2001) in the following words:

(...) existing business metrics were designed for a world of concrete boundaries and fixed categories—a world that is slipping away day by day... The same phenomenon will plague the business economy, as networks become more influential while remaining temporary and informal. On the other hand, perhaps this change will finally force researchers to develop metrics that are truly customer-centric, instead of relying on categories of business organizations as a convenient crutch. (p. 204).

Following this statement, we would wonder whether researchers have developed such metrics. Asking the question “Can you measure the ROI of your social media marketing?”, Hoffman and Fodor (2010) responded by a blunt yes and attempted to provide a solution to one indispensable parameter of the equation: “How?”. The authors stressed that a shift in paradigm is essential in measuring the effectiveness of SM. Indeed, traditional return on investment does not represent an accurate tool as it concentrates on the firm's investments and aims at calculating the consumer response while actually “managers should assess consumer motivations to use social media and measure the social media investments customers make as they engage with the marketers' brands” (p.41). The consumers' motivation is particularly important as it represents their willingness to invest in the brand's SM efforts through their interactions with the brand.

Doing so, companies manage to get a clearer insight of long-term payoff rather than mere short-term results such as increased sales.

Embracing a new paradigm –especially when it comes to as sensitive an issue as evaluating the effectiveness of marketing tools –is never easy, all the more so that measuring the ROI of

SM marketing also means accepting not to base all metrics on the number of dollars earned but also on “customers’ investment” in the organisation’s SM efforts. An example would probably be more suitable to comprehend this novelty. When launching a blog, a marketing team would start by evaluating the budget needed to launch it and would then attempt to evaluate the increase in sales that such an endeavour would bring about. However, it would make more sense to approach the issue the other way around and determine what marketing objectives such an investment would help achieve (e.g.: brand awareness through trending hashtags on Twitter and Instagram), what would push consumers to visit the blog (e.g.: find information about newly developed products), and what behaviours might ensue from their visits (e.g.: writing a comment about a consumption experience). These behaviours can be regarded as “investments” in the company’s SM efforts and represent a metric not expressed in dollars but in number of visits, time spent on the blog, the valence of the comments posted online, the number of shares on other SM such as Twitter and Facebook. These metrics are particularly important because they constitute a good measurement of “key marketing outcomes such as changes in awareness levels or word-of-mouth increases over time” (p. 42). Those metrics, though radically different from traditional frameworks, are best suited for interactive environments.

An empowered consumer who navigates social media to consume online content created by other consumers rather than by marketers characterizes interactive environments. This new paradigm in the use of the Internet leads to the design of a new framework that puts the consumer at the heart of all strategies: the “4 C’s” (i.e.: connections, creation, consumption, control). This framework is indispensable to integrate in the larger business model of organisations because it is consumer-oriented.

Managers also need to start thinking differently when it comes to the way they set up the objectives to be achieved through social media. Indeed, even though increased sales and cost reductions stand as the ultimate goals of any manager, these traditional business objectives cannot serve as ways to prove the value of social media marketing because there is no empirical evidence that these results were brought about only through the use of these platforms (Hoffman and Fodor, 2010). Indeed, since most companies’ communication mix has become ever more fragmented, comprising different marketing tools ranging from TV and radio advertising to billboard and direct marketing to name just a few, it appears irrelevant to measure the effectiveness of a single element of the mix (De Pelsmacker et al., 2013). The nature of SM should encourage marketers to tackle objectives that are customer-centric, namely awareness, engagement and electronic word-of-mouth (e-WOM). Such a shift in the way business objectives are set up is indispensable considering that the appropriateness of the

metrics used depends on the objective to be fulfilled¹⁷. Indeed, to evaluate the ROI, managers need to add to the SM metrics used a set of benchmarks that would help calculate how marketing investments can be linked to customer “investments” and the larger market response (e.g.: how the *reach* of e-WOM can translate into future sales). This would for instance take the form of a brand using consumer panels to link purchase intent as expressed on social media with actual in-store sales. The purpose would then be to “quantify how the customer investments from brand awareness, brand engagement and word-of-mouth affect the purchase decision funnel and, ultimately, the sales and larger profit of organizations” (p.45).

The shifting paradigm can serve organizations in a very pragmatic way. Indeed, using consumers’ motivations (instead of trying to determine what SM platform is best to achieve marketing goals) as a starting point to design a SM marketing campaign makes more sense because, while SM platforms are diverse in shapes and usage, the underlying motivations are often the same. This would translate in a more integrated marketing campaign to be used on different online platforms to create or enhance brand awareness, engagement, and e-WOM. “In other words, the question is not whether to blog or tweet, but what objectives need to be achieved and which set of tools with their corresponding metrics can best achieve them” (Hoffman and Fodor, 2010, p. 47). Despite the importance of measuring the impact of the SM marketing efforts –especially when it comes to convincing top management of its necessity and efficacy, metrics should not constitute the first priority of managers. Instead, marketing teams should make sure that their SM marketing efforts are effective in achieving the consumer-centric marketing goals. Even though defining what an effective SM marketing campaign would be a difficult task, it appears plain that its efficacy should be measured with respect to the 4 C’s. Indeed a successful SM campaign is not based on the belief that consumers –them being in control of online conversations about the brand –will work for the brand but rather on the certainty that brands should work for the customers “by satisfying their needs to create, consume, connect and control in the social Web” (p.49).

5. Electronic Word-of-Mouth

Word-of-mouth has been a topic of interest to researchers and marketers for decades. Many studies revealed its importance in helping take purchasing decisions. However, even though word-of-mouth is not a new phenomenon (consumers have always spread the words of promotion for their favourite brands or those of demotion of the ones they discard) the digital age has tremendously changed its speed and scope and, thereby, amplified its impact (de

¹⁷ See appendix: “Relevant metrics for social media applications organized by key social media objectives” (Hoffman and Fodor, 2010). It is worth noticing that none of the metrics proposed is expressed in dollars but rather in numbers of “customer investments or behaviours”.

Valck et al., 2009). Indeed, while traditional word-of-mouth would impact another two people on average, electronic word-of-mouth (e-WOM), because of its availability for everyone to read or watch on the Internet, will impact the behaviour of many more. E-WOM is defined as "a relevant remark made [online through a post, a comment or a video] by a potential, actual, or former customer about a product or service" (Morales-Arroyo et al., 2012, p.42).

It stands as an empowerment tool for the consumer against the brand as the Internet allows people to impact the reputation of the brand as well as its retention rate, the consumer's loyalty towards the brand and, consequently, influence its sales and revenues (Morales-Arroyo et al., 2012).

Several studies (Salaün & Flores, 2001; Chai & Kim, 2010) made a direct connection between the advent of e-shopping and the development of e-WOM. These studies suggest that e-shopping, in spite of its convenience, rose some concerns among consumers in terms of familiarity, quality and mistrust. In order to get over these fears, they needed to have access to reliable and trustworthy information as provided by other consumers who had already purchased the product or service they were researching. This would be explained by the fact that, in the consumer's perspective, information created by another consumer is more reliable than information provided by the seller (Wilson & Sherrell, 1993), even more so in a virtual environment where it is not possible to assess the quality of the product through the senses as well as the trustworthiness of a seller they do not have any real contact with. Consequently, virtual communities and e-WOM as expressed on these specific platforms can dramatically impact decision-making and purchase intentions¹⁸.

It is worth noticing that word-of-mouth has changed not only because of its amplified impact but because of its format as well, as it is expressed through a variety of different channels (i.e.: instant messaging, forums, comments, blog posts, videos, e-mails to name just a few¹⁹). Indeed, traditional word-of-mouth would have consisted in a consumer discussing a specific good with another. This discussion, though informative, did not leave any long-lasting trace of its existence except in the minds of the peers involved in the conversation. E-WOM, on the other hand, has a permanent effect: the format it is based on—be it videos or texts— is not restricted to time and space and therefore can be conveyed to the general public anytime and any place without the necessary presence of the “e-influencer”. Through its changing nature,

¹⁸ It is obvious that the opinions expressed on virtual communities will only impact members if they themselves give importance and value to the opinions being expressed (for more details about e-communities' influence on purchase decisions see de Valck et al., 2009).

¹⁹ Interestingly enough, because of this wide variety of formats, WOM in the digital age is also characterized by its “trans-format” aspect. Indeed, even though an opinion is expressed in a video, the video can then be shared through Facebook, Twitter or instant messaging applications, which would yet again amplify its impact on consumers. Furthermore, e-WOM as expressed on social media is “device indifferent” in the sense that it can indifferently be watched on a computer, a tablet or a smartphone (Bagaturia and Johnson, 2014).

WOM has become more “formal and insightful” (Morales-Arroyo et al., 2012, p.44). E-WOM is especially interesting because it sheds light on the importance acquired by the media itself. As expressed through Marshall McLuhan’s (1964) famous words, “the media is the message”. As such, the technology itself becomes the indispensable vehicle to the embodiment of the information transmitted to audiences (Griffin, 2003). Interestingly enough, e-shopping and e-WOM also led to a shift in the consumer’s buying behaviour. Indeed, as shown by Brynjolfsson et al. (2003), trust seems to have a bigger impact on the purchasing decision than price. Building upon this information, it appears clear that e-WOM has emerged as a main tool to be used in order to develop and manage a brand.

6. Part I: Conclusion

The traditional marketing tools have been swept away by the Web 2.0 wave. Consumers are not passive recipients of advertising anymore but have rather become brand evangelists through co-creation and electronic word-of-mouth. They have now become the active agents behind the development of online communities necessary to raise awareness and bring brands forward. Xiaomi has perfectly understood the crucial role played by the consumers and the importance of engaging the fans with the brand in order to create a genuine two-way conversation and thereby enhance the interactions with all members of the brand community. The second part of this dissertation will aim at showing how Xiaomi has shaped the whole customer experience with the Web 2.0 tools as its core foundation.

3. Part II: Analysis of Xiaomi's Business Model

1. Analysis of the External Environment

1) The Smartphone Industry

“The smartphone industry consists of all companies that manufacture and sell smartphones to consumers” (Gorshow et al., 2014). With a global worth set above USD 400 billion in 2015 (Statista, 2016), the smartphone industry remains a tough one to operate in. Indeed, it is characterized by a fast-paced environment where constantly evolving technologies and designs are the rules, by aggressive price wars and rapid imitation of the technologies involved, which are the typical characteristics of highly competitive industries where rivalry among existing competitors has skyrocketed²⁰. Hence it is no wonder that the industry should be known for its very short product lifecycles (Gorshow et al., 2014).

According to Ovide and Wakabayashi (2015), no less than a thousand companies manufacture smartphones, yet only a few manage to keep their heads out of the waters and dominate the industry (i.e.: Apple, Samsung, Huawei, Xiaomi, Lenovo, and LG²¹ that reaped off more than 50% of all the industry's profits in 2015 (IDC, 2015).

However, in spite of its continuous technological improvements²², the smartphone industry has reached the maturity stage of its lifecycle: in 2015, for the first time in its short history, the market showed single-digit growth worldwide, which would mean that year-over-year growth is gradually declining (Thomas, 2015). The smartphone adoption has plateaued in many developed countries (e.g.: USA, Western Europe) to reach the saturation point (IDC, 2016a). However, this analysis gives a worldwide overview. Does that really mean that there is no room for growth? This is very unlikely. Indeed, according to Thomas (2015), the Middle East and Africa, which have not yet become “replacement” markets, should witness the highest growth (i.e.: 50% year-over-year) in smartphone shipments in the coming years.

Some would argue that the smartphone industry is, overall, not a profitable one anymore. Indeed, replacement demand, over-segmented markets, standardized products, higher entry barriers and a handful of powerful competitors that transform the market into an oligopoly characterize the maturity stage of an industry. The main objective for competitors at this stage is to maintain and, when possible, extend the existing market share. In order to reach this goal, rivals should first and foremost develop a strategy that allows them to create competitive advantage through product differentiation, specific relationship marketing, investments in

²⁰ According to Porter (2008, p.85), “rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements”.

²¹ See appendix 1: Worldwide Smartphone Vendor Market Share.

²² The disruptive innovations have been rare in the past years. Most pertain to additional widgets or the size of the screen.

niche markets, or disruption via technological innovations²³ (Lambin and de Moerloose, 2010). This means that survival is mostly driven by the innovation and disruption capacity of the company.

In addition, this stage has a strong impact on the intensity of rivalry itself as price wars become prevalent. However, price wars only have very little impact on demand since it has become inelastic to price, but rather tend to impact market shares among powerful rivals (Lambin and de Moerloose, 2010). Price wars are primarily responsible for decreasing the overall profitability of an industry as they transfer most of the profits to customers themselves. However, they are not the only elements to take into consideration when analyzing an industry's profit potential as, according to Porter (2008, p.80), "industry structure drives (...) profitability, not whether an industry produces a product or service, is emerging or mature, high tech or low tech, regulated or unregulated".

Hence, the question remains: is the smartphone industry still a profitable one?

2) The Industry Profitability: Porter's 5 Forces²⁴

In order to determine the profitability of an industry, its structure should be thoroughly analyzed, as intense forces are responsible for limited returns on investment while benign forces should lead to sizable shares of profit (Porter, 2008).

a. Threat of Entry

New entrants to an industry will inevitably lead to more fragmented market shares, which will put further "pressure on prices, costs, and the rate of investment necessary to compete" (Porter, 2008, p. 80). The threat of entry is mainly dependent on the height of the existing entry barriers as well as on the strength of the incumbents' reaction: should the barriers be low and the retaliation limited, the threat of entry is said to be high while the overall profitability of the industry is moderated. On the other hand, high entry barriers coupled with strong retaliation threats are synonyms of a very attractive industry where profitability is high. Porter (2008) identifies seven major entry barriers: supply-side economies of scale, demand-side benefits of scale, customer switching costs, capital requirements, incumbency advantages independent of size, unequal access to distribution channels and restrictive government policy. Considering the humongous investments in R&D associated with developing, designing and patenting technological innovations, the capital requirements necessary to enter the industry stand as a major entry barrier. Therefore, it is no overstatement to suggest that only entrants with a clear-cut business model and disruptive innovations would manage to convince investors. The economies of scale that most incumbents enjoy thanks to their high

²³ Xiaomi, as a source of differentiation, has applied all these elements.

²⁴ See graph in Appendix.

volume of production and their worldwide shipments stand as the second major entry barrier. Drawing upon these facts, barriers to entry would be regarded as quite high (Gorshow et al., 2014).

Interestingly enough, Apple, till this date, stands as the only major incumbent that can brag about benefiting from the “customer switching costs” barrier. Indeed, the American giant remains the only big player in the industry to have developed an exclusive brand community and experience worldwide through the creation of products and applications that solely work together. Apple also stands as the only major player that manufactures products that only work with its own operating system (i.e.: iOS), when all the other major brands (i.e.: Samsung, Lenovo, Motorola or LG)²⁵ exploit Android, the open-source operating system (OS) developed by Google (Gorshow et al., 2014).

The existence of an open-sourced OS represents a major threat for the big players as it leaves the door open to any smartphone manufacturer²⁶. Therefore, creating their own OS stands as a formidable opportunity for existing rivals to differentiate themselves from competition since they would provide the customers with a specific brand experience that might eventually strengthen their loyalty.

b. The Power of Suppliers

According to Porter (2008), suppliers are powerful when they manage to capture most of the value for themselves by switching costs to the industry’s participants through higher prices, limited quality or services, thereby reducing the business organizations’ profitability. It is generally accepted that in order to be powerful a supplier group should be more concentrated than the industry it sells to or not depend heavily on the industry for its revenues. Considering the abundant number of smartphone component manufacturers and the harsh competition between them, the power of suppliers would be regarded as low.

c. The Power of Buyers

Customers too can capture most of the value for themselves if they have sufficient negotiation power to “[force] down prices, [demand] better quality or more service (thereby driving up costs), and generally [play] industry participants off against one another, all at the expense of industry profitability” (Porter, 2008, p. 83). Buyers acquire more negotiating power when they are numerous [(i.e.: the worldwide customer base of the smartphone industry is estimated at 2.1 billion in 2017 (Statista, 2017a)], face few switching costs or when the industry’s products are so standardized or undifferentiated that it is no complex task to acquire an

²⁵ We will see further on that Xiaomi developed a specific operating system based on Android.

²⁶ This threat is a lesson learnt for Samsung since the Korean giant teamed up with Intel to develop a Linux-based operating system to counter its American rival (Gorshow et al., 2014).

equivalent product for a lesser price. Therefore, depending on the brand used, the power of buyers in the smartphone industry would be regarded as low (i.e.: Apple) to high (i.e.: Huawei, Lenovo). Through our analysis of Xiaomi's strategy, we will see how the Chinese start-up managed to overcome this threat.

d. Threat of Substitutes

Porter (2008) defines substitutes as services or products that provide the same or a similar function by using a different process. A high threat of substitution lowers the overall profitability of an industry as it puts a ceiling on prices. However, no real substitute to the smartphone has been identified as another combination of the smartness of the tablet/computer and the practicality of the cell phone has yet to be found. The threat would hence be regarded as low.

e. Rivalry among Existing Competitors²⁷

According to Porter (2008), intensity of rivalry is the greatest when the number of incumbents is high, when the industry growth is low or when rivals fight for leadership. As such, rivalry in the smartphone industry is very intense since no less than six big players (i.e.: Apple, Samsung, Lenovo, Huawei, LG and Xiaomi) were fighting for market share in 2015 (and the game is rapidly changing with new big global players to take into consideration such as Oppo (IDC, 2016b)). Rivalry becomes destructive to profitability when it leads to price wars since, as it was mentioned above, they transfer most of the profits to consumers. Interestingly enough, both price and non-price competitions exist in the smartphone industry. Price competition is bound to exist when a product or service lacks differentiation. However, not all rivals in the industry compete on the same dimensions (Gorshow et al., 2014). For instance, while Apple and Samsung position themselves as the two brands catering to high-end consumers with price brackets ranging from USD 600 to USD 1000, Xiaomi targets a price-constrained middle-class conscious of its social image and willing to take part in the development of the brand, which is a unique targeting that, along other factors, allows the company to differentiate itself from competition.

The analysis of the industry thereby shows that the smartphone industry remains a profitable one, under conditions. There is little doubt that growth will explode in developing economies. However, profits will eventually shrink in the longer run, unless companies adapt their

²⁷ After 4 years, Xiaomi became the biggest smartphone manufacturer in Mainland China. It thereby became a serious competitor to Apple and Samsung on the most coveted market of the planet. Still the two giants barely took actions against the start-up, opting for poorly designed strategies (such as launching simplified versions of the top-of-the-line phones [i.e.: the iPhone 5C by Apple] that do not match the essence of their brands (Pablo and Sempere, 2014)).

strategy to the innovation paradigm shift that we are currently witnessing²⁸. In other words, only competitors able to differentiate themselves from rivals on very specific dimensions will manage to reap off the majority of the benefits.

2. Xiaomi and its Strategy: “Platform then Monetization”

1) The Birth of the Company

Xiaomi²⁹ is a Chinese technology start-up that was founded by eight partners (Lei Jun³⁰ (CEO), Lin Bin, Li Wanqiang, Zhou Guangping, Huang Jiangji, Hong Feng, Wang Chuan, and Liu De) in Beijing, Mainland China, on April 6th 2010. Lei Jun and Bin Lin, the two leaders, started this adventure because they strongly believed that world-class technological devices (e.g.: smartphones, laptops, headphones) could be both made and designed in China, thereby turning upside down the traditional value chain associated with the country (Dhillon and Ghupta, 2014; Rowan, 2016). Lei Jun invested his own money as capital and managed to gather investment money from a series of Asian venture capital funds, national investment funds (e.g.: Singapore’s) as well as component suppliers like Qualcomm Inc. Furthermore, the company’s landslide success rapidly attracted new investors (Miller, 2015). Indeed, in the span of only four years, the company became the world’s most valuable tech start-up^{31,32} before quickly rising to the ranks of biggest smartphone provider, right behind Samsung and Apple³³ (BBC, 2014). The company currently employs about 5,000 people in, among other Asian countries, Mainland China, Taiwan, Singapore or India. (Dhillon and Ghupta, 2014).

2) The Portfolio Companies Strategy

On Mi.com³⁴, its online platform, Xiaomi sells smartphones and a wide range of electronic

²⁸ We will see in the following sections that Xiaomi perfectly understood and even led the race in the innovation paradigm shift.

²⁹ The name “Xiaomi” means “small rice” in Mandarin Chinese. However, other stories and speculations about the true meaning of the name abound in China: the name, which also translates into “millet” in Chinese, would be a reference to a Mao Zedong’s 1946 speech in which he said that the Communists, armed only with “millet and rifles”, would defeat the Nationalists and their better equipment. According to Lei Jun, CEO, the name can also refer to the expression “mobile internet” as well as to his company’s “mission impossible” to overtake the incumbents (Rowan, 2016).

³⁰ This entrepreneur, often dubbed the “Chinese Steve Jobs” made a landmark in the Chinese business history for selling an online book company he created to Amazon for USD 75 million in 2004 (Miller, 2015). His being famous among entrepreneurs and young geeks played a part in raising the brand awareness among this audience.

³¹ It has now been overtaken by American start-up Uber. However, the company is still priced by its investors at USD 45 billion (Rowan, 2016).

³² This valuation is partly explained by the fact that investors expect Xiaomi to go beyond selling hardware devices to become a company able to monetize services (Cutler, 2013).

³³ This is no longer the case as competition becomes even fiercer in Mainland China with Oppo and Vivo overtaking Lenovo and Xiaomi with their global shipments in the first quarter of 2016. IDC (2016b) points at the maturity stage and the number of different options available as the main reasons behind this shift.

³⁴ Mi is the name of the domain chosen by the company to expand on international markets (Dhillon and Ghupta, 2014).

devices. However, the range of products it designs itself is limited: out of the 600 items³⁵ sold, Xiaomi only designs smartphones, tablets, TVs, set-top boxes and routers. Everything else is left to independent companies to produce (Rowan, 2016). Indeed, instead of expanding in other fields, the company invests in other start-ups active in a specific Internet industry.

Lei Jun, CEO, explains that Xiaomi investing in these Internet start-ups is part of a larger business strategy aimed at squeezing costs without restricting the range of business opportunities. Xiaomi helps the companies design and produce the items and grants them direct access to its sales channels, supply chain, branding and financing, thereby acting as a supervisor more than a mere investor³⁶ (Rowan, 2016). In exchange, the products and services of these companies are then sold on Xiaomi's main website, which serves as a main digital sales platform for all the partner companies³⁷.

As such, Xiaomi manages to offer a diversity of products and services at a lesser cost while creating a larger Internet ecosystem whose devices are all interconnected through a single vehicle: the Mi phones that allow customers direct access to the platform.

The main reason behind this strategy^{38,39} of portfolio companies lies in the fact that Xiaomi regards smaller companies as more compatible with a fast-paced environment to which they have to adapt easily and in which they have to be flexible in order to take decisions quickly. By adopting such a strategy, all companies forming the Xiaomi ecosystem can be independent from each other and develop faster whilst having access to a larger consumer base built up through the community of fans gathered by the Mi brand⁴⁰. Designing a platform that would allow Xiaomi to build volume and scale is also part of a larger cost strategy since increasing the volume sold allows the start-up to significantly reduce its costs over time thanks to economies of scale (Rowan, 2016).

³⁵ It is worth stressing that Xiaomi can afford selling such a diverse range of items because it directly markets to its customers and does not need to strike specific deals with distributors to sell them.

³⁶ As one of Xiaomi's heads put it, "They're our special forces, and we are the commander" (Rowan, 2016).

³⁷ It is therefore no wonder that Mi.com managed to raise to the rank of third-largest e-commerce website in China in only six years of existence (Rowan, 2016).

³⁸ After exploring the portfolio strategy further, it appears that Xiaomi perfectly designed its diversification strategy: by keeping the partner companies independent and headed by entrepreneurs eager to put their project forward, the Chinese company ensured that all start-ups would work all the more passionately on the development of their products in order to survive. Should they have been only simple business units of the bigger Xiaomi, these start-ups might have relied on the security offered by shared stock options that would provide them with ensured revenues (Rowan, 2016).

³⁹ Xiaomi does not always take a controlling stake in the company but acquires just enough to ensure that it is aligned with its vision.

⁴⁰ For instance, the Chinese company takes pride in the fact that ZMI, one of the start-up it invested in, has become the world's largest power-bank start-up (Rowan, 2016).

3) **Xiaomi: an Internet Company for the Fans by the Fans**

Unlike what some would have in mind, the company did not start out its operations with designing a smartphone but with launching an Android-based firmware called MIUI⁴¹ in August 2010. Xiaomi, in spite of it being mostly known for its smartphones, does not define itself as a smartphone manufacturer but rather as an Internet company offering “a new kind of Internet-enabled ecosystem⁴²”: a digital platform of interconnected electronic products and services aimed at monetizing customers’ engagement. Its primary business thus does not consist in selling smartphones but rather services and digital content⁴³. This specific strategy, called “the triathlon model” in reference to the integration of software, hardware, and Internet services, stresses the undeniable ambitions of the Chinese newcomer in the field of “the Internet of things”. This Internet ecosystem is meant at creating a community of fans⁴⁴ that would sweep off the old-fashioned concept of “customers” as these fans would be invited to become co-designers of the brand’s products and be so loyal to its name that they would willingly turn into “brand-evangelizers”, thereby putting forward the epitome of the millennial marketing (Dhillon and Ghupta, 2014; Rowan, 2016).

Indeed, Xiaomi, through diverse means that will be exposed in the following paragraphs, establishes a direct dialogue with the fans and manages to create a genuine and strong bond with them, thereby understanding the utmost importance that lies behind driving advocacy to increase sales⁴⁵.

4) **The Essence of the Strategy⁴⁶**

As explained above, Xiaomi does not position itself as a smartphone company but as the Chinese pioneer in the field of the Internet of things⁴⁷, seeing the smartphone, its main product and success, as the connector of all the products and services in which it invests with the

⁴¹ To be pronounced “Me, You, I”.

⁴² As Hugo Barra, former chief of the international expansion of the company, put it: “The reality is that we are a lot more and a different kind of company. You could say that Xiaomi is like bits and pieces of Google, and Apple, and Amazon. We have the Software engineering horsepower of a Google, the design ambitions of an Apple and the e-commerce platform and customer service focus of an Amazon.” (Kumar, 2014)

⁴³ Thereby, Xiaomi’s strategy is very similar to Amazon’s Kindle strategy: through selling a hardware platform, the company manages to generate revenues in the longer run through the sales of content to be displayed on the hardware (Ghupta and Dhillon, 2014).

⁴⁴ Xiaomi will classify the fans into different categories (e.g.: silver, gold, diamond) depending on their involvement into the development of the brand (i.e.: comments, feedback, level of participation). Each category is associated with a certain grade, which will grant Xiaomi fans a series of incentives. This system of reward will encourage the fans to further participate in the brand’s activities and strengthen the community (Lin et al., 2014).

⁴⁵ According to Edelman (2010, p.3), “the single most powerful impetus to buy is someone else’s advocacy”.

⁴⁶ All the strategy analysis as presented in the first part of this dissertation only pertains to Mainland China.

⁴⁷ It appears that many Chinese companies have adopted the Internet of things strategy, as even WeChat, the famous Chinese chat application, became a platform that incorporates gaming, payments and Internet services. Therefore, it would be a mistake to reduce Chinese start-ups to companies that are content with imitating the West. Far from that, most of them managed to expand beyond the field they had invested in at first (Rowan, 2016).

larger aim to fundamentally change and better lead the Chinese Internet industry (Rowan, 2016). In other words, the main goal of the company consists in creating a mobile Internet platform for which smartphones would constitute the main distribution vehicle. This strategy would easily be achievable in China given that the company would enjoy the first mover advantage in the country^{48,49}.

In order to build scale and increase market share against its rivals on the market, Xiaomi vowed to accept smaller initial margins (i.e.: it almost sells at the cost of production⁵⁰) and cut its costs via direct sales on its e-platform (Miller, 2015). As explained by Hugo Barra, the former chief of the internationalization of the brand, “the true value of a Chinese Internet business lies simply in ‘having a tonne of users’ ” (Rowan, 2016). Hence the first step of the strategy lies in increasing the customer base.

By doing so, the Chinese start-up followed the steps of giant e-retailer Alibaba⁵¹ in building a significant customer base even if it should not provide sizable revenues in the beginning. According to Seifert (2013), Xiaomi also adopted a strategy similar to Google’s. Indeed, American giant mostly makes profit out of advertising while providing the users with services either sold at a low cost or offered for free. Given that Bin Lin quit Google to start the Xiaomi journey, it would make sense to consider that the Chinese company might have found some inspiration in this approach to monetize services. It appears clear that selling smartphones does not constitute the main business of Xiaomi but rather only allows the company to provide its customer base with the means through which it will build its Internet ecosystem. By selling smartphones, the company increases traffic on the mobile platform that constitutes the essence of its business.

The platform also incorporates its own chat service (i.e.: MiTalk) that serves as the main

⁴⁸ No other Chinese company so far has adopted such a business model: creating the vehicle that would connect all its devices and services (e.g.: banking, movies, gaming, music). Apple has proven its ambition to expand into the Internet of things as well since it has recently offered its consumers the possibility to pay using their smartphones. However, Xiaomi, as we will see, aims to go beyond these mere devices and services connection.

⁴⁹ According to De Pelsmacker et al. (2013, p. 195), “in almost all markets, a brand’s competitive advantage is determined by the order of entry on a market. Pioneer brands often enjoy market share leadership (...)”.

⁵⁰ Considering Xiaomi keeps its products on the market for a longer period of time than competition (up to 2 years), they increase their margins with time as they bet on the drop in components cost over time. According to Pablo and Sampere (2014), components cost drops by as much as 90% over time. By maintaining the same price or consenting small discounts, Xiaomi manages to cover its costs and earn a profit on products sales thanks to the difference. On the other hand, most competitors taking their margins on hardware sales must come up with a new model quicker in order to make a profit. This again shows how disruptive Xiaomi’s business model is since it is easier to make a profit out of hardware sales through component cost drop than through continuous –and often unnecessary – feature improvements, especially considering the latter strategy will sooner or later become obsolete.

⁵¹ Indeed, unlike many of its Western rivals (i.e.: eBay), Alibaba did not charge the sellers for any transactions made on the website, with the aim of building significant volume in a limited period of time in the hope of benefiting from a sizable customer base that would use its Internet platform often, thereby allowing it to reap off larger benefits fast. The strategy paid off as the Chinese company managed to exploit its scale to develop profitable products such as Alipay (Rowan, 2016).

gateway where consumers interact with the brand through instant feedback, direct dialogue and the sharing of ideas⁵². Through this virtual network nurtured by millions of fans, Xiaomi will be able to launch services and products in a myriad of different industries ranging from games to movies, music and finance or other industries along the suggestions made by the fans (Rowan, 2016). Without even realizing it, the Mi fans, when using their smartphones, actually exploit a network whose services and products have been designed and engineered to be so intertwined that the use of one urges for the use of the other⁵³. Such a strategy, which ultimately aims at monetizing fans' engagement, makes the Mi brand and accessories indispensable to any user whose products are incompatible with other competitors'. Needless to say, Xiaomi managed to raise the barriers protecting its business by putting high switching costs on the customers.

5) The Scarcity Marketing

Many detractors of the brand accused the company of practicing “scarcity marketing” in order to increase the buzz around its brand and copy Apple's “aura of exclusivity” around its own products. The Chinese start-up is indeed famous for what is called “flash sales” (i.e.: creating buzz by limiting the availability of the items sold). Most of the smartphones go on sale on the prepaid market and about 70% of all phones are sold online in batches⁵⁴ (Singh, 2013). Xiaomi would thereby create the illusion that its products are so popular that demand is too high to perfectly meet the offer. Indeed, this “hunger marketing” is based on the fact that the more difficult it is to acquire an item, the higher the demand will become.

However, Xiaomi repeatedly said that scarcity marketing was not part of the strategy but only a consequence of its limited capacity. Indeed, in spite of its phenomenal success, Xiaomi remains a start-up with a limited capacity of production. Therefore, only a certain amount of items can be produced at a time (Rowan, 2016). Furthermore, producing and selling its products in limited amounts not only allows the company to reduce the risks and costs associated with bigger inventory⁵⁵ (Kan, 2014) but it also goes hand in hand with a strategy based on direct customer feedback as any valuable change can be operated directly on the

⁵² A concrete example would be the launch of the MI-3. This model was equipped with a function allowing to automatically connect to Wi-Fi in public spaces through password-sharing. Consumers backlashed the function, deeming it a violation of people's privacy and an invitation to “Wi-Fi-squatters”. It took Xiaomi less than 24 hours to respond to the negative feedback and announce the immediate suspension of the function. All 320,000 Wi-Fi passwords collected were erased while a new interface was released the following week (Li, 2014).

⁵³ As put by one of Xiaomi's heads: [Our Internet strategy consists in] “acquiring users with amazing products, keeping them loyal, increasing their engagement and monetizing them.”

⁵⁴ In order to be able to buy a phone online, consumers have to register and log in two hours prior the sales opening. Human psychology being what it is, these hours of waiting lead consumers to long for the smartphones even more (Pablo and Sampere, 2014). This shows again how well designed Xiaomi's strategy is as the marketing team proved its deep understanding of the consumers' psychology.

⁵⁵ For any company selling tangible products, inventory stands among the most costly burdens. Considering the firm is still in its infancy, Xiaomi managed to find a way to do away with the cost incurred by inventory by producing very limited quantities of devices, (Ghupta and Dhillon, 2014).

next batch of production (Girotra and Netessine, 2014).

However true these reasons may be, keeping the production quotas just short of demand is bound to create a sense of urgency around the Mi devices and it is plain that such a scarcity strategy, intentionally applied or not, undeniably serves the interests of the company as all the more often every new product launch is accompanied with a sold-out notice in no time, an event so rare⁵⁶ in the industry that it always makes it to the headlines, creating such a buzz that the company invariably ends up with free marketing around its brand (Lee, 2012; Miller, 2015). However, a business strategy only based on the marketing hype created by its innovative approach is not sustainable on the long run.

6) Marketing Mix

When competition is intense, rivals aim at finding a means to differentiate themselves from other big players. Xiaomi managed to reach this goal through a marketing mix that sets a precedent in the industry.

a. Product

According to De Pelsmacker et al. (2013, p. 3), the product is a threefold concept:

- *the core product* is “the unique benefit that is being marketed” or “the unique place in the mind of the consumer, that will be focused upon”. This unique benefit would be the vast range of technological innovations that the start-up aims at bringing to everyone⁵⁷;
- *the tangible product*, which would be the different products’ features, level of quality, the options provided, the design and the packaging offered ;
- *the augmented product*, which “gives the tangible product more value and more customer appeal”. As explained above, Xiaomi is not a smartphone company⁵⁸ but an Internet company providing its consumers with an ecosystem of interrelated devices and services as well as with a strong community in which fans can find a sense of belonging.

b. Price

Xiaomi provides a whole range of electronic devices, technological accessories and services⁵⁹ that revolutionized the price-performance ratio in the industry. Indeed, the Chinese start-up pays the utmost attention to the refined design of its products, which, for the most part, look like the spitting image of Apple’s devices⁶⁰, as well as to the quality of the items’ performance

⁵⁶ They made the headlines several times for selling batches in seconds.

⁵⁷ Unique benefit as expressed by Lei Jun (CEO) himself (Rowan, 2016).

⁵⁸ In spite of this, it is worth mentioning that, as of 2016, only 5% of Xiaomi’s revenues came from sales other than smartphones (Price, 2016).

⁵⁹ Among the different accessories and services, we find air purifiers, weighing scales, light bulbs, TV screens, wristbands and fitness bands (Rowan, 2016).

⁶⁰ Lei Jun, co-founder of the company, himself admitted his admiration for Steve Jobs. The extraordinary resemblance between Apple’s devices and Xiaomi’s even led Jony Ive, Apple’s chief design officer, to accuse the Chinese brand of “theft” (Rowan, 2016).

at the most attractive price offered in the industry⁶¹. As stressed by Pablo and Sampere (2014), Xiaomi's products stand among the most performing ones. It is worth noticing however that, even though the start-up is mostly advertised as a "low-cost company", most of its products are still divided into two categories: high-end and low-end electronic devices. This being said, the high-end products still go on sale at a far more moderate price in comparison with Apple and Samsung^{62,63}, the two industry leaders (Lee, 2012).

c. Place

"By means of place or distribution, the company manages the process of bringing the product from the production site to the customer" (De Pelsmacker *et al.*, 2013, p. 3). Xiaomi started out its operations with online distribution channels only. It thereby lived up to its own standards as an Internet company, unlike its Chinese rivals (i.e.: Lenovo, ZTE⁶⁴ Corp or Huawei), which manage to sell a large volume of their products through partnerships with telecom carriers (Lee, 2012). However, since late 2015, the company has integrated some offline channels into its business model.

d. Promotion

"Promotion or marketing communications (...) involve all instruments by means of which the company communicates with its target groups and stakeholders to promote its products or the company as a whole" (De Pelsmacker *et al.*, 2013, p. 3). The company largely makes use of Chinese social media platforms, such as Weibo, to create awareness and advertise their content. Furthermore, it also sets up events to launch new products and present in details the new features of the technologies offered by the brand. Apart from this, the start-up invested limited amounts in marketing and advertising, seemingly counting on the sole support of its fans to work as brand-advocates on social media platforms⁶⁵ (Price, 2016). This strategy would be consistent with Christodoulides's (2008, p.292) view that "new age branding is fast moving from a predominant emphasis on marketing communications to a primary emphasis on relationships".

⁶¹ For instance, the start-up announced the launching of the Redmi Note 4 only to be commercialized in China at a price ranging from USD120 (for the 2 Go/16 Go version) to USD160 (3 Go/64 Go).

⁶² While the "Mi" products (i.e.: high-end) are sold at a price ranging from USD 200 to USD 400, the "RedMi" prices range from USD 80 to USD 150.

⁶³ In 2012, the top-of-the-line Mi 2 went on sale at USD 320, half the price of Apple's iPhone 5 in spite of its holding similar features with the American brand device.

⁶⁴ The first stores were opened as "experience stores" before being turned into retail stores in late 2015.

⁶⁵ According to recent analyses, this strategy would allegedly have reached its full capacity as other brands, such as Oppo, soon started to follow Xiaomi's path and launched their own online brands. Furthermore, unlike Xiaomi, Oppo invested in a celebrity endorsement marketing strategy in order to appeal to a younger crowd. This strategy, however, is bound to pay off solely in the short run as only differentiation between rivals will secure long-term brand loyalty and allow a player to take the lead (Price, 2016).

7) Strategic Marketing

a. Targeting

Targeting represents one of the core elements of the strategic marketing of a company. The marketing theory stresses that the segments' size, growth, attractiveness and general stability together with the objectives and budgets of the company are the elements that should guide the targeting decision. Small companies would however be better off choosing smaller and less attractive niche segments when competing in an industry where rivals already cater to a vast majority of the customers (De Pelsmacker et al., 2013).

Considering competition in the smartphone industry was already high amongst incumbents when Xiaomi first entered the Chinese market, it had to target a specific niche that had not yet been catered to by the big players. Apple and Samsung, the two industry leaders, target premium customers (i.e.: they charge a price premium on most devices sold in order to make a profit off the sales). Xiaomi, on the other hand, decided to cater to a specific niche on the Chinese market: emerging middle-class tech-savvy youngsters and geeks who long for high-quality technologies and who are perfectly aware that the digital age means that they should play a role in the development of the brands they buy (i.e.: customization, feedback and design ideas).

According to Pablo and Sampere (2014), the burgeoning middle-class in most emerging markets represent the most suitable target for new firms since these customers are willing to spend their newly acquired purchasing power. The Chinese emerging middle-class does not yet own the financial means to afford Apple's and Samsung's devices. However, the tech-savvy millennials have become highly status-conscious: owning a high-quality technological device is a requirement. They would therefore not be too reluctant to spend extra money to acquire a device whose features are qualitatively as performing as the top-of-the-line brands. For this very reason, this middle-class does not yet represent an attractive segment for most of the top-brands that have to generate a margin large enough to cover the fixed and variable costs. Under these circumstances, it is fair to say that this target is relatively risk-free for most young companies: it will allow start-ups to fuel their growth without fearing any retaliation from big players. However, in order to build a brand, a company needs scale and volume. Xiaomi therefore had to attract other segments to fuel its growth. We will see in the next sections, how the company manages to broaden its targeting.

b. Positioning

Xiaomi targets a generation of tech-savvy young students and geeks unable to afford top-of-the-line phones but willing to go beyond the mere buyer-seller relationship in order to invest time into co-designing their favorite devices, giving feedback and creating content on

Xiaomi's Internet platform. This specific targeting goes hand in hand with the unique positioning adopted by the brand as "the Internet company that brings the best innovation to everyone". Such a statement shows that the Chinese start-up intends to broaden its consumer base beyond this niche, using word-of-mouth and buzz marketing around its brand to attract other segments and eventually become the top-of-mind brand of a whole generation of Internet consumers. It also shows that Xiaomi wishes to go beyond the image of a mere commodity hardware maker and we stressed earlier that the company defines itself as an Internet company that puts its heart into making high-quality products with the ultimate hope of creating **a connected lifestyle** for every user as the world quickly progresses towards a new era of technological innovation (Rowan, 2016).

Positioning is one of the core elements of any marketing strategy since it should reflect the unique benefit the brand stands for in the customer's mind in order to differentiate itself from competition (De Pelsmacker et al., 2013). Since Xiaomi aims at bringing the best technological innovations to everyone, this could lead to believe that it would mainly stand as a low-cost company in the consumer's mind. However, does that mean that the Chinese start-up positions itself on price? Xiaomi is not the only brand that offers technology at a low price as Chinese ZTE, Huawei, Meizu or Qihoo 360 phones are priced in a similar bracket. Price would therefore not allow the company to differentiate itself from competition. Its positioning statement "Best innovation at a moderate price" indicates, however, that it aims at differentiating itself through the high-quality products it provides as well as on the limited price paid for buying the Mi brand. "To everyone" would also refer to its intention of bringing everyone in the creation and development process of the Mi items and services. Furthermore, "best technology" would also pertain to the platform of connected Internet services the company aims at offering, a strategy that is fully incorporated in the company's positioning statement. For these reasons, I believe that Xiaomi is following a blue ocean strategy.

8) The Blue Ocean Strategy

a. More Value at a Lesser Price

According to Michael Porter (1998), there are two main means for a company to achieve a competitive advantage against its rivals: it should either produce a similar product at a lower cost (i.e.: the company has a cost advantage; its total costs throughout its value chain are lower than the total costs of rival companies) or a better product sold with a price premium (i.e.: the company has a differentiation advantage). Kim and Mauborgne (2004) however showed that there is a third way besides these two strategies: creating an uncontested market space, known as the blue ocean strategy (BOS). The BOS rejects the main tenet of strategy as it has been developed during the past decades: in order to create a competitive advantage, trade-off between value and cost is not a necessary condition. Indeed, according to the

authors, creating greater value at a lesser cost can provide a company with a greater competitive advantage against its rivals in the industry. In order to do so, the company should create for itself an uncontested market space in which competition is made irrelevant and demand is created rather than fought for. According to Kim and Mauborgne (2004, p.83):

Blue ocean is created in the region where a company's actions favorably affect both its cost structure and its value proposition to buyers. Cost savings are made from eliminating and reducing the factors an industry competes on. Buyer value is lifted by raising and creating elements the industry has never offered. Over time, costs are reduced further as scale economies kick in, due to the high sales volumes that superior value generates.

While Apple, Samsung and other big players earn a profit through selling phones and other electronic devices with a margin, Xiaomi decided to adopt another and far more innovative approach in order to avoid competing on dimensions that are largely part of the red ocean.

b. Cost Innovation vs Product Innovation⁶⁶

We stressed earlier that Xiaomi aims at providing everyone with the best innovation at a moderate price. The devices designed by the Chinese start-up are in every way as good as Apple's and Samsung's but, unlike the American and South Korean giants, they are sold for less than half the price. Therefore, the main competitive advantage of Xiaomi lies in value as well as in price. If its value proposition were only based on price (i.e.: if Xiaomi was offering half the quality of the incumbents for half the price), the start-up would not possess any competitive edge in the industry.

This being said, can we argue that the value proposition of Xiaomi is based on product innovation? Does the company offer a better product (i.e.: increased value in comparison with the rivals) at a lesser price? According to John Ross (2015), senior fellow at the Renmin University of China, the innovation approach led by Xiaomi is based on cost and not yet on product: Xiaomi does not yet offer a superior product than Apple and Samsung but as good a product for half the price.

Many detractors pointed at the exaggerated similarities between Xiaomi's and Apple's devices launches and features, even criticizing the way Lei Jun was dressed during the special launching events, seeing in every clothe and gesture a mere imitation of late Steve Jobs. However, we should see in these similarities a very well thought-out branding strategy: Xiaomi can allow itself to give a similar image to Apple's because it stands as the Chinese company providing products of outstanding quality while keeping prices down (Ross, 2015). In this sense, the branding strategy aims at reshaping the image associated with the "Made in China" products and the idea that low price is tantamount to low quality.

⁶⁶ In 2014, Per Fast Company, a consulting firm, ranked the Chinese start-up third on its list of the 50 most innovative companies, right behind Google and Bloomberg (Dhillon and Ghupta, 2014).

As explained by Steenkamp and Verlegh (1999), the image associated with a nation is made up of stereotypes carrying cognitive, affective as well as normative dimensions that remain pervasive in the consumer's mind, influencing buying and investments decisions, even though they are not necessarily true. Since the "Open Door policy" implemented by president Deng Xiao Ping in 1978, "China has assumed the role of the global economy's low-cost manufacturer", which is not a sustainable role to play if it is to achieve a long-term prosperity (Loo and Davies, 2006, p. 198). This is especially true now that the country has become one of the most competitive playgrounds for most companies worldwide. Han and Terpstra (1988) showed that the country's image invariably influences the way consumers perceive the quality of its products while Loo and Davies (2006) pointed that several studies conducted in the 1970s, 1980s and 1990s revealed a direct connection between the stage of a country's economic development and its country of origin image on the consumers' perception of the products it manufactures. More specifically, these studies showed that most consumers favour products manufactured by developed nations over products coming from developing countries, an attitude that stands as a high barrier to overcome for most Chinese companies willing to expand globally⁶⁷. Loo and Davies (2006) also pointed out that China's main challenge would be to overcome its developing nation and low-cost manufacturer images and convince the world that its brands are worth a price premium. In order to reach that goal, the country heavily invested in R&D in order to switch from a low-cost production model into a higher value-added economic model. According to Dhillon and Ghupta (2014), serial entrepreneurs, especially those active in the smartphone and tech industry, such as Lei Jun, are the ones able to disrupt the image behind the "Made in China", proving through their willing to bring innovation into the world their ability to compete with the biggest players in mature markets.

In order to fight these stereotypes, Xiaomi owns two main strengths: an excellent branding strategy that manages to convey the image of high-quality products and the outstanding engineering performance in maintaining high quality at limited cost. Drawing upon these elements, the question that remains is the following: how does Xiaomi achieve this cost innovation?

In Mainland China, and up until it decided to integrate offline channels, Xiaomi managed to keep prices down through selling only online (i.e.: on its own sales platform as well as on the platforms of its partners, such as Tmall.com), which allowed the company to eliminate the costs associated with sales forces, inventory, warehouses and distribution. In addition, the

⁶⁷ One of the main focuses of this research will be to find out how the country of origin (COO) image influences the Arab consumer.

company does not have any advertising budget as it only relies on social media marketing, word-of-mouth and buzz marketing (Dhillon and Ghupta, 2014).

The company also manages to reduce costs at every stage of the production chain. In order to increase its margins, it adopted a strategy that rivals only recently started to follow: it goes on selling the same models for a longer period of time than most competitors (i.e.: up to 18 months after launching), which gives the company the opportunity to sell compatible accessories for a longer period of time too⁶⁸ (i.e.: batteries, color backplates, headphones) (Seifert, 2013). Furthermore, as shown through Moore's law, selling the devices for a longer period of time also means that the price of single components will go down while the price of the devices themselves will remain constant, allowing Xiaomi to make a profit out of the difference. These additional margins often lead Xiaomi to consent two to three price cuts on a single model. According to Hugo Barra, Xiaomi also manages to bring down prices and maintain its cost efficiency through a focused portfolio (i.e.: only a few products are launched every year and the company only manages a few product families) (Kumar, 2014).

We saw in the section above that, according to Ross (2015), there are two different types of innovations: on one hand, cost innovation, which would be the use of technology, management know-how and R&D investments to keep prices down, and on the other, product innovation, which goes on par with flooding the markets with disruptive products, which Apple did in the past decade with the iPod, iPad, iPhone and the like. This latter strategy would be the epitome of the "maintaining-the-price-while-raising-the-quality" approach. Product innovation is a strategy based on how the new product offered differs from all others that were put on the market before, which is hardly feasible in the current stage of the industry.

Indeed, as Li (2014) pointed out, many tech companies struggle in an environment characterized by the insanely fast pace of innovation development⁶⁹ and often prove to be unable to offer products truly different from previous models, contenting themselves with offering marginal differences. Here is where the BOS comes at play at its fullest. Xiaomi perfectly understood that it would be useless to compete on the product features dimension at this stage of the lifecycle and decided to reduce its engineering efforts on the product

⁶⁸ As Bin Lin pointed out, the only possibility to make a profit out of the accessory business is through the sales of huge volumes of a particular model (Seifert, 2013).

⁶⁹ Indeed, most recent innovations in the smartphone industry have been limited to additional widgets and sizes transformation at the very best.

innovation dimension, focusing the R&D investments on keeping prices down. Xiaomi's approach hence proves its strong strategic sense⁷⁰.

However, unlike Ross (2015), I do not believe that Xiaomi only chose the “cost-innovation” approach vs. “product innovation” but rather went on to embrace the “customer-experience-innovation” strategy, which is the dimension on which the superior value it provides the consumers with is based.

In spite of its offering the same value qualitatively technology-wise, the company has offered better value at a reduced price on many other dimensions. **The customer experience** it provides its fans with, its disruptive use of social media to directly market its products to the fans who will in turn advocate them to their friends and relatives, its timing of product releases and the opportunity it gives the fans to directly interact with the brand through feedback, co-creation and customization show its perfect understanding of what dimensions are most valued by millennials^{71,72}.

As Li (2014) explained, this might not sound like the most disruptive innovation strategy in the industry. It nonetheless stands as the best example of a fundamental paradigm shift: a move away from technology-centric product developments towards a much more customer-centric innovation approach showing an unmatched understanding of the new consumers' digital behavior so far.

According to McKinsey (cited by Li, 2014), Chinese brands adopted the “innovation through commercialization” approach, which means that they do not overspend on R&D in order to launch the “perfect product” in bulks, taking thereby the risk of massive backlash should the product hold a major default, but rather launch new products quicker than other brands in order to improve them through rounds of testing⁷³. Xiaomi adopted this view and bluntly said to its customers that indeed the product is not “perfect” but that it can be improved to become

⁷⁰ Indeed, the company perfectly understood that the smartphone has become an everyday-life necessity that people do no longer see as a luxury. Therefore, Xiaomi decided to focus its engineering efforts on keeping down prices rather than trying to revolutionize what is barely “revolutionisable”.

⁷¹ According to De Chernatony (2001, p. 189), truly innovative brands are the ones with disruptive business models that provide the customers with a better value proposition “through greater consumer interactivity, enhanced consumer experiences, tailoring and rapid response”.

⁷² According to Dong and Zhang (2016, p.96), “this model of participation and communication that harnesses fans' passion, energy, and time generally works well for nonprofit programs like those for religious groups and believers or for universities and alumni”. Similarly, Wikipedia and other websites have drawn upon this nonprofit open-source movement. On the contrary, this model of reliance on fans' energy and participation to reach and sustain growth can seldom be found in the strategies of for-profit companies.

⁷³ Indeed, even though the first version of the MIUI dates back to August 2010, this version was only launched to get feedback and development ideas from tech-savvy users eager to provide technological expertise to the brand on the forum that was created at the same time. During its first week of existence, the forum attracted over 100 volunteers who were willing to test MIUI and provide improvement ideas. This forum is still active till this date and Xiaomi releases an update version of the OS weekly (Dong and Zhang, 2016). Launching a beta-version of its MIUI to be enhanced with the help of tech-savvy users allowed the Chinese company to build a strong customer-base that not only see in Xiaomi a smartphone provider but a brand they are a part of (Khai Lun and Yazdanifard, 2014).

exactly how they want it to be thanks to their direct feedback and ideas of content and design. This approach (i.e.: co-creation) allows consumers to be more than users and become an integrant part of the brand creation team⁷⁴. A team of product managers devoted to analyzing the Mi forum⁷⁵ screens all feedback ideas and once an interesting idea is discovered, it can be transformed into reality by the team of engineers in a matter of hours. This is another reason why Xiaomi sells its phones in batches released every week and not in bulks on a specific day. In conclusion, Xiaomi's BOS is based on the following four main tenets: reduce (R&D spending on product innovation), raise (digital experience innovations), create (interconnected Internet ecosystem via smart vehicle), and eliminate (traditional advertising and inventory).

9) Xiaomi and the Community of Fans

a. The Customer-Centric Strategy

"The existence of united groups of online consumers that are active creators of the brand implies that power is shifting away from marketers and flowing to consumers" (Kozinets, 1999, p. 258). Far from being afraid of the phenomenon, Xiaomi decided to fully integrate it into its business model in order to shape a brand created for and by consumers themselves, which again proves that Xiaomi's management has fully understood the new branding paradigm⁷⁶. Even though losing ownership of one's brand has stood as a main source of fear for management teams, Christodoulides (2008) stresses that this fear does not have a solid ground but rather stands as an obstacle to take full advantage of the opportunities offered by the digital age. Indeed, according to him (p. 292) "brand managers must start feeling comfortable about losing control and ownership of their brands. It is not by chance that brands such as YouTube and Wikipedia, whose content is predominantly user-generated, are now part of the top (...) global brands. Communities and social networks claim ownership of brands and influence not only individual brand choice but also company decisions." "This is an age of co-creation where value is created in a dialectical process. Branding is no longer an egotistical exercise that marketers consider among themselves and then unilaterally impose upon consumers, and consumers are no longer passive recipients of messages but equal partners in mutual value-building relationships with brands and joint creators of brand

⁷⁴ While Xiaomi has been outrageously criticized for exaggerated similarities in design with Apple, this dimension allows the Chinese company to entirely do away with any copycat status. Indeed, Apple does not allow consumers to have any form of input in what they buy, following Steve Jobs' dictum that "people don't know what they want until you show it to them", which has so far remained "an act of faith for Apple's management" (Girotra and Netessine, 2014).

⁷⁵ By April 2014, the forum had more than 10 million registered users that would daily generate more than one million visits and over 250,000 posts (Dong and Zhang, 2016).

⁷⁶ "(...) Brand strategists need a new mental model to develop integrated brands in a digital age which goes beyond the classical models and which recognises the new roles consumers are taking" (De Chernatony, 2001, p. 186). To thrive with brands on the Internet, a looser form of brand control is needed, welcoming the active participation of consumers (De Chernatony, 2001, p. 191).

meaning.”

b. Xiaomi: Relationship Marketing and Co-Creation

In order to survive and thrive, a business should always deliver on its promise as well demonstrate genuine concern for its customers. In order to deliver on the promise, the company should understand the needs of the customers in order to meet them quickly and properly. This is even more crucial in the social media era since customers are not passive recipients anymore but rather play a significant role in co-designing and co-creating the brand. Demonstrating interest and concern should go hand in hand with designing a means of communication that allows direct communication with the brand’s fans (Lin et al., 2014). Concern for the fans should be demonstrated throughout the buying process, beforehand as well as once the purchasing cycle is closed, from the product design stage to the sales transaction as well as after-sales (i.e.: delivery, installation, training, maintenance, warranty, and repurchase).

As expressed by De Pelsmacker et al. (2013, p.25), “one of the trends in marketing today is the increasing importance of building customer loyalty instead of attracting and seducing new customers”. We stressed in the previous sections that a company needs scale and volume in order to grow. Xiaomi started by targeting a niche whose needs it perfectly met, so much so that the company now owns a customer base so strong and loyal that it does not need to search for strategies to attract new customers or raise awareness among potential new users: this job is done by the fans who willingly advertise its devices on social media. Hence the company manages to grow and leave the niche segment through the sole word-of-mouth of its fans. Xiaomi also perfectly tailored its vocabulary to befriend its customers and make them understand that it sees them as more than consumers but as the core element of its business. As such, the Chinese company proved again its thorough understanding of what consumers need and want in today’s world. It did away with “the language of ‘command and control’” and “[adapted its vocabulary] to the age of co-creation” (Chrisodoulides, 2008, p. 292). Through this customer-centric strategy, Xiaomi has fostered user pride and reaps off all the benefits associated with it (Dong and Zhang, 2016).

Furthermore, Xiaomi is the only entity **managing the whole customer experience** and its larger relationship with fans, from after sales to feedback since it sells directly to them online or through its Mi Home stores, which enables the company to strengthen the bonds created with the fans and to bridge the gap that usually exists between the brand and its consumers. According to Carbone (2004), managing all the signals –or “clues”– emitted throughout the customer experience can act as a main source of competitive advantage for the firms. Indeed, the author stresses that “experience management is a completely integrated set of disciplines

that seeks to identify the clues — rational and emotional, humanistic and mechanic — that customers consciously and unconsciously wish to find in their encounters.” (p. 97). Managing these signals goes on par with a deep understanding of how consumer process and interpret clues and how these signals act to shape the experience. This would mean that Xiaomi not only manages “the breadth and depth of the experience (how far it can be extended and how deep or detailed it is)” (Schmitt, 2011, p. 86) but also supervises the “humanistic clues” (i.e.: the interactions people have with one another) as well as the “mechanical clues” (i.e.: the ecosystem design) (Carbone, 2004).

This approach belongs to the larger culture of the start-up and Lei Jun himself spends hours on MiTalk (i.e.: Xiaomi’s chat website) interacting with the community, praising their ideas or soliciting feedback. The community of fans and the work of the company are so intimately intertwined that Xiaomi managed to have MIUI, its operating system, translated into 24 languages by users, without spending a single yuan on the process⁷⁷ (Flannery, 2015). To push this interaction even further, Xiaomi started holding annual conventions for fans as early as 2012, during which Xiaomi’s staff (including the top management) laugh, drink, sing, and even dance with the brand’s community (Dhillon and Ghupta, 2014; Flannery, 2015).

Xiaomi did not only build its brand on the concept of “relationship marketing” but on the concept of co-creation, which acts as an inherent part of the strategy⁷⁸. By allowing consumers in the design process of the products, Xiaomi makes sure to perfectly meet the fans’ expectations. Involving tech-savvy users into the development process⁷⁹ not only enables the company to cut R&D costs but also create a sense of belonging that encourages the fans to advocate for the brand on different social networking platforms (Dong and Zhang, 2016). Thereby Xiaomi managed to create meaning around the brand, a key success factor according to Martin Skibsted and Bech Hansen (2014, p.1) as today “products and services must be able to tell a story and communicate value without an extra advertising layer on top. (...) As information is more and more available and the importance of brands increases, the

⁷⁷ In spite of the fact that Xiaomi is not yet present on a lot of foreign markets, independent developers, fans websites and online support communities in many countries around the world all work together on the translation of the Xiaomi new online material.

⁷⁸ Interestingly enough, Xiaomi has also heavily relied on humor to create a stronger bond with its fans. Indeed, Xiaomi regularly posts humoristic posters or videos on its social media accounts and public websites to entertain audiences and raise awareness. Those posts are in turn liked or reposted by the fans on their own social media accounts, which stimulates the brand’s visibility on non-users feeds. Furthermore, the Chinese start-up has also devised an incentives system on its website in order to encourage registered users to play games on its platform and accumulate scores, VIP medals and virtual Xiaomi money that can ultimately grant them access to private events organized by the company or give them the opportunity to buy in-demand products or benefit from premium services (Dong and Zhang, 2016).

⁷⁹ Modifications are usually related to the phone’s shape, color, size, or weight, to the themes offered, the speed of operation, the reception features, the sound volume or camera function as well as the operating mode. Some modifications will also pertain to pricing, the ordering mode, the delivery speed or the after-sales customer service. (Lin et al., 2014).

ability to tell a meaningful story through actions and products, not words, is the only way to win”.

This larger communication strategy based on nurturing the love of fans for the brand's products eventually results in a stronger loyalty towards the brand as the story is actually told by consumers themselves. By doing so, the Chinese start-up manages to do away with traditional marketing strategies only developed to and aimed at selling products and perfectly understands what it means to do business in the digital age: building a real connection and creating stronger engagement based on continuous interaction and dialogue with fans who will be so loyal to the brand that they will become advocates for its products and services through genuine word-of-mouth.

10) The Communication Strategy

a. Social Media

In order to communicate with the fans, Xiaomi concentrates on social networking sites, mostly on Weibo (in China) and Facebook (on global markets), platforms on which the company announces the new product launches and sales dates (Khai Lun and Yazdanifard, 2014).

Xiaomi has incorporated social media in its strategy in different ways:

- 1) Weibo and Facebook: since Xiaomi was established in 2011, Lei Jun, current CEO, has always made good use of Weibo and Facebook in order to communicate with the company's latest news to the fans. Furthermore, he will respond daily to the fans' questions related to the company, its products and new features. This direct and effective interaction with the CEO of the brand allows the fans to feel respected, which, in turn, will fuel their willingness to contribute to the firm's development;
- 2) Lei Jun is not the only one among the company's executives to directly interact with the fans. Indeed, this way of communication is now entrenched in the company's brand identity and most of the top management have grown accustomed to using different social networking platforms to keep direct contact with the fan base (Lin et al., 2014).

b. The Mascot

Besides the private events where fans will meet up with the top management team, Xiaomi also designed its own mascot, called MiTu (米兔). The mascot rapidly became a main tool of communication for the brand. Indeed, MiTu will play the role of the customer's friend on social networking platforms where it will be asking questions that, for the most part, are related to the fans' daily lives (e.g.: “How has been your work day going on?”). Fans will be very likely to comment and respond to the questions. These answers will thereupon appear on

the fans' friends' feed, which is bound to increase the visibility and awareness of the brand among non-users (Lin et al., 2014).

11) The MIUI Operating System

According to Gorshow et al. (2014), one of the main areas that offers a high potential of differentiation for smartphone companies lies in the development of a specific operating system (OS). The main OS on the market today are the iOS developed by Apple and Android by Google that is used, among others, by incumbents Huawei, Samsung and Sony. Xiaomi, however, followed the steps of Apple⁸⁰ and developed its own OS, MIUI. MIUI is an Android-based user interface that offers optimization and customization features aimed at making up for the deficiencies associated with the original Android OS. The MIUI users can, among others, customize the theme of their smartphone, the voice volume control, camera parameters settings, and address book layout. Allowing the users to customize the OS as they please is a strategy that Xiaomi devised in order to get the users so thrilled about the product that they will freely discuss the topic on social media, thereby fueling word-of-mouth and publicity around the brand (Lin et al., 2014). While the iOS and Android OS are characterized by a cycle of update of half a year, MIUI is updated once a week (i.e.: every Friday), each update being driven by the feedback of the Mi fans.

12) Case Study: Pure Play⁸¹, the Unsustainable Business Model

a. The Brick-and-Click New Rule

Considering all the differences between markets, the main question that comes to mind would be whether it is feasible to build a top brand in the digital age without using traditional retail or spending on any form of marketing communications (e.g.: celebrity endorsement, billboards, social media advertising), hoping that the consumers' word-of-mouth would manage to do the trick on its own. Recent statistics on pure-play⁸² e-commerce tend to show that e-retailers need to embrace the "brick-and-click" approach if they intend to grow a viable business on the long run⁸³. As early as 2003, McKinsey conducted a study of the 100 largest North American direct retailers. The results showed that retailers with offline and online stores would capture no less than 52 % of the Internet sales while the retailers only active on the cloud would barely garner 31 % (Saxena, 2011).

⁸⁰ Even though the MIUI system is Android-based, with its side-scrolling home screens, menus, toggles, and icons, MIUI looks much more similar to the iOS than to the Android OS.

⁸¹ Term used to refer to companies that started online and only do business using an Internet platform (e.g.: Amazon) (Galloway, 2015).

⁸² See appendix for charts.

⁸³ The specificities of the markets on which you are evolving are to be taken into consideration in every way. However, the "phygital" approach seems to be the one favored by most consumers.

b. The Case of Amazon

In order to investigate the issue further, I present in this section Amazon's business model and how it fails to reach the targets of e-business as it is today.

Research tends to show that the "e-commerce-only" strategy is not viable on the long run, stressing that any e-company would end-up opening stores if it is not to go out of business (Galloway, 2015). Indeed, many online companies in the USA, among which Amazon itself in November 2015, opened physical extensions to their e-business. The aim behind this "brick-and-click" trend is three-fold: (1) it should allow to better market products and raise awareness, (2) tighten relations with customers and (3) boost traffic and sales on the online platforms as stores are still regarded as the best marketing vehicle to boost Internet sales⁸⁴. This is supported by a study conducted in 2015 by Binder et al.: their study reveals that channel integration (i.e.: "the degree to which different channels interact with each other", p.310) not only directly increases the perceived service quality of the online channel (which in turn positively impacts the overall and Internet sales of the brand) but also indirectly increases overall and Internal sales through the enhanced perceived quality of the online store. The study also reveals that online channels do not negatively impact the offline store but that "Internet channels complement rather than substitute physical channels" and vice versa (Binder et al., 2015, p.320). This evidence proves the urge for an "omni-channel" retailing strategy that would provide the buyer with a seamless purchasing experience (Walsh, 2016).

As shown by Garino and Gulati (2000), the vast majority of traditional retailers already regarded the worldwide web as the main gateway to extend their existing activities in the beginning of the 21st century, at a time when social media and other interactive platforms did not yet exist. Indeed, online retailing channels already meant, back then, quicker and increased profitability as well as enhanced global brand awareness.

According to retail analyst Sucharita Mulpuru (cited by Walsh, 2016), building a brand online becomes an ever-tougher challenge as the e-environment gets more crowded every day⁸⁵. This over-crowdedness of the online real estate goes hand in hand with skyrocketing domain, SEO and SAO prices⁸⁶. For instance, a study published in January 2016 by consultancy firm L2 Inc. showed that American companies Macy's and Nordstrom respectively spent no less than USD 6.4 million and USD 4 million "in paid search listings for the top 1,000 apparel-related

⁸⁴ "We (...) see a halo effect where stores themselves become a great generator of awareness for our brand and drive a lot of traffic to our website, as well and accelerate our e-commerce sales", said Dave Gilboa, co-founder of Warby Parker, an online eyeglasses maker (Walsh, 2016). The said company is now "the second-most-valuable retailer based on sales per square foot, right behind Apple" (Eyefaster, 2015).

⁸⁵ As of January 2016, 800, 000 + online stores were vying to attract customers through the Google gateway (Walsh, 2016).

⁸⁶ "Bidding on keywords against the likes of Amazon and large traditional retailers to land on the first page of search results is a costly game" (Walsh, 2016).

keywords in the first quarter of 2015". According to the consultancy firm report, "clicks disproportionately go to the highest-placed search ads, with little room for differentiation" (Walsh, 2016).

One would argue that since both online and offline channels are expensive, no start-up will eventually be able to operate a successful business without owning the sufficient financial means to do so. However, some brands have found ingenious ways to still market their brands online as well as offline. In order to bypass the budget drawbacks related to traditional retail (e.g.: real estate, specific facilities, inventory, sales force, production capacity and other supply chain issues), some medium-sized companies (e.g.: American brand Bonobos) that cannot afford the traditional flagship stores have opened "show-rooms" where customer are allowed to size and sample products before buying them online. This approach perfectly matches the new marketing trend that saw the core focus of the marketing strategy slowly shift from the product sold towards the customers themselves: what matters is the customer experience and the bond tightened between them and the company. This approach aims at providing the customers with the best and most convenient purchasing experience: it allows them to appraise the quality of the products⁸⁷ while doing away with the petty annoyances associated with traditional shopping such as toting bags all along.

These stores serve as "guideshops⁸⁸" for the mainstream customer as they often become gateways that attract new customers on the online stores. The awareness thereby created allowed brands such as Bonobos to sell twice as many items through their online platforms.

The set trend seems to be as follows: start the business online before moving out of the virtual world to embrace the "brick-and-click" approach. According to L2 Inc., the increase in items produced and sold would go hand in hand with increased scale economies and hence a more significant budget to put into designing more ambitious expansion plans. Needless to say, none of the brick-and-click is likely to branch out in remote areas, since only the bigger markets can provide these companies with increased visibility and margins (Walsh, 2016).

During a conference, NYU Professor of Marketing Scott Galloway (2015) pointed, through a series of metrics drawn from brand analyses, that "pure play" retail was an unsustainable business model (i.e.: from a shareholder standpoint, giant e-commerce company Amazon witnessed lower performance than Macy's, Wal-Mart or Nordstrom, which are all traditional retailers that slowly added online channels to their distribution apparel and proved more innovative in the e-commerce game than their giant e-only-counterpart between 2010 and

⁸⁷ A sizable majority of customers stated that not being able to see, touch or feel the product before purchase was the main drawback hindering them from shopping online.

⁸⁸ This would be similar to the Mi Homes as "experience stores" before they were converted into real retail stores.

2015⁸⁹).

Throughout the years, power slowly shifted towards the customer who demands a more flexible shopping experience: the possibility to order online with home-delivery, click and collect (i.e.: pick-up in store) or the traditional in-store shopping. While traditional retailers can offer all these options through their online and offline channels, the "pure players" can only provide the first option. More important yet is the shipping costs problem. Indeed, a sizable portion of e-shoppers are reluctant to pay for shipping, which acts as a major drawback during the shopping experience (Smith and Swinyard, 2003). However, even though free shipping used to serve as a main competitive advantage for Amazon against its rivals, such a business model proved unsustainable in the long run as the e-retail giant now pays more in transportation fees (i.e.: USD 3.1 billion in 2014) than it takes in from shipping charges (i.e.: USD 6.6 billion in 2014) (Galloway, 2015). The major advantage of the traditional retailers lies in the fact that they can use their brick and mortar locations as flexible warehouses to ship the items to the buyer quicker than Amazon.

Considering these pitfalls, how can Xiaomi adapt itself in order to keep growing?

c. Xiaomi and Pure Play

Xiaomi was the first Chinese company to sell its smartphones online, which, at the time, was regarded, by consumers themselves, as a disruptive strategy that had never been implemented before. This novelty intrigued many users and media channels, which helped raise awareness among the Chinese audience. Since then, other Chinese smartphone manufacturers (i.e.: Oppo) followed the same path, which implies that Xiaomi does no longer possess a competitive advantage in creating hype around flash sales through online channels.

Online channels were favored as they enabled the company to keep costs down. However, the company slowly adapted its strategy to meet the need for offline channels, even in Mainland China where its e-sales model had been a success. Mi Homes were first created. These stores were designed as "experience stores" that would allow customers to interact with the products before being invited to purchase them online⁹⁰. However, the huge success of the Mi Homes led Lei Jun to announce in late 2015 that they would be converted into real retail stores. Xiaomi's ambition was to combine "the efficiency of e-commerce with the service and user experience of offline retail". By late 2016, Xiaomi had opened 54 Mi Home stores in Mainland China (MIUI Forum, 2017a).

However, Xiaomi does not wish to become a mere retailer of electronic items but rather

⁸⁹ Amazon witnessed the lowest return amongst all major retailers in 2014 (Galloway, 2015).

⁹⁰ On specific dates and in selected cities, some models would also be sold. The hype around these flash offline sales would also create buzz marketing around the brand.

aspires to lead the market of interconnected devices in the Internet industry as evidenced through its business model that is based on online connectivity. Therefore, it is plain that offline channels or ordinary marketing tools would undoubtedly play a marginal role in the strategy of the start-up. Evidence of this fact lies in a smart strategic move operated in South-East Asia. In July 2015, Xiaomi proved once again that it had no intention to follow the traditional track but was set to entirely transform the way people consume technology as it teamed up with American start-up Uber to deliver its smartphones on demand in Singapore and Malaysia. Ordering a phone becomes as simple as ordering a ride and payment is instantly activated via the credit card linked to the Uber account of the customer (Olson, 2015). Pure play might not be viable on the long run. However, Xiaomi seems to be ready to entirely reshape the e-business environment.

13) Xiaomi and the Internet of Things

In his text “The Computer for the 21st Century”, Mark Weiser was the first author to voice the possibility that the “miniaturization and ubiquity of sensors would eventually lead to the disappearing of computational elements ‘into the fabric of life’ and the potential for computing as procedure, as visible hardware and as protocol, to move into an invisible background” (Anzelmo et al., 2011, p.4). This idea has become reality some twenty years later through the Internet of Things (IoT). Even though this expression has largely been diffused from year 2014 on, it is still a challenge for many people to concretely grasp what it actually refers to. To make matters even worse, no common and agreed upon definition as to what the IoT truly encompasses seems to exist among scholars and consultancy companies up until this day and it remains subject to debates.

Interestingly enough, and unlike what we might think, the expression is not new but rather originated some fifteen years ago in the Auto-ID Labs of the Massachusetts Institute of Technology (MIT) when scientists were working on the so-called networked radio-frequency identification (RFID) infrastructures. The application of the expression has since then been extended beyond this particular field (Flüchter and Wortmann, 2015). The International Telecommunication Union (ITU) defines the Internet of Things as “a global infrastructure for the Information Society, enabling advanced services by interconnecting (physical and virtual) things based on, existing and evolving, interoperable information and communication technologies” (ITU, 2012). However, a myriad of other definitions have since then been proposed, each of which focuses on a specific characteristic of the IoT (e.g.: the devices connected to the IoT, Internet protocols or network technology). In fact, the expression itself encompasses realities so numerous and diverse that it is practically impossible to restrict it to a specific use since IoT solutions have extended to virtually all areas of the everyday life (Flüchter and Wortmann, 2015). For matters of practicality, we will simply define the IoT as

“the networked interconnection of everyday objects, which are often equipped with ubiquitous intelligence”, be it vehicles, clothes, shoes, watches or all sorts of electronic devices (Alexey et al., 2012, p. 1101). The IoT will increase the ubiquity of the Internet in our everyday life through a distributed network of electronic devices that will constantly be communicating with other devices as well as human beings themselves, thereby forever transforming past interactions between humans and machines and providing the world with a whole new lifestyle, which is indeed the goal Xiaomi has vowed to achieve through its mobile platform.

One of the very first successes of the start-ups Xiaomi partnered with came from the Mi Power Bank. Soon after, Lei Jun looked for additional products that could be sold on the Mi platform and that had the potential to become an instant business hit. The company decided to focus on the potentiality of the Internet of Things business and massively invested in Huami, one of the first IoT start-ups in its portfolio. Huami designed the USD 11 Mi Band, a wearable device equipped with a 30-day battery⁹¹, which became the most successful wearable accessory in 2015, only second to Fitbit. The company went on to design other accessories, such as wireless weighing scales, selfie sticks, in-ear and over-the-ear headphones, movement and occupancy sensors for homes, or surveillance and web cameras that would serve as companion devices to the smartphones and appeal to its tech savvy consumer base.

In order to fully seal its entry in the IoT industry, Xiaomi had to design a device that could be controlled through the Internet with no natural connection to the smartphone. The company charged the start-up Zhimi to design an air purifier, whose quality would surpass existing purifiers and that had to be connected to wireless Internet in order to allow the users to control it through their smartphone. The finished product had a design of outstanding quality and held features as extraordinary as being able to automatically order new filters from the Mi platform. Even though such home appliances already existed, Xiaomi's innovation lies in the smartness and connectivity, all offered at an affordable price. Since this first remotely controlled device, Xiaomi has developed, among others, home-bicycles and rice cookers⁹² that can be controlled via their own smartphone applications (Agrawal, 2016). .

14) Part II: Conclusion

At the end of this part, the reader will have understood that Xiaomi stands as the epitome of a millennial brand: a brand made for and by its fans. Indeed, the community of fans represents

⁹¹ According to Hugo Barra, the success of the device is not due to its price, since even Chinese and Indian consumers with enough purchasing power to acquire an Apple watch went for the Mi device instead. For most of them, the reason behind their choice is its incredible battery life (Agrawal, 2016).

⁹² Operating the cooker is simple: the user scans the barcode on the package, the device processes the demand and starts cooking the rice without any human intervention.

an integrant part of Xiaomi's staff as it provides a large proportion of the input of the company, from improvement ideas to the translation of MIUI. Awareness is created and raised by consumers themselves through word-of-mouth: they attract others, advertise and advocate the brand on forums, e-platforms and other social media. The consumers themselves bring the creative ideas on the table through direct feedback, volunteer work as well as virtual content and design suggestions that are made a reality by the engineers' team. This strategy was a phenomenal success in Mainland China. However can such a strategy work in Morocco? If not, what are the elements that should be adapted in order to take into consideration the social and cultural norms? How can the Chinese firm take advantage of the economic and political environment to thrive on the African continent?

I will attempt to answer these questions in the third part of this dissertation.

4. Part III: Xiaomi on International Markets

1. Internationalization: Globalization vs. Localization

“Once a company decides to go international, one of the most important strategic decisions to be made is to what extent a global or cross-culturally integrated marketing strategy in the foreign market(s) must be followed” (De Pelsmacker et al., 2013, p.11).

Standardization or globalization imply that the company implements the same marketing strategy across borders, which usually goes together with economies of scale and sizable savings in communication and manufacturing costs. Furthermore, a global strategy allows the company to preserve a consistent brand image in every country. On the other hand, localization implies the adaptation of certain dimensions of the marketing mix to the local audiences’ characteristics.

Whatever global strategy is chosen, the marketer will usually have to adapt elements of the marketing mix since people all over the world share different cultures, beliefs, experiences, values as well as attitudes, needs and consumption behaviors⁹³ (De Pelsmacker et al., 2013).

2. The Drivers of Internationalization

Due to globalization, business competition has never been fiercer in history. For both manufacturing and services companies, internationalization, or the expansion of business activities on foreign markets, is often a matter of survival rather than a mere international vision to embrace. Devising an appropriate international strategy is all the more important that expanding overseas will allow the company to sustain its activities on the long run. Choosing the wrong entry mode would hence also hamper the companies’ thriving and could, in some instances, have a damaging impact on the company’s future (Gunnarsson, 2011). Consequently, international expansion will always come hand in hand with a certain risk involvement whatever the amount of allocated resources and level of commitment.

Different factors may lead a firm to seek international expansion (e.g.: cheaper labor, availability of production raw materials, market share growth, risk limitation by diversifying the locations, technological advancements, transport and storage costs, new targeted segments and the ease to sell goods for which the markets are similar) (Porter, 2004; Uche Ofili, 2016). These factors will differ depending on the organization and the industry it evolves in. However, four factors are usually regarded as the main drivers of internationalization:

⁹³ Indeed, according to Keegan (2002), neither of these extreme strategies is the best way to succeed on international markets. Indeed, companies should rather embrace global localization, which would mean including a local vision in their global ambitions: a strategy that is bound to be successful if the brand positioning has been well thought-out (Ohmae, 1994).

1. **The market:** a company will seek to expand its business activities to meet common needs on foreign markets. This will often be the case of companies that meet global needs and can therefore reach out to global customers. This driver is all the more important that certain branding strategies are transferrable across borders;
2. **The cost:** in order to benefit from economies of scale, certain companies will seek international expansion and thereby increase the quantity of goods produced;
3. **Government policies:** countries with government policies favorable to international firms (e.g.: countries with limited corruption and favorable taxation and intellectual property rights policies) are more likely to attract foreign direct investment;
4. **Competition:** companies will seek international expansion in order to respond to competitors' pressure. Indeed, on markets that have become ever more globalized, the competition analysis cannot be limited to a market or a single industry but rather should take into consideration overseas competitors' performance as well as threat of substitutes (Yip, 2003; Uche Ofili, 2016).

Even though a firm will see all these or part of these drivers in one specific targeted market, it should take other elements into consideration in order to understand how and to what extent its branding and larger marketing strategy should be adapted. Indeed, it is still crucial to understand how cultural differences as well as social, political and economic issues will impact the firm's performance abroad using strategic tools such as the PESTEL analysis⁹⁴. (Khan, 2005; Uche Ofili, 2016).

3. The Four Entry Modes

An entry mode is defined as “an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country” (Root, 1987, p. 5).

Root (1994) classifies entry modes into three main categories:

1) Export Modes

Exporting (directly or indirectly, through an agent or a distributor) is traditionally regarded as the easiest and quickest mode of international expansion. It can serve as the first stage of the internationalization process in a specific country (Bradley, 2005). This entry method is usually preferred by firms not willing to commit a significant level of resources and investment into the targeted market even though it comes at the expense of considerable profit return and control over the distribution firm, which would stand as the two main disadvantages of this strategy (Chung and Enderwick, 2001).

⁹⁴ To be found in appendix.

a. Direct Exporting

The exporting company directly sells its goods to an importer located in the targeted country. This entry mode entirely relies on the importing company and does not require any specific knowledge about the foreign market on the part of the exporting company. However, the exporting company still has partial or full control over the foreign market plan through direct distribution or direct branch subsidiary. The importer has to keep in direct contact with the firm in order to provide valuable feedback about the exporting results (Root, 1994).

b. Indirect Exporting

The exporting firm will hire a firm already established in the targeted country to handle the whole exporting process. Even though the exporting firm has no control over the latter in terms of the strategy adopted, it enables it to gain better understanding of a potentially interesting market (Root, 1994; Gunnarsson, 2001).

2) Contractual Modes

The contractual entry methods consist of a series of arrangements made between the internationalizing firm and domestic companies already active on the targeted market. Through contractual modes, the company will license several of its intangible assets (Root, 1994; Bradley, 2005). According to Albaumb and Duerr (2008), contractual modes are strategic alliances that will allow the firm to enhance its positioning on the foreign market.

a. Licensing

The company provides the licensee firms with technical support (e.g.: operations expertise, brand name, manufacturing know-how, patents) in exchange of a fee or royalty. The main advantages of this entry mode are the low investment cost and the good market knowledge obtained through the licensee (Root, 1994; Bradley, 2005).

b. Franchising

Franchising is a form of licensing by which the licensing company provides licenses instead of technical support (Bradley, 2005).

c. Contract Manufacturing

A combination of licensing and investment, contract manufacturing means that the internationalizing firm seals an agreement with a company on the targeted market to assemble and manufacture its products while retaining full control over the marketing and distribution strategies (Root, 1994).

3) Investment entry modes

The internationalizing company decides to invest a large chunk of resources into forming a new/acquiring an existing entity into the targeted market or teams up with a local partner company to do so.

a. Sole Venture

The expanding firm opens a fully owned subsidiary in the targeted country. This entry mode requires a significantly high investment, which goes hand in hand with higher risk/profit potential. This entry mode allows the company to retain full control over the overall strategy. The organizational capacity remains in the hands of the company's management while it will usually need to acquire distribution facilities in the targeted market (Agarwal and Ramaswami, 1991; Buckley, 2002).

b. Joint Venture

The internationalizing firm seals an agreement with a local company by which they create a new entity. "In general the ownership is shared by the participants with more or less equal equity distribution and without absolute dominance by one party" (Young and Bradford, 1977, p.11). This entry mode has several advantages, among which its limited cost in comparison with an acquisition (the risk is only proportionate to the extent of the equity participation), the minimum risk of partnering with a local company and the greater profit potential. The downsides would be the potential differences between the two managing firms as well as the obligation to share profit (Agarwal and Ramaswami, 1991; Albaum and Duerr, 2008).

4. Xiaomi's Expansion

1) Overview: Xiaomi's Overseas Experience

So far, Xiaomi has mostly concentrated its international expansion to Southeast Asian markets⁹⁵ and, to a lesser extent, Latin America⁹⁶. Considering the characteristics of its strategy that were detailed in the first part of this dissertation (i.e.: the e-sales model, the limited production capacity, the absence of marketing and advertising budget and the limitation of flagship stores), it will not come as a surprise to the reader that many experts questioned Xiaomi's capabilities to prosper on foreign markets where the dynamics and norms are very different from those found in Mainland China.

As stressed in the previous part of this paper, Xiaomi has understood the need for adaptation in order to succeed on international markets and has consented changes in its core strategy.

⁹⁵ Hong Kong, Taiwan, Singapore, Malaysia, Indonesia, Thailand, the Philippines and India.

⁹⁶ The company advertised its entry in Mexico through the Mi Forum in early May 2017. The brand had already penetrated the Brazilian market in July 2015. However, it experienced many drawbacks in Brazil, mostly because of the changing regulations linked to taxation of e-commerce in the country as well as the reluctance of consumers to buy their products online (Xiaomi did not partner with local retailers to provide offline channels of distribution) (Vitré, 2016).

Xiaomi managed, for instance, to well foray into the Hong Kong and Taiwan markets⁹⁷ (Dhillon and Ghupta, 2014). Its quick foray on these markets proves that the Chinese company can succeed on well-developed markets where carrier⁹⁸ subsidies⁹⁹ play a significant role in making the consumers less price-sensitive¹⁰⁰.

2) The Drawbacks to the International Expansion

Even though Xiaomi has proven its willingness to adapt to foreign markets, there are still core elements that would need to be fixed in order for the company to thrive overseas.

a. Manufacturing Capacity

Like a sizable majority of its competitors, Xiaomi does not manufacture its own devices but relies on contracted manufacturers (e.g.: FIH Mobile Ltd., Foxconn and Inventec Corp) to produce them. Even though relying on manufacturing experts enabled Xiaomi to concentrate its efforts on software development (Hyun, 2016), this might stand as a drawback to its international ambitions since the firm depends on its contracted manufacturers' investment in plant and machinery to scale up the production and match international demand. Meeting the demands of international audiences would thus require improved production capacity (Ghupta &Dhillon, 2014).

⁹⁷ In 2014, Xiaomi sold online a batch of 10,000 low-end Hongmi phones in Hong Kong within 36 seconds, and did almost as well in Taiwan. According to IDC statistics on the issue, Xiaomi managed to position itself amongst the top five-smartphone brands in Taiwan in the first quarter of 2014 (Dhillon and Ghupta, 2014).

⁹⁸ In Mainland China, Xiaomi operates on an unsubsidized market on which it controls the customer relationship. Unsubsidized markets are markets on which the seller is the Original Equipment Manufacturer (OEM) that will directly market to the end-consumer. Pricing patterns, unlike those applied on markets subsidized by carriers, will match reality as they are sold at full retail price. However, many markets (i.e.: Taiwan, Hong Kong, the USA) are subsidized markets: they are operated by smartphone carriers, which here control the customer relationship and pricing. On these markets, the carrier becomes the OEM's direct customer. Carriers play a significant role on subsidized market and dealing with them is of the utmost importance since the grandly impact the brand-customer relationship as direct sellers.

Furthermore, carriers invest in marketing and branding the different products sold, an investment Xiaomi has been reluctant to make so far. Contracts with carriers hence provide the start-up with subsidies to add to its budget (Singh, 2013).

⁹⁹ In order to adapt to the requirements of the local markets, Xiaomi struck several deals with carriers in Hong Kong (i.e.: Hutchison Whampoa Ltd and PCCW Ltd) and Singapore (StarHub) (Dhillon and Ghupta, 2014).

¹⁰⁰ A success story in the USA, which is a subsidized market, would, therefore, not stand as a wishful thinking longer-run plan. In spite of this, the company has not yet decided to set its eyes on the saturated markets of North America and Europe but has rather decided to concentrate all its attention on developing markets where a middle-class craving quality technology at affordable prices is booming. Even though not saturated, developing markets still stand as tough targets for any new comer, especially in the Internet business. Indeed, these markets are characterized by lower Internet penetration rates in comparison with well-developed economies. Concentrating efforts on these markets to develop the brand would therefore make sense (Dhillon and Ghupta, 2014).

b. Legal Issues

If Xiaomi is to enter mature markets such as those of North America and Europe^{101,102} where laws and regulations related to intellectual property rights are stricter, it will first have to comply with the legal requirements related to licensing fees and, most importantly, patents. Indeed, the Chinese company will have to adapt to the cutting-edge 4G technologies, which are associated with particularly expensive patents (Dhillon and Ghupta, 2014). Furthermore, dealing with those issues would necessitate hiring a competent litigation team able to handle the threat of lawsuits on Western markets. In order to solve this issue, the Chinese company already took bold steps. Indeed, in 2016, Xiaomi sealed a deal to buy no less than 1,500 patents from American giant Microsoft. Even though no financial terms were revealed, the deal included Xiaomi's incorporation of Microsoft's main software programs on the phones (i.e.: Office and Skype) (Clover, 2016).

4) Xiaomi in India: a Success Story

a. Overview

Some products, such as high-tech products, tend to be sold to similar audiences across borders as they usually address universal needs. However, the marketer will usually have to adapt certain dimensions of the marketing mix (De Pelsmacker et al., 2013). As such, in the case of Xiaomi, the targeting and positioning are not the dimensions that should be adapted. The sales model and communication dimensions are the factors to be addressed, especially on markets characterized by low Internet penetration. And the company did address them in order to succeed in India.

In 2014, Xiaomi entered the Indian market as it soon realized that India, the largest low-cost smartphone market in Asia after China, was crucial if it were to achieve its global ambitions¹⁰³. And its analysis has proven right. Indeed, by 2016, the country had become its second largest source of revenues after Mainland China. India was bound to play a significant role in making Xiaomi a global player. Indeed, while the smartphone penetration rate was set at 53.3% in China in 2016 (Statista, 2017b), there was much room for growth in India since the rate was set at only 29.8% in the same year (Statista, 2017c). Furthermore, in spite of the tremendous economic boom that India witnessed in the past years (i.e.: the GDP grew by

¹⁰¹ In October 2013, Xiaomi hired former Android-developer and Google's vice-president, Hugo Barra with the hope of boosting its international ambitions. Hugo Barra left Xiaomi in early 2017 to work as the head of the virtual and augmented reality sections of Facebook (Dhillon and Ghupta, 2014).

¹⁰² After Hugo Barra left Xiaomi in early 2017, the company announced it would not enter the Western market before 2019 since it still needed to enhance its performance in the Asian countries it is active on (Weiss, 2017).

¹⁰³ In 2016, the Indian smartphone market was the sixth largest globally while it is expected to become the second largest by 2019, with about 225 million smartphones sold every year (Hyun, 2016).

7.62% in 2016, Statista, 2017d), the population still enjoys lower per capita income, which was bound to make the price-conscious Indian customer a perfect target for the Mi phones.

Penetrating the Indian market has granted Xiaomi sustained revenue growth and enabled the brand to benefit from scale economies because of an increased volume of production¹⁰⁴, which was crucial to maintain its undeniable cost advantage (Gupta and Wang, 2015). India also served as a test ground for Xiaomi to determine how it had to adapt its business model for larger markets, keeping in mind the differences in e-commerce penetration and Internet literacy. Furthermore, India, the biggest English-speaking market in Asia, also stood as the perfect choice to drive Xiaomi's international expansion overseas (Gupta and Wang, 2015).

b. Localization: Production

When it first entered India in 2014, Xiaomi was exporting Chinese-made devices. However, it soon shifted from this production paradigm to the establishment of manufacturing facilities in the country in order to produce devices specifically designed for the Indian market. This strategy was adopted in order to comply with the Indian government's "Made in India" policy. Released in May 2014, this initiative is meant at pursuing the development of a domestic economy and reducing the country's dependency on products imported from China. Furthermore, the Chinese start-up also built a research and development center in the country with the cooperation of Foxconn, the world's largest manufacturer of electronic devices (Hyun, 2016). Complying with this policy through the establishment of domestic production facilities enabled Xiaomi to further reduce its manufacturing costs (notably because of the use of local raw material) and thereby secure its price competitiveness. By 2016, 75% of the Mi phones sold in India were locally produced while Xiaomi announced plans to establish two additional factories in the country and invest in more R&D and data centers.

c. Manufacturing Power: India vs. China

Complying with the Indian government's policy inevitably enables Xiaomi to take full advantage of the labor potential of India. A labor force that has become ever more expensive over the past few years (i.e.: the wages in manufacturing reached a record high in 2015 with CNY 55324.00 /year¹⁰⁵) coupled with increased energy bills and the inflation of raw materials prices are enough to understand the eroding competitiveness of China as the major manufacturing center of the world. On the other hand, India, with its raw materials and a relatively inexpensive active population aged 15-65 has remained a major manufacturing location so far, characteristics that also enable Xiaomi to maintain its price competitiveness on foreign markets (Hyun, 2016).

¹⁰⁴ Made possible through its newly build production facility.

¹⁰⁵ <http://www.tradingeconomics.com/china/wages-in-manufacturing>

d. Localization: Marketing

Xiaomi only relied on online channels to market its products in China. However, the Internet penetration rate in India, set at 26% of the population in 2015 (ITU, 2015), was too low to allow the company to only rely on online means to gain market share in the country. When it entered India in 2014, Xiaomi did not change its strategy but rather partnered with Flipkart, India's leading e-commerce platform, to grant customers easy access to its phones. It further on cooperated with Amazon¹⁰⁶, Snapdeal, and Paytm to increase the number of online distribution channels (Hyun, 2016). In 2015, however, Xiaomi announced a plan to increase offline marketing in India as the company was facing slow market growth¹⁰⁷ and intense competition. The Mi phones were then made available in mobile brick-and-mortar stores. Indeed, Xiaomi sealed a deal with the Indian supply company, The Mobile Shop, that was responsible for distributing the Mi phones in its 800 stores¹⁰⁸. Another partnership was also signed with Airtel, the largest mobile carrier in India, which was to sell the Mi phones in the Airtel stores in six main cities. Xiaomi had to adapt to the customers' habits and needs. The offline strategy in the country made more sense as the Indian consumers, more comfortable with cash transactions, were buying their phones from offline stores.

Another major change in the company's marketing in India was noticed in its investing in traditional advertising. Indeed, in 2015, Xiaomi advertised the brand in six major Indian newspapers. Since a sizable portion of the devices was sold offline, viral marketing was hardly achievable. In order to localize its marketing approach, the Chinese company also opened over 100 customer centers to be found in 56 cities of the country (Hyun, 2016). Furthermore, coupling offline with online marketing has also allowed the company to increase the visibility and awareness of the brand among the Indian population. Finally, on May 11th 2017, Xiaomi announced via the MIUI forum (MIUI Forum, 2017b) the upcoming opening of the first MI Home, the first offline store to be fully dedicated to selling Xiaomi's products, in Bangalore, India, on May 20th. Manu Kumar Jain, Xiaomi India Managing Director, announced the opening via Twitter¹⁰⁹.

¹⁰⁶ On May 11th 2017, the local newspaper *India Today* announced that Redmi 4A would go on sale in India exclusively on Amazon (Saha, 2017).

¹⁰⁷ Offline sales were growing faster than the online sales in spite of the limited number of offline outlets (Hyun, 2016).

¹⁰⁸ Since then, the offline adaptation has also been adopted for the Chinese market (Hyun, 2016).

¹⁰⁹ The store is reported to have broken all records in the Indian smartphone offline retail industry with more than 10,000 Mi fans that came to purchase goods on the day of the grand opening. CEO Lei Jun himself shared some snaps of the Mi fans in the store with the hashtag #IndianSmile. The company is reportedly on the verge of opening over 100 MI homes in the country by 2019 (MIUI Forum, 2017).

e. Conclusion

In order to reach its objectives in terms of market share, efficiency¹¹⁰ and revenues, Xiaomi chose the sole venture entry mode while it adapted some aspects of its marketing to the Indian audience. This went hand in hand with an obvious change in strategy. Complying with the “Made in India” policy also enabled the company to set up a more efficient supply chain and to better develop its logistics for international expansion¹¹¹ (Hyun, 2016). Interestingly enough, India is not a mere exportation center for the company but has rather become a main headquarter to serve its expansion ambitions since the Chinese start-up has set up an R&D center in the country together with a manufacturing facility and a data center aimed at monitoring its English-speaking markets on the longer run. Furthermore, in order to expand its portfolio of companies on overseas markets, Xiaomi has invested in local tech companies, notably Flipkart, an Indian e-commerce platform, and Hungama, India’s first digital content company¹¹² (Gupta and Wang, 2015; Hyun, 2016). Xiaomi has thereby abided by its core strategy on some dimensions (i.e.: investing in digital companies to expand its portfolio of companies) and adapted the necessary dimensions to succeed on the targeted market: Xiaomi embraced a local vision in its global ambitions.

5. Understanding the MENA Region

1) Introduction

The Middle East and North Africa region, often called the MENA, stretches from Morocco on the North West coast of the African continent to the Sultanate of Oman in the Arabian Peninsula. The expression is usually used to refer to the twenty-four Arabic-speaking member-states of the Arab League. Even though the region is usually seen as a single patchwork, it encompasses very different countries that present significant disparities when it comes to political, social and economic stability¹¹³. It is thus no wonder that there should also exist considerable disparities between the different regions of the MENA when it comes to smartphone use and mobile development: while the smartphone adoption rate is set above

¹¹⁰ In a recent survey conducted by Strategy Analytics, Kerr and Nair (2017) revealed that Xiaomi was the favorite brand among Android owners.

¹¹¹ Evidence of the Indian learning impact can be found in Brazil. Indeed, Xiaomi applied a similar strategy in the country by opening a manufacturing facility locally, which dramatically reduced shipping costs and thereby enabled the company to maintain its cost advantage. However, as said above, the distribution dimension was not adapted to a cash-friendly society, which explains the poor success on the Brazilian market.

¹¹² This investment goes together with Xiaomi’s strategy aimed at securing digital content production to expand smartphone sales and its larger Internet business in India (Hyun, 2016).

¹¹³ Indeed, with a GDP of USD 127,660, Qatar was the richest country in the world in 2016 while Yemen, another state located just a few kilometers away in the Arabian Peninsula, is among the poorest (i.e.: GDP (PPP) per capita of USD 2,375 in 2016) (IMF, 2016). When Oman and Morocco enjoy enviable political and social stability, Iraq and Syria have been going through political turmoil for several years.

50% in the member-states of the Gulf Cooperation Council¹¹⁴ (i.e.: Bahrain, Kuwait, Saudi Arabia, Qatar, Oman and the United Arab Emirates), it hardly gets above an average of 50% in North Africa¹¹⁵ (GSMA, 2015).

These differences, among many others, are evidence that the MENA region is not a monolithically constructed whole that can be analyzed through a single lens¹¹⁶. However, for reasons pertaining to length and feasibility, it was impossible to conduct a research on every country of the Arab world.¹¹⁷ I have chosen to present a more detailed approach of Morocco in order to show how penetrating this market might enable Xiaomi to further expand in other Arab and African countries. Furthermore, considering the Chinese start-up has already penetrated some markets of the MENA (i.e.: Bahrain, Kuwait and the UAE) through an export agreement sealed in late 2015 with Task FZCO¹¹⁸ (Lucic, 2015), I will first present the entry mode chosen by Xiaomi in the Arabian Gulf in order to understand the potential reasons behind the poor success that the brand has witnessed so far in these countries.

2) Case Study: Xiaomi in Bahrain

a. Overview: Bahrain Mobile Market

In Bahrain, Samsung dominates the market with 48.39% of market share followed by Apple (19.15%). Huawei and Lenovo operate on the market with market shares respectively set at 7.74% and 7.67%. The rest of the market is divided between other brands such as HTC, Nokia, LG and other brands (GlobalStats, 2017).

b. The Entry Method

In late 2015, Xiaomi entered three countries of the Arabian Gulf (i.e.: Bahrain, Kuwait and the United Arab Emirates) using, for the first time since its expansion overseas, the indirect exporting entry method: it sealed an exporting agreement with Dubai-based company Task FZCO that is responsible for marketing the brand in the region. On many aspects, this entry mode may come across as a sound decision: indirect exporting is a low-risk and low-investment entry method that allows the exporting company to gain a deeper understanding of a market from afar and determine, on the basis of the sales and awareness created by the distributor, whether it should increase its involvement or stop its operations altogether. This

¹¹⁴ It is above 80% in Qatar and the UAE, making them the countries with the highest smartphone adoption rates in the world (GSMA, 2015)

¹¹⁵ See chart in appendix.

¹¹⁶ In spite of their differences, the Arab consumers, just like elsewhere in the world, share common characteristics and needs in their demand for global goods. More than half of the region's population is currently under the age of 25, which makes out of the MENA region one of the youngest markets in the world, while its middle class, made of no less than 150 million consumers in 2013, is rapidly growing (Mahajan, 2013).

¹¹⁷ A detailed analysis of the ICT industry's development in the MENA as well as a cultural perspective approach can be found in appendix.

¹¹⁸ A Dubai-based company that became the official distributor of Xiaomi in the region. It is responsible for marketing the brand in Bahrain, Kuwait and the UAE.

strategy is largely embraced by small companies that do not have the financial means, the operational capacity and international experience to successfully penetrate an unknown market on their own (Tookey, 1975), which is the case of Xiaomi. Furthermore, these markets are relatively small in comparison with India, Brazil or Mexico, which might explain why Xiaomi did not increase its involvement in devising a strategy to penetrate these markets on which it does not have any previous experience.

However, the success of such a strategy largely depends on both sides' (i.e.: exporter and importer) stake in the relationship, the experience of the distributor on the targeted market as well as the uncertainty regarding the outcome of the relationship. A study conducted by Rosson and Ford (1982) showed that the bigger the distance between both sides (i.e.: distance is to be understood as "the sum of factors preventing flows of information and understanding between seller and buyer and includes geographic, cultural, and social elements" p. 58), the more conflicting the interests would be between them. In addition, these distance issues would be all the more severe that the manufacturer lacks former experience in international expansion from which it could draw upon.

Some critics would argue that penetrating these three countries of the Arabian Gulf was a doubtful choice: the markets are highly saturated markets (i.e.: the UAE has the highest smartphone adoption rate in the world with 83% of smartphone connections while Kuwait and Bahrain's rates range between 60% and 70% (GSMA, 2016)). Furthermore, the GCC states stand among the twenty highest-GDP(PPP)-per-capita countries in the world (i.e.: USD 50,704 for Bahrain, USD 71,887 for Kuwait and USD 67,871 for the UAE (IMF, 2016)) while the firm usually targets emerging economies with a nascent middle-class. Even though it is true, a sizable portion of low-income workers from South-East Asia (i.e.: Thailand, the Philippines, India, Pakistan and Bangladesh) also characterizes these countries. Targeting these segments to gain market share would therefore make complete sense for the Chinese brand.

c. The Challenges

In order to understand and assess Xiaomi's strategy in the region, I had the opportunity to meet with Mr. Muthuraman, marketing assistant at Ashraf's and manager of the brand in the Kingdom of Bahrain^{119,120}. Ashraf's, a tech retailer partner of Task, manages the brand in the country as a local partner of Task FZCO, Xiaomi's distributor in the region. The company does not have any contact with the Chinese firm and does not get formal directives from Task

¹¹⁹ During the second term of the academic year, I did my internship in the Arabian Gulf and had the opportunity to study the brand on the United Arab Emirates and Bahrain markets.

¹²⁰ The complete transcription of the interview can be found in the appendix. Unfortunately, he is the only manager of the brand I had the opportunity to meet during my stay in the region.

FZCO. The company already manages an extended portfolio of brands in Bahrain¹²¹ (i.e.: Sony, Casio, Nikon) and was appointed official distributor of Samsung Electronics for its B2B IT products in June 2012 (TradeArabia, 2012). Considering the extensive experience of Ashraf's as an IT retailer and distributor in the region, choosing the company as brand manager of Xiaomi on the Bahraini market made much sense. However, in spite of this experience, Mr. Muthuraman argued during the interview that marketing and selling Xiaomi on the Bahraini market was a very "challenging" task for reasons mostly pertaining to marketing budget allocations and the larger communication strategy.

Indeed, considering the low e-commerce adoption in the Kingdom, Mr. Muthuraman argued that it was impossible to apply Xiaomi's business model as it is and only rely on e-commerce. The operational marketing¹²² and more specifically the distribution and communication dimensions need to be adapted to the reality of the market. The country is still largely retail-based and therefore necessitates larger investments in marketing and advertising in offline distribution channels. In spite of this, Ashraf's does not receive any marketing budget from either side (i.e.: Xiaomi or Task), relying only on its own financial means to increase the awareness of the brand in the Kingdom. Mr. Muthuraman revealed that he spends a monthly USD 20,000 to market the brand with very poor return so far: he struggles to reach the end-consumer and liquidate the remaining stocks of previous models. For this very reason, he is unable to respond to consumers' wants for newer models, as the management of the company is reluctant to bring in new products. This further hampers the development of the brand since fans are longing for newer models that the distributor is unable to provide, which conveys an image of stagnation that might disturb fans of the brand themselves.

Mr. Muthuraman believes the outcome is unlikely to change unless Xiaomi does decide to come ahead and develop its communication since consumers of the region only "understand promotions and prices". Mr. Muthuraman pointed at the lack of communication and contact with the brand as a main obstacle in bringing Xiaomi forward on the market. Distance is indeed a major drawback in the potential success of an exporting strategy. According to Rosson and Ford (1982, p.58), "without contact, the problems of distance are likely to persist and to impede high performance", which has proven true in the case of this exporting strategy. In an attempt to show the importance of advertising in the GCC, Mr. Muthuraman explained that Bahrain and the larger GCC markets are largely influenced by buzz marketing, which is

¹²¹ Interestingly enough, Ashraf's directly collaborates with the management of these brands to market their products in Bahrain. The indirect distribution model applied by Xiaomi would therefore stand as an exception for the company.

¹²² Interestingly enough, when discussing the specific aspects of the strategic marketing (i.e.: targeting and positioning), I had to explain whom Xiaomi was targeting and how it was positioned to keep the conversation going. Mr. Muthuraman said the targeting was a little bit broader but did not seem to give it much importance as he believes the communication and distribution dimensions are the ones that should be most focused on.

the reason why Samsung and Huawei¹²³, which dominate the market alongside Apple, regularly set up impressive launching events in the region. The insufficient allocation of funds would thus either suggest Task's poor understanding of the targeted market's dynamics or Xiaomi's little interest in bringing the relationship to the next level. The latter suggestion would only be valid in the case Task does indeed report to Xiaomi about the market results, which is not an obligation in the case of indirect exporting.

In a last attempt to liquidate the remaining stocks, Ashraf's launched a month-long campaign¹²⁴ with its own marketing budget.

d. Bahrain Assets

Even though Bahrain is a very small market in comparison with neighboring Saudi Arabia, it is the best equipped Arab country in the MENA when it comes to telecommunications (i.e.: it is the only country that operates four 4G broadband connections). Furthermore, Bahrain is the Arab country where the digital economy most contributes to GDP with 8% of share. It thereby competes on an equal basis with the United States and does better than the European Union where the digital economy's share of contribution to the GDP does not exceed 6.2%. Together with the UAE and Qatar, it has one of the highest social media penetration rate in the world, even above the United States according to a recent study by McKinsey (2016). Lastly, it ranks first in the MENA in terms of smartphone connections penetration with a rate of 228% in the second quarter of 2016 (GSMA, 2016). As such, even though the e-commerce adoption rate remains relatively low for reasons most certainly pertaining to uncertainty avoidance¹²⁵, it is still rapidly growing¹²⁶ and the e-friendly environment (e.g.: high Internet literacy rate, high social media penetration) could have been a significant advantage upon which to draw.

e. Conclusion

Some might argue that Xiaomi's low involvement in the exporting strategy would tend to denote a lack of interest in the GCC markets: the lack of coordination and the insufficient collaboration with the brand managers in the GCC have led to marketing strategies that poorly reflect Xiaomi's image as the company that brings the best innovation to everyone since the products are merely advertised as low-and-middle-end smartphones. This lack of

¹²³ Drawing upon Mr. Muthuraman's words, Huawei has largely invested in Bahrain with the aim of penetrating the gigantic market of Saudi Arabia. While Xiaomi and Huawei are positioned in the same price-bracket, Huawei reaps off all the profit thanks to its impressive marketing and communication campaigns. It is therefore no wonder that these massive investments should leave Xiaomi with very poor brand awareness in the country.

¹²⁴ It started on May 2nd till the beginning of June.

¹²⁵ See the cultural approach in appendix.

¹²⁶ Out of curiosity, I started browsing Souq.com (the largest e-platform in the Middle East). A lot of Mi models are sold on the platform. However, the newest models are nowhere to be found, which is all the sadder that, upon reading the comments, a landslide majority of consumers see in the phones the perfect match between the Samsung and iPhone devices. The satisfaction rate is set between 4 and 5 stars (the maximum level) in the region, which further proves the appeal of Xiaomi's innovation and design to international audiences.

differentiation might eventually lead to a very poor performance of the brand on these highly competitive markets.

As such, direct exporting would have been a more sound entry mode: Xiaomi should have made sure that its positioning and unique selling proposition¹²⁷ as a co-creation and highly innovative brand were still conveyed through the marketing of the distributor and encouraged the creation of a fans community in the region using online as well as offline communication channels to reach to the population. In order to achieve these goals, Xiaomi should have consented a certain contribution to marketing and advertising in order to publicize its main differentiation factors. At the same time, Xiaomi is a very young company and has stated at multiple occasions its willing to concentrate its efforts on South-East Asia in order to thrive, which it has successfully managed to do so far. However, it is obvious that the indirect exporting strategy has poorly performed. I believe a similar strategy should be avoided on the Moroccan market. The next sections will aim at providing the necessary elements to device the most suitable strategy.

3) Xiaomi in Morocco: the Entry Strategy

In order to best devise an entry strategy, Driscoll (1995) recommends to analyze the firm specific advantages, its experience on foreign markets, situational strategic considerations of which the firm could take advantage on this targeted market, demand and competitive conditions, its political and economic context as well as socio-cultural factors.

Through the analysis of Xiaomi's business model, I have stressed the multiple firm specific advantages that the Chinese start-up can rely on to penetrate the Moroccan market (i.e.: low-end price-bracket suitable for an emerging middle class, its innovation and design appeal, its direct interaction with consumers, its co-creation approach). I have presented the experience the firm has so far acquired on foreign markets with a presentation of its strategy in India and Bahrain. This section will thus be dedicated to understanding the Moroccan market better: I will expose the political and economic conditions of the country, the socio-cultural factors that might impact Xiaomi's strategy, the government policies and the overall regulations in terms of e-commerce. Finally, I will present the results of a market research I have conducted in order to better understand the shopping habits of young Moroccan consumers living in urban areas.

a. Morocco in a Nutshell: Key Indicators

- Population (millions): 33.5 (2015 estimates)
- GDP (US\$ billions): 103.6

¹²⁷ During my conversations with the sales force as well as the brand manager, I noticed that very few of them, if any, had a sound understanding of the business model of the Chinese brand.

- GDP per capita (USD): 3063.07
- Inflation rate: 1.6%
- Urban population: 60.2%
- Population under 25: 43.3%
- Literacy rate: 68.5%
- Internet Penetration rate: 68.5%
- Smartphone adoption rate: 67 % (urban: 73.8%; rural: 56%)
- Users of e-commerce: 11.7% (urban: 15.5%; rural: 2.5%)

Source: (IndexMundi, 2016; ANRT, 2017; Statista, 2017e)

b. Overview

Morocco, or the Kingdom of Morocco in its official form, is a country located on the West coast of North Africa. Its political system is characterized by a constitutional monarchy with an elected parliament. With a population of over 33 million inhabitants, Morocco is the eleventh most populated country in Africa. More than 40% of its citizens are under the age of 25 and 60.2% of them live in urban areas (IndexMundi, 2016). Over the past decade, the country has tremendously boosted its business environment with ambitious projects in order to bring its infrastructure to international standards¹²⁸. In the WEF¹²⁹'s annual Global Competitiveness Report 2015-2016, Morocco is ranked 72nd out of 140 countries while the IBRD¹³⁰'s 2016 Global Report ranked Morocco 75th out of 189 countries in terms of ease to do business in (Ducass and Kwadjane, 2015). Even though the country is still emerging, it managed to develop a well-integrated telecommunication infrastructure and has attracted foreign direct investments worth MAD 31.8 billion in 2015 (MEF¹³¹, 2017).

c. Political and Economic Context – Morocco: an African Hub?

Since January 2017, the country has made its comeback into the African Union, which further strengthened its position as a major African powerhouse. Because of its geographical position and historical ties, Morocco is regarded as the main bridge between Europe and Africa. In 2014, Europe accounted for 67% of Morocco's exports with trade averaging EUR 30 billion and the Kingdom has vowed to intensify its trading relations with its African neighbors

¹²⁸ In order to meet international standards in terms of infrastructure, the Moroccan government has invested no less than USD 15 billion between 2010 and 2015 (Export, 2017). The country is home to the largest solar-plant facility in the world, *Tanger-Med*, in operation since 2007, is set to become the largest port in Africa¹²⁸ with a total capacity of 8 million containers in 2016, Mohammed V International Airport in the fourth largest airport on the African continent and, with its 15 international airports, the country is home to the largest airport hub in the region (Bouzekri, 2013).

¹²⁹ World Economic Forum

¹³⁰ The International Bank for Reconstruction and Development.

¹³¹ MEF: *Ministère de l'Economie et des Finances* (i.e.: Ministry of Economy and Finance, France)

through the sealing of numerous trading agreements¹³². All of these agreements, once entered into force, have led to a significant reduction in customs duties.

However, in spite of these achievements, the country has yet to apply a consistent and well-integrated customs duties system for importation from non-Mediterranean African countries¹³³.

Strangely enough, the system is largely unfavorable to the African countries as compared to the rates applied to American, European and Mediterranean trading countries, rates that are, paradoxically, irrespective of the category of goods. It is no wonder, therefore, that the African countries should apply a similar policy for imports coming from Morocco¹³⁴ (i.e.: the rates are on average 3 to 4 percentage points above the tariffs applied to American and European products). This would probably be explained by the fact that the trading frequency between Morocco and sub-Saharan Africa remains relatively low in comparison with other regions of the world. Indeed, “sub-Saharan Africa represents a little over 6% (compared 3% in 93) of exports¹³⁵ and a little under 1% (compared to 5% in 93) of Moroccan imports” (AFBD, 2014, p.5).

Overall however, the country’s trading relations with the rest of Africa has increased dramatically during the past few years (i.e.: + 13% in 2014 according to the African Development Bank) and numerous other projects aimed at strengthening the trading relations between Morocco and sub-Saharan Africa are underway (AFBD, 2014). As such Morocco is bound to become one of the most powerful economic hub on the continent¹³⁶.

¹³² Morocco has already signed bilateral agreements with Egypt, Tunisia, Guinea, Mauritania and Senegal and multilateral agreements¹³² with Ghana, Mozambique, Benin, Cameroon, Nigeria, Sudan, Tanzania, Algeria and Zimbabwe. It has invested in many sub-Saharan African countries (i.e.: mostly Western and Central African countries in industries ranging from telecommunications to real estate and banking) while only nine African countries (i.e.: Botswana, Côte d’Ivoire, Gabon, Namibia, Republic of Congo, Kenya, South Africa, Sao Tome and Swaziland) do not have yet any form of trade agreement with the Kingdom (AfDB, 2014).

¹³³ For the industry, the rate is set at 6% for imports from West Africa, 9.3% for imports from Central Africa, almost 7% for imports from East Africa and 12% for Southern African countries while the difference in customs duties rates is even more striking for agricultural goods: 1.4% for Mediterranean African countries while it is set at almost 27% for Southern African countries) (AfDB, 2014).

¹³⁴ Even though a more consistent customs duties policy would be preferable, an econometric analysis conducted by the AfDB (2014) on customs duties policies between Morocco and sub-Saharan African countries showed “that a reduction in customs duties applied to sub-Saharan products did not stimulate Moroccan exports to these countries” (p.6) which would suggest that the Moroccan tariff policy is unable to intensify trade relations between Morocco and sub-Saharan African countries. However, “goods from sub-Saharan Africa are more sensitive to Morocco’s tariff policy than goods from the rest of the world. A reduction in Moroccan customs duties applied to sub-Saharan countries would, therefore, contribute to an increase in exports from sub-Saharan African countries to Morocco” (p.7).

¹³⁵ Petroleum products (15.4% while it was 0% in 1993), fishery products (14%), fertilizers (9.8% while it was 1.8% in 1993), semolina and flour (5.9% while it was 0% in 1993) and electrical equipment (5% while it was 0.2% in 1993) account for the most exported products to Sub-Saharan Africa from Morocco while most products imported into the country from Sub-Saharan Africa are mostly raw materials (coffee, coal, spices and inorganic chemical products) (AfDB, 2014).

¹³⁶ Evidence can be found in numerous successful Moroccan investments: Maroc-Telecom has several subsidiaries in African countries (i.e.: Mauritel in Mauritania, Onatel in Burkina Faso, Gabon-Telecom in Gabon

d. Socio-Cultural Conditions

1) Online Banking in Morocco

Online banking, defined as the “delivery of banking services through the Internet” (Echchabi, 2011, p.2), has become an increasingly popular means of transaction on a global scale. It offers numerous benefits for the banks (i.e.: enhanced image as a new technologies provider and increased market penetration as the services are available from everywhere), the customers as well as the institutional clients (i.e.: increased convenience and time saving). In spite of this, the online banking sector remains largely underdeveloped in Morocco.

Over the past decades, Moroccan banks have attempted to raise the awareness of the availability of these services among the Moroccan audience by introducing and developing user-friendly online banking services with the aim of improving the operations and reducing the overall costs. However, in spite of their continuous efforts, these services have remained largely unnoticed and underused.

A study conducted by Echchabi (2011) showed that Moroccan customers located in the urban areas of Rabat and Casablanca were willing to adopt online banking services depending on the perceived ease of use and associated usefulness of online banking services.

According to Hofstede’s cultural framework, Morocco, like other predominantly Muslim nations, is characterized by its propensity for uncertainty avoidance, which would, to some extent, explain the reluctance to adopt the latest forms of technology, especially when risks of any kind might be associated with them (Chung and Holdsworth, 2012).

A study published in December 2014 by the World Bank revealed that only 59%¹³⁷ of the Moroccan population living in urban areas uses formal banking services. The score is even lower in the countryside as only 19% is said to be using formal banking services. The study stresses however that 41% of the whole nation is said to be financially included, which placed Morocco above both the average level of financial inclusion found in the Middle East and North Africa (18%) as well as in lower middle-income countries (28%). The study also

and Sotelma in Mali); Royal Air Maroc, the national airlines company, is the second largest and busiest in Africa after South African Airways; the National Moroccan Phosphates Company (OCP) is planning to launch numerous large-scale projects in Western African countries¹³⁶ while Morocco has also established a major financial hub in Casablanca (the Casa Finance City) in order to further develop engineering structures and financial services that enable the private sector to invest in Africa from Morocco. With an airport network of no less than 15 international airports and 5 ports, Morocco is able to offer very low export lead times but should first and foremost develop a more consistent import and export costs system. Even though the customs procedures were simplified in 2009, the kingdom still needs to intensify its trade agreements to give them a deeper foundation and, most importantly, provide a sound regulatory framework for trade (AfDB, 2014).

¹³⁷ “The approximately 13 million financially excluded adults – those who use no formal financial products or services - in Morocco are disproportionately female, poor, and living in rural areas. Among these adults, the most commonly reported obstacle to formal account ownership is lack of enough money to use one (37 percent), followed by a lack of need for a formal account (27 percent), and the high costs associated with owning and using a formal account (24 percent)” (WorldBank, 2014, p. 12).

noticed dramatic differences across different population segments. Indeed, men are 20 percentage point more financially included than women and only 20% of adults in the bottom quartile of the income distribution are said to use formal banking services while the score is set at 61% for those in the top quartile of the income distribution. The study also revealed the Moroccans' poor knowledge levels of basic banking services. "On average, Moroccan respondents were able to correctly answer 3 out of 7 questions on financial literacy. While 90 percent of the sample was able to perform simple divisions, around 40 percent of the survey participants understand how inflation affects their savings, and a fifth seems to be comfortable in solving slightly more difficult numeracy tasks in order to identify better bargains" (World Bank, 2014, p.14).

2) E-commerce in Developing Countries

1. The Case of Morocco

E-commerce has gained significant momentum during the past decade. However, in spite of its success in Western Europe and North America, which respectively accounted for 23.9% and 31.1% of the global B2C e-commerce sales in 2016 (Statista, 2017f,g), e-commerce adoption remains low in developing countries for reasons that pertain to the lack of appropriate infrastructure and socio-economic as well as cultural factors (Lawrence and Tar, 2010). Indeed, in order to facilitate the adoption of e-commerce, telecommunication companies should be able to bear the costs associated with providing high-speed connections necessary to allow the transfer of data. The insufficient use of credit cards, a poor performance in terms of distribution logistics together with the lack of reliable online e-commerce platforms would be regarded as main hindrances as well. Furthermore, in order to shop online, the consumer would need an Internet access, which would mean a device to enter an online shopping platform as well as a good broadband connection to complete the purchasing process, elements that could be costly for low-income households. In addition, in many developing countries, a legal framework guarantying the protection of consumers is lacking. The use of an e-commerce platform also requires certain communication skills (i.e.: being able to read and write the language in which the information is displayed on the screen). The language barrier would thereby act as a main obstacle to the illiterate consumers (Lawrence and Tar, 2010).

Morocco stands as one of the most advanced telecommunications markets in Africa with three licensed mobile network operators (i.e.: Maroc Telecom, Meditel and Inwi) (Chung and Holdsworth, 2012). Furthermore, alongside all member-states of the GCC, Lebanon, Jordan and Iraq, Morocco is the only country in North Africa that launched three live 4G networks

(GSMA, 2015)¹³⁸. The transfer of data would therefore not stand a major obstacle. With a well-developed banking system, the country also provides numerous services that allow consumers to access e-commerce platforms. Finally, with the launching of Jumia.Market¹³⁹ in Morocco, the country does have a reliable and large-scale online platform to secure electronic sales¹⁴⁰.

The main obstacles that could hinder the adoption of e-commerce remain the uncertainty avoidance characteristic of the Moroccan society, the high rate of unbanked citizens, the high rate of illiteracy as well as the poor distribution logistics.

2. Moroccan e-Shoppers: Secondary Data

Different studies provide valuable insights into the e-commerce industry in Morocco through numerous secondary data. They notably reveal that Casablanca (39% of e-commerce traffic), Rabat (18%) and Marrakesh (10%) accounted for over 80% of all e-commerce transactions in 2015. This would tend to stress that e-commerce users are mostly active in large urban areas. Moroccans aged 25-34 were the most active online buyers, closely followed by the 18-24 and 35-44. The study also showed that men (58%) are more active online shoppers than women (42%) even though the conversion rate was on average similarly distributed between both genders. Unsurprisingly, e-commerce in Morocco is most used among young educated adults living in large cities (Jumia, 2015).

Clothes, travel tickets, beauty products and electronic devices are the most items purchased online. Time saving (55.3%), discounts (18.6%) and the possibility to shop anytime (16.8%) are the main reasons to purchase online for Moroccan consumers. When asked what hindered their purchasing online, 35.3% of the respondents said they feared a lack of security, 30.1% said they did not trust Internet transactions while only 17.2% evoked the impossibility to assess the quality of the product as a drawback. As for the remaining 16.4%, they said that the delivery time was too long for reasons most certainly pertaining to the very poor distribution logistics the country still suffers from (ANRT, 2017).

¹³⁸ Morocco has made tremendous progress in its support to ICT transformation (in 2015 the World Economic Forum ranked Morocco 78th out of 143 countries on its Networked Readiness Index¹³⁸ (NRI) while it was ranked 99th in 2014) (Ducass and Kwadjane, 2015).

¹³⁹ The platform was created in Nigeria in 2012 and has operating branches in Morocco, Egypt, Tunisia, Algeria, Democratic Republic of Congo, Senegal, Gambia, Ethiopia, Côte d'Ivoire, Ghana, Cameroon, Republic of Congo, Angola, Namibia, Zambia, Rwanda, Tanzania, Madagascar, Zimbabwe, Mozambique, Kenya, Uganda and Mauritius (Jumia, 2017).

¹⁴⁰ Even though the e-commerce adoption rate remains low, it has still increased by 17.1% between 2015 and 2016 (Mounadi, 2016).

The middle class¹⁴¹ accounts for the most sizable online shoppers in Morocco. 3% access an e-commerce platform once a week while 16% would access the platform once a month (Ducass and Kwadjane, 2015).

In 2015, more Moroccans were accessing e-commerce platforms using their computers (55%) than their smartphones (36%): Moroccan users tend to prefer to use their smartphones and tablets to gather information about the product but will use their computers to purchase the goods. As for the payment methods, secondary show that most Moroccans tend to favor cash on delivery despite the credit card payment method being available¹⁴² (Jumia, 2015).

e. Government Policies and Regulations for the e-Environment

1) Morocco and the Legal Environment

There are three main categories of taxes in the country: taxes on income, profits and VAT (Marot, 2012). The taxation rate is set at 30% for all businesses, with exonerations procedures especially devised for SMEs (10%) and firms located in free zones (8.75%). Import and export taxes are respectively set at USD 970 and USD 595 for each container.

In terms of digital, Moroccan authorities developed a legal framework that covers most of the areas related to e-commerce (i.e.: law 53.05 on electronic communications -11/30/2007, law 31-08¹⁴³ on the protection of the consumer – 4/07/2011, law 09.08 on the protection of personal data, law 07-03 against cybercrime). The framework should however be reinforced and updated to current circumstances to ensure its effectiveness¹⁴⁴ (Ducass and Kwadjane, 2015).

2) The Government's e-Initiatives

In order to boost the development of the digital economy, the Moroccan Government has launched multiple digital strategies (i.e.: the 1999-2003 Five-Year Plan, e-Maroc 2010, Maroc

¹⁴¹ Defined in this study as the households whose daily income ranges between USD 5.7 and USD 13.5.

¹⁴² In a recent interview, Bastien Moreau (2016), CEO of Jumia Morocco explained that the Moroccan audience largely favors cash on delivery because they see this payment method as risk-free.

¹⁴³ In 2011, the Moroccan authorities adopted a new law aimed at providing a stronger legal framework to protect the consumers purchasing their goods online. However, in 2016, the Moroccan Division of the Consumers' protection recorded 93 warnings out of 103 e-commerce platforms investigated for suspected breach of the law (Benezha, 2017). 74% of the platforms investigated did not allow for return within 7 days upon reception of the purchased good in spite of this provision being a right granted by the Moroccan law. Most website did not make any mention of this possibility. 35% of the e-platforms did not provide information about the provider, which would denote a lack of transparency (Benezha, 2017). In spite of the many issues related to e-commerce, this mode of purchase has been growing rapidly in recent years. Between 2015 and 2016, the number of e-commerce transactions progressed by 17.1% (Mounadi, 2016).

¹⁴⁴ In June 2013, a project aimed at providing a more comprehensive legal framework to regulate all things digital was launched. This project was to gather all laws pertaining to the digital economy. It encompassed 114 articles with provisions specifically dedicated to electronic payments and regulations, cybercrime as well as the rights and obligations of the entities providing digital services in Morocco. The project has not been completed so far as an enhanced version put together with the key actors of the industry has yet to be written (Ducass and Kwadjane, 2015).

numéric 2013¹⁴⁵, Maroc 2020¹⁴⁶). In 2014, the Moroccan Court of Auditors assessed the achievements reached by the 2013 initiative¹⁴⁷. The main strategic axes were the following ones:

1. Social Transformation

This axis, which proves the government's eagerness to bring the Moroccan society into the digital age, was meant at providing the key actors of the digital economy (i.e.: primary and secondary schools as well as colleges and professional training institutions) with computers and Internet connections as well as professional digital training.

2. E-Gov Services

This axis was meant at providing the main public services online. Among the completed projects, we can report the management of the main ports of the country, the scheduling of appointments in hospitals or the request of official documents.

3. SMEs Computerization

This axis has enabled 310 SMEs to benefit from the recommendations of experts on issues pertaining to the digitalization of their business activities as well as from training sessions.

4. ICT Industry Development

This axis was meant at developing the digital Moroccan cluster of companies in order to facilitate the exporting of their services. However the initiative only incorporated the companies providing technological innovations and largely ignored traditional industries and craftsmanship, which could undeniably benefit from their digitalization (Ducass and Kwadjane, 2015).

f. Morocco: Assets and Obstacles

The previous sections will have shown that Morocco possesses numerous assets that would attract companies active in the e-business. The Kingdom is also home to a well-integrated civil society that is boosting the development of the digital economy, to numerous schools and universities offering engineering and digital curriculums, research centers dedicated to digital innovations, technological parks in urban areas (i.e.: Casablanca, Rabat, Tangiers) as well as clusters of companies active in the digital economy (i.e.: Maroc numérique cluster, ASTEC (the association of the Technopark Companies)).

¹⁴⁵ Digital Morocco 2013.

¹⁴⁶ Direct continuation of "Maroc numérique 2013".

¹⁴⁷ A table detailing the strategic axes of focus, the allocated budget and the percentage of projects completed by June 20th 2013 can be found in appendix.

This digital-friendly environment has largely contributed to the landside success of private companies active in the telecommunications industry (i.e.: Itissalat Al-Maghrib (Maroc Telecom), Meditel and Inwi) and boosted the development of mobile money¹⁴⁸ services (i.e.: Meditecash and Mobicash). It has also attracted international companies such as Microsoft, Atos-Bull and Cap Gemini and has facilitated the emergence of five Moroccan leaders in the digital economy (i.e.: MedTech¹⁴⁹, Disway¹⁵⁰, M2M¹⁵¹, Intelcia Group¹⁵² and Involys¹⁵³). Furthermore, in 2011 the Ministry of Industry, Trade and New Technologies and the General Confederation of the Companies of Morocco (CGEM) have come together to create the e-thiq@a¹⁵⁴ label aimed at enhancing the Moroccan consumer's confidence in e-commerce activities. Morocco also offers a large variety of solutions when it comes to the secure hosting of data through the data centers of companies such as npluses¹⁵⁵, OVH Maroc¹⁵⁶, hostoweb¹⁵⁷ or Arcanes Technologies¹⁵⁸ (Ducass and Kwadjane, 2015).

In spite of these opportunities, there are also major obstacles to the success of Xiaomi's business model in the country:

- The country lacks an updated and well-detailed legal framework guarantying the protection of consumers purchasing online;
- The development of e-commerce is hindered by the country's strict foreign exchange regulations;
- The lack of harmonized tax systems between the different African countries hampers trans-borders e-commerce;
- E-commerce will only become widespread with the increase of the middle-class and upper classes, as it is the layer of society that is most likely to shop online considering their purchasing power;
- The lack of a performing distribution logistics system characterized by a good price-quality ratio;

¹⁴⁸ The project, launched in 2013, enables smartphone users to receive and transfer cash money without going through the banking system. In order to access the services, the user only needs to have a mobile phone. This service thereby enables the layers of society with no access to the banking system to receive and transfer money, which was previously impossible without a bank account (L'Economiste, 2013).

¹⁴⁹ A software development company.

¹⁵⁰ A retailer of software and hardware material.

¹⁵¹ A provider of software solutions.

¹⁵² Expert in processes dematerialisation.

¹⁵³ Provider of IT management solutions

¹⁵⁴ The label is meant at encouraging investments in e-commerce and enhancing the security associated with online transactions. Indeed, in order to be elected for the label, companies need to abide by specific elements of conformity (LesAfriques, 2011).

¹⁵⁵ www.npluse.ma

¹⁵⁶ www.ovh.com/ma

¹⁵⁷ www.hostoweb.com/hebergement-mutualise

¹⁵⁸ www.heberjahiz.com/fr/apropos.php

- Government authorities should better fight cybercrime to increase confidence of the population;
- The lack of trust towards online shopping might hinder the success of Xiaomi's e-sales-based model and require the opening of offline stores;
- The insufficient circulation of credit cards and the limited number of people with a bank account might limit the online sales (Ducass and Kwadjane, 2015).

g. Smartphones: Demand and Competitive Conditions

According to the results of a recent study conducted by WPP and Kantar Millward Brown North Africa, Samsung dominates the Moroccan market with a market share set at 46.9%, followed by Apple with 23.6% of market share. The study reveals that Samsung is seen as the brand that best meets the functional needs of the consumers. However, 76% of the respondents see Apple as the best brand when it comes to technological advancement and innovation. The brand is perceived as the best able to respond to emotional needs to help consumers feel valued (Handaoui, 2017). The smartphone adoption rate was set at 67% in mid-2017 and the demand for 4G smartphone devices has spurred alongside the Telecom providers' investment in LTE networks (AllAfrica, 2016).

h. The Market Research

1) Introduction

As pointed out by Ducass and Kwadjane (2015), most consulting firms and larger institutions that have attempted to study e-commerce practices and predict the general evolution of the industry in Arab and African countries have only given an overview of regional tendencies (i.e.: all studies will gather Mediterranean African countries and the Middle-East into a single entity referred to as the MENA region and give broad trends for sub-Saharan Africa) without providing a detailed country-specific analysis. The aim of this study is therefore to make up for this lack of country-specific data.

2) The Sample

In order to understand the Moroccan market better, I devised a survey¹⁵⁹ that was distributed online through email and social media (i.e.: Facebook, Twitter and LinkedIn). The respondents that were targeted were young people aged 15 to 35 living in urban areas of the Kingdom. 318 people responded to the questionnaire, which was distributed in French and Arabic¹⁶⁰ and made accessible online for a period of five months¹⁶¹. The responses given were

¹⁵⁹ To be found in appendix.

¹⁶⁰ Out of the 318 respondents, only a mere 28 responded using the Arabic form.

¹⁶¹ The survey was opened from early December 2016 to early April 2017. This might seem a very long period of time. I must stress how difficult it was to gather responses from respondents. For the vast majority, I contacted

used to create a database in order to proceed later on to the analysis of the statistics with IBM SPSS. After closing the questionnaire, I proceeded to cleaning and coding the database. 9 responses were deleted due to missing values or because they belonged to the segments 35-49 and 50-65. The sample size was thus reduced to $N=309^{162}$.

3) Methodology and Objectives

The questionnaire was devised in order to investigate the Moroccan audience's attitude towards the most important elements of Xiaomi's business model. It was thus devised as an initial observation point in order to obtain a better understanding of the consumers' habits rather than an attempt at testing specific hypotheses.

I divided the questionnaire into 6 main categories:

1. **General Questions about Mobile and e-Commerce:** this section was designed in order to get a clearer insight into the banking (i.e.: credit card ownership and electronic payment) and shopping habits (i.e.: e-shopping familiarity and frequency, importance of e-WOM and offline distribution channels) of the Moroccan consumers. Questions related to smartphone adoption and the willingness to adopt mobile money were also asked;
2. **Interaction with the Brand:** this section was meant at analyzing the importance given by the Moroccan consumers to virtual communities and the direct interaction with the brand through social media as well as the impact of a good online experience on purchase intention;
3. **Nature of Purchase:** this section aimed at analyzing the Moroccan consumers' readiness to pay for applications and Internet services, the importance given to the Country of Origin and the degree of avoidance of Chinese electronic products;
4. **Communication:** this section was aimed at determining the importance given to brand advertising and its larger impact on purchase intention;
5. **Co-creation and Customization:** the questions of this section were devised to determine the customer's experience in co-creation and customization as well as the importance given to these two main elements of Xiaomi's strategy;
6. **Demographics:** questions to determine the age, the gender, the nationality, the income and region of the respondents were asked. In this last section, I also measured the awareness of the brand in the Kingdom before its official entry.

them personally through LinkedIn. Mr. Bendriss El Mehdi, head of the Vinci School of Engineering in Rabat, also helped me out in this task. He was very supportive and sent the survey to the students. The responses gathered were however very few.

¹⁶² For a confidence level of 95%, a sample size comprised between 300 and 400 implies a margin of error between 5 and 6%.

7. Drawing upon the results, I aimed at determining how the Chinese start-up should adapt its operational marketing to penetrate the Moroccan market.

4) Analysis

1. Demographics

As shown through the SPSS tables¹⁶³, 179 respondents were aged 16-24, 130 were aged 25-34. 97.17% of all respondents (i.e.: 309/318) thus belonged to the targeted audience. Out of the 309 respondents, 159 were male and 150 were female. 303 were identified as Moroccans while only 6 were foreigners living in the country. They all live in the main urban areas: 252 of the respondents live in the Rabat-Salé-Casablanca region, 21 in the Marrakesh-Agadir-Essaouira region, 17 in the Fes-Meknes region, 12 in the Tangier-Tetouan-Al Hoceima region while 7 live in the Southern Provinces.

A sizable majority of the respondents were identified as students (158/309), 60 were identified as white-collar employees or freelancers, 69 were top management employees or members of the professions while 22 were unemployed.

303 had a smartphone, 3 said they did not need any while the remaining 3 said they were about to buy one. Finally, 43 of the respondent belong to the lower class (i.e.: a monthly revenue comprised between MAD 1000-2500), 41 belong to the lower middle-class (MAD 2500-5000), 108 belong to the middle-class (i.e.: MAD 5000-10000), 107 belong to the upper middle class (i.e.: 10000-40000) while the remaining 10 belong to the upper (i.e.: above MAD 40000)¹⁶⁴.

2. General Questions about Mobile and e-Commerce

➤ Mobile Players Market Domination

Unsurprisingly, Samsung dominates the market (i.e.: 165/309, 54 %), closely followed by Apple (i.e.: 75/309, 24.3%). The remaining market shares go to other brands¹⁶⁵. These results match the secondary data provided by the WPP-Kantar-Millward-Brown study. When asked about the most performing brand from a pure technological point of view, however, a majority of respondents (i.e.: 166/309, 53.7%) chose the iPhone by Apple against 110 (35.6%) for Samsung. The remaining 33 (10.7%) favored other brands (i.e.: Huawei, Xiaomi,

¹⁶³ See appendices.

¹⁶⁴ Remark: determining the different classes of the urban society was a particularly difficult task since all available sources, from consulting firms as well as Moroccan authorities reports, are contradictory. While Ducass and Kwadjane (2015) make the middle-class start at MAD 1000/ month, the Haut Commissariat au Plan (HCP) makes it start at MAD 6000/month while the Caisse de dépôt et de gestion (CDG) makes it start at 10000/month, which are very different starting points. For this reason and based on an arbitrary choice, I decided to put the threshold as mentioned in this paragraph. The upper middle-class was based on an analysis by economist Youssef Saadani of the CDG (LaTribune, 2011 and 2014).

¹⁶⁵ Sony (15), Huawei (14), HTC (10), Infinix (9), Nokia (5), Oppo (4), Wiko (3), Xiaomi (3), ZTE and Lenovo (1).

Microsoft and HTC). A plausible hypothesis would be that Apple's image as the epitome of innovation and creativity is also widespread among the Moroccan teens and young adults. This would play in Xiaomi's favor since the Chinese brand intends to position itself in a similar –though broader- way. As such, this dimension of differentiation should be insisted on through its communication strategy in the country unlike what was done in Bahrain.

➤ **Price Sensitivity**

When asked about the suitable price-bracket for a smartphone purchase, 130 (42.1%) said they would not pay more than MAD 3000 while 138 (44.7%) said the price-bracket should range between MAD 3000 and MAD 6000. As such, 86.7% are ready to pay for the price bracket of Xiaomi's low-end and high-end products. 32 (10.4%) said they would pay between MAD 6000 and MAD 8000 while only 9 (2.9%) respondents were ready to pay more than MAD 8000¹⁶⁶.

➤ **Payment Methods**

When asked whether they used a credit card, 209 (67.6%) respondents gave a positive answer, which would mean that more than 65% of the young urban population uses at least one formal banking service, which is a little bit higher than the proportion revealed by the 2014 World Bank study about the same topic. However, and unsurprisingly for a country characterized by its high uncertainty avoidance, most Moroccans prefer cash on delivery (i.e.: 194/309, which accounts for 62.8% of all respondents). Only 23 (7.4%) said they would favor electronic payment while the remaining 92 (29.8%) did not give preference to any method.

➤ **Online Shopping Habits and e-Shopping Familiarity**

When they do shop online, a majority of the respondents do it two to three times a year (111/309, 35.9%), 55 (17.8%) said they would shop online up to once a month, 29 (9.4%) said they would shop online once a year at the very maximum while 28 (9.1%) said they would shop online more than once every month. The remaining 86 (27.8%) respondents said they never shop online, which accounts for about a third of all respondents. This would tend to show that the online shopping adoption rate is still relatively low even among young Moroccans living in urban areas. To those that do not shop online, I asked the reason behind their avoiding the method of shopping. 193 (62.5%) respondents provided an answer to this question (that was not obligatory)¹⁶⁷: 60.1% said they would rather shop in traditional shops while only 39.9% said online security was their main concern¹⁶⁸.

¹⁶⁶ Interestingly enough, when checking the Moroccan prices for the iPhone products (older and newer models) on Jumia.ma, the price-bracket ranges from MAD 6000 to MAD 12000, which is an acceptable price-bracket for a mere 13.3% of the respondents. However, 24.3% of them had an iPhone. A hypothesis would be that the iPhones were bought through the informal sector or as second-hand products.

¹⁶⁷ This question was meant at determining what would hamper e-shopping among those who do not shop online. However, even those shopping online sometimes provided an answer to this question. The reason might be that

When asked how familiar they were with e-shopping, 84 (27.2%) said they were “not familiar at all” with shopping online, 56 (18.1%) said they were “slightly” familiar, 72 (23.3%) said they were “moderately” familiar, 43 (13.9%) said they were “very” familiar with e-shopping while the remaining 54 (17.5%) said they would identify with “extremely” familiar, which is consistent with the results detailed above even though it would be interesting to determine how often you have to shop online to be regarded as very familiar with this shopping method in the opinion of the respondents.

➤ **The Importance of Touching and Seeing the Product before Buying**

83 (26.9%), 95 (30.7%) and 85 (27.5%) respondents respectively said that it was “moderately”, “very” and “extremely” important to touch and see the product before buying. 34 (11%) gave it a “slight” importance while 12 (3.9%) did “not care at all”. As such, a direct interaction with the product still matters to 57.6% of the respondents, which would be another reason behind the low e-shopping adoption rate. However, when asked whether the absence of online shops would tend to impact their purchase intention, only 40.5% of all respondents said it would, thereby stressing the importance of offline distribution channels (i.e.: 75 (24.3%) and 50 (16.2%) respondents said the absence of offline shops would respectively “very” much and “extremely” much impact their purchase intention). 112 (36.2%) and 44 (4.2%) said it would respectively “moderately” and “slightly” impact their PI while 28 (9.1%) said it would “not impact it at all”.

As such, even though 57.6% would rather touch and see before purchasing, the absence of offline store would impact the purchase intention of only 40.5% of them.

➤ **The Importance of e-WOM on the Purchase Decision**

81.2% of all respondents do check the e-WOM on the Internet before purchasing a product. When asked how important the e-WOM was on their purchase decision, 116 (37.5%) and 96 (31.1%) said it was respectively “extremely” and “very” important. 78 (25.2%) said it was of “moderate” importance, 11 (3.6%) said it was “slightly” important while only 8 (2.6%) said it was “not important at all”. Electronic word-of-mouth would, therefore, impact the decisions of a sizable majority of shoppers.

➤ **Mobile Money**

When asked if they would appreciate to pay in traditional shops using their smartphone¹⁶⁹, 72 (23.3%) and 58 (18.8%) respondents respectively said they would appreciate it “very” much and “extremely” much, which accounts for 42.1% of all respondents. 103 (33.3%) said they

they felt they had to tick a box since most questions were obligatory. Another hypothesis would be that, even if they do shop online, this shopping method is not their favorite comparing to traditional shopping.

¹⁶⁸ Considering the low number of respondents to this question, the margin of error would be higher than 5%.

¹⁶⁹ This would refer to the mobile money services that were previously discussed.

would “moderately” appreciate this method of payment, 37 (12%) said they would “slightly” appreciate it while 39 (12.6%) said they would “not appreciate it at all”. The segment of young people living in urban areas that is unlikely to adopt such a payment method is as such relatively small (i.e.: 24.6%) in comparison with the 42.1% that would adopt it. This might be explained by the fact that, in comparison with electronic payments, mobile money is seen as more secure.

➤ **About Jumia**

This question was meant at measuring the awareness of the biggest e-shopping platform on the African continent among the young Moroccan consumers. A sizable majority of respondents (i.e.: 261, 84.4%) said they knew about Jumia, which reveals a high awareness for the African online platform. However, only 92 (29.8%) said they had already purchased goods on this platform. This question reveals a high awareness rate but a relatively low attraction rate. This might be explained by the fact that Moroccans do not favor any type of e-platform to buy online unlike what might be seen in Western countries with Amazon. Indeed, when asked whether they would favor an e-retailer such as Amazon to purchase their goods online, only 62 (20.1%) said they would while 94 respondents (30.4%) said they would rather shop on the brand e-shop. The remaining 153 (49.5%) said they did not give preference to any. The indecision revealed by these results might be explained by the lack of e-shopping experience of the respondents.

➤ **Delivery Time and On-Demand Delivery**

When asked how important the delivery time was when shopping online, 170 (55%) said it was “extremely” important and 84 (27.2%) said it was “very” important. As such, delivery time is valued by 82.2% of all respondents. 43 gave it a moderate importance, 10 said it was slightly important while 2 did not value it at all.

When asked about how much they would appreciate an on-demand delivery app, 100 and 109 respondents (i.e.: 67.7%) respectively said they would appreciate it “very” much and “extremely” much. 69 (22.3%) said they would “moderately” appreciate such a service, 22 (7.1%) said they would slightly appreciate it while 9 (2.9%) said they would “not appreciate it at all”. As such, even if delivery time is important to 82.2%, only 67.7% would be willing to adopt an on-demand app. This lower rate might be explained by the uncertainty avoidance when it comes to adopting newer technologies¹⁷⁰.

3. The Interaction with the Brand

➤ **Virtual Communities of Fans**

¹⁷⁰ In order to understand what might hamper the adoption of an on-demand app, a qualitative study centered around the “why” would be needed.

A minority (i.e.: 21.7%) of respondents saw virtual communities of fans as important (i.e.: 50 said they were “very” important while 17 said they were “extremely” important). 109 respondents (35.3%) said it was “not important at all” while 59 (19.1%) and 74 (23.9%) respectively gave it a “slight” and “moderate” importance. Thus 54.4% of young people living in urban areas do not see these communities of fans as important, even when they do appreciate the brand.

However, when asked whether being an active member of a virtual community of fans was likely to increase their interaction with the brand, 94 (30.4%) agreed, 30 (9.7%) strongly agreed while 75 (24.3%) were undecided. 57 (18.4%) and 53 (17.2%) of them respectively strongly disagreed and disagreed with this statement. As such, even though virtual communities of fans are not important to 54.4%, 40.1% of them still agree that they would increase their interaction with the brand. Considering Xiaomi’s devices are equipped with the MIUI Forum application, which is mainly dedicated at increasing the customer’s engagement, all MI users are constantly aware of the company’s update and invited to participate in the brand’s activities (i.e.: beta version testing, feedback, ideas suggestion). Purchasing the brand would thus inevitably increase the interaction with the brand even for consumers that do not value the virtual communities of fans.

➤ **Quick Feedback from the Brand**

Unsurprisingly, 157 and 68 respondents (i.e.: 50.8% and 22%) said it was respectively “extremely” and “very” important to get a quick feedback from the brand when a problem is detected. 41, 16 and 25 (i.e.: 13.3%, 5.2% and 8.7%) said it was respectively “moderately”, “slightly” and “not at all important”. Unlike the virtual community of fans, the Moroccan consumers thereby highly value this dimension of Xiaomi’s business model. The possibility offered by the fans community to get feedback about specificities of the devices or problems encountered should thus be insisted upon in the brand’s communication.

➤ **Brands and Social Media**

Drawing upon the results, Moroccans do tend to favor purchasing brands active on social media. Indeed, 77 (24.9%) and 37 (12%) respondents said it was “very” and “extremely” important that a brand should be active on SM. However, 94 (30.4%) said it was moderately important, 55 (17.8%) slightly important and 46 (14.9%) said it was not important at all. As such, for 32.7% of all respondents, the fact that the brand is not active on social media is unlikely to impact their purchase intention. Interestingly enough, following the brand on SM becomes more important after purchase: 95 respondents (30.7%) agreed with the fact that the interaction with the brand on SM increases after purchase, 46 (14.9%) strongly agreed with this statement, 36 (11.7%) strongly disagreed, 31 (10%) disagreed while 101 (32.7%) were undecided. As was stated in the literature review, post purchase is the stage where the loyalty

loop is formed or destroyed through the interactions between the customer, the product and the brand's environment. It is at that stage that consumers will engage in word-of-mouth to advocate or demote the brand. Since Xiaomi is strongly positioned on SM, the interaction with consumers on these platform would serve as a main advantage against rivals to maximize the retention rate through good online experience. Satisfied customers would in turn raise the awareness around the brand on SM and potentially increase the brand's adoption rate. This hypothesis is strongly supported by the following results.

➤ **Impact of Good Online Experience on e-WOM**

126 (40.8%) and 55 (17.8%) respondents respectively agreed and strongly agreed with the fact that they would leave good feedback on SM and other forums to advise purchasing a brand with which they have had a positive experience. 65 (21%) were undecided while 26 (8.4%) and 37 (12%) of them respectively disagreed and strongly disagreed. This would tend to show that a sizable majority (i.e.: 58.6%) would actively advocate a brand they like on SM. Interestingly enough, more respondents (i.e.: 71.8%) were prone to advocate a brand with which they had a good experience to their friends and families without going on the Internet to leave feedback and other comments. Indeed, 132 (42.7%) and 90 (29.1%) of them said they respectively agreed and strongly agreed with recommending the brand to their relatives. 51 (16.5%) were undecided while 15 (4.9%) and 21 (6.8%) of them respectively disagreed and strongly disagreed.

As for the good valence of the online experience, it plays a significant role in the relationship between the consumer and the brand for 50.8% of the respondents. Indeed, when asked whether they would accept to pay more for a brand with which they have a good online experience, 106 (34.3%) and 51 (16.5%) respondents said they respectively agree and strongly agree. 78 (25.2%) were undecided while 41 (13.3%) and 33 (10.7%) respectively disagreed and strongly disagreed with this statement. This might play in favor of Xiaomi who intends to monetize customer's engagement.

4. Nature of Purchase

➤ **Apps Business**

Xiaomi intends to make money out of the sales of services. I therefore asked the respondents whether they would be ready to pay for an application. 113 respondents (36.6%) said they were "not ready at all" to pay for these services. 67 (21.7%) said they would be "slightly" ready to do so, 74 (23.9%) "moderately" ready while only 35 (11.3%) and 20 (6.5%) of them claimed they were respectively "very" and "extremely" ready to pay to acquire applications, which accounts for only 17.8% of them. Only 15.5% had already paid to purchase an application in the past.

➤ **Country of Origin and Made in China Image**

When asked whether the country of origin of the brand was likely to impact their PI, 71 (23%) and 48 (15.5%) said it would respectively “very” much and “extremely” much impact their PI. 78 (25.2%) were undecided while 39 (12.6%) and 73 (23.6%) said it would “slightly” and “not all” impact their decision.

I then tried to determine whether the respondents would be reluctant to purchase Chinese electronic products. 89 (28.8%) were undecided. However, 60 and 56 respectively agreed and strongly agreed with the statement, which reveals that 37.5% still see the Made-In-China as a main drawback in their willingness to purchase an electronic device. On the other hand, 59 (19.1%) and 45 (14.6%) respondents respectively disagreed and strongly disagreed with the statement.

In a similar order of ideas, I tried to determine whether the respondents would associate a low price bracket to a low quality smartphone. 94 (30.4%) did not give the statement much thought. 56 (18.1%) and 24 (7.8%) claimed they respectively agree and strongly agree with the statement while 84 (27.2%) and 51 (16.5%) said they respectively disagreed and strongly disagreed with the statement. This reveals that 43.7% would not dismiss the quality of a low-price product. Xiaomi would therefore have to insist on its outstanding technological innovations characteristics to sweep off the negative image that might come with its name.

5. Communication

Xiaomi poorly invests in advertising. Therefore I tried to determine the importance of advertising for Moroccan consumers. When asked whether brand advertising was likely to impact their purchase intention, 85 (27.5%) claimed it would “very” much impact their PI while 23 (7.4%) said it would “extremely” much impact it. 103 (33.3%) argued it had a moderate impact, 56 (18.1%) a slight impact while 42 (13.6%) said it had no impact at all. 34.9% thus recognize the importance of advertising.

Interestingly enough, when asked whether the presence of celebrities would be likely to have impact on their PI, the “not at all” segment rose to 121 respondents (38.2%), which would tend to show that the respondents give little value to celebrity endorsement, which might indicate that people do not value the celebrity as much as the ad itself.

Lastly, I tried to determine to what extent advertising on social media (i.e.: referring to the communication means mostly used by the Chinese brand) was appreciated. 85 (27.5%) did not have much opinion about the statement and said it was “moderately” appreciated, 65 (21%) “very” much while 27 (8.7%) said it was “extremely” much appreciated. 57 (18.4%) and 75 (24.3%) respectively said it was “slightly” and “not at all” appreciated

6. On Co-creation and Customization

A sizable majority (i.e.: 262 respondents, 84.8%) had no previous co-creation experience at all while the remaining 47 respondents (i.e.: 15.2%) had already contributed to the

development of a brand through co-creation. They were more numerous to have had a previous customization experience: 89 (28.8%) had already customized their product while 220 (i.e.: 71.2%) had never done it before.

92 (29.8%) and 84 (27.2%) respondents said co-creation and being able to participate in the development of the brand was respectively “very” and “extremely” important, 85 (27.5%) gave it a “moderate” importance while 27 (8.7%) and 21 (6.8%) said it was respectively “slightly” and “not important at all”. The importance given to customization was relatively similar: 98 (31.7%) said it was “very” important, 81 (26.2%) saw it as “extremely” important, 81 (26.2%) had gave it a “moderate” importance while 22 (7.1%) and 27 (8.7%) said it was respectively “slightly” and “not important” at all.

Finally, 88 (28.5%) respondents had already heard about Xiaomi.

i. Recommendations to Penetrate the Moroccan Market

Upon the completion of the analyses of the Moroccan environment and the consumers’ habits, it is possible to devise a sound strategy for the company to enter the country. I believe Xiaomi should choose sole venture as its entry mode and adapt some dimensions of its operational marketing. This section will aim at suggesting different ways for Xiaomi to take advantage of country-specific assets to boost its expansion and at revealing what dimensions of its marketing mix should be adapted or further enhanced in order to succeed in the Kingdom.

1. Localization: Production

Morocco being located on the far West Coast of North Africa, the shipping costs would very easily skyrocket whether the containers come from India’s production facility or China’s. Morocco offers many advantages that Xiaomi can benefit from when it comes to opening a production facility in the country. Since 1995, the Kingdom has been home to seven free zones that have been tremendously developed during the past years, one of which is located next to the Tanger Med port, which facilitates exportation to European as well as African countries (Invest, 2017). Furthermore, in July 2016, Moulay Hafid Elalamy, the Minister of the Industry, Trade, Investments and Digital Economy launched a project aimed at developing a free zone for each of the 12 regions of the Kingdom in order to boost foreign investment. Each free zone will have a specific pool of activities that will best exploit the human capital of each region (Ismaili, 2016). Lastly, in March 2017, Morocco and China sealed an agreement for the development of a Chinese Industrial Park that will host 200 companies active in different industries (i.e.: automobile, textile, aeronautics). The project is part of a larger industrial drive, with Tangiers at its heart, operated by Morocco to turn the country into a powerful African hub.

By opening a production facility in Morocco, Xiaomi would thereby benefit from tax incentives and a relatively inexpensive work force. Exportation to neighboring African

countries would also be grandly facilitated through a well-developed network of maritime routes. These factors would not only allow the company to maintain its cost advantage on the continent but to increase its production capacity and thereby benefit from economies of scale that would further decrease its production costs and potentially increase its profit on the longer run.

2. Localization: Distribution Channels and Communication

The results of the market study revealed that the online shopping adoption rate is still relatively low even among young Moroccans living in urban areas. The e-sales model will therefore have to be adapted to the Moroccan context. Xiaomi would have to sign agreements with mobile shops to sell its products in brick-and-mortar stores and, in the longer-run when the visibility and awareness of the brand have been increased, open a Mi Home dedicated to selling the brand to the fans since Moroccan consumers, even if they shop online, still favor the human interactions of traditional shopping like most Arab cultures¹⁷¹. The tax incentives from which Xiaomi would benefit from in implementing production facilities in free zones and the cost reduction associated with scale economies would make up for the investment consented to boost sales through these distribution channels.

Furthermore, the two-way conversation will have to be adapted to a French and Arabic-speaking audience. Unlike what happened in China, Lei Jun will not be able to rely on its previous business and technological success to increase awareness among geeks and tech-savvy youngsters that follow him on Weibo. In order to increase awareness in the country, Xiaomi will have to invest in advertising and localized communication means in order to make up for the cultural distance between both markets. As shown through the market study, Moroccan consumers embrace the Apple brand as the epitome of innovation and creativity. The Chinese start-up should strongly position itself on these dimensions since the similar designs with the iPhones and the high performance of the electronic devices would be a good differentiation factor to appeal to young consumers in urban areas.

Furthermore, the Chinese brand should also differentiate itself through the co-creation approach it offers (which is nowhere to be found in Apple's strategy) since 57% of all respondents said being a part of the development team was important to them. Involving the consumers in the creation process would potentially increase engagement and facilitate the monetization of the services. Finally, advertising the main innovation aspects of the items would also serve to slowly erase the negative image associated with purchasing Chinese electronic devices, which still impacts the PI of 37.5% of all respondents.

3. Localization: Payment Method

¹⁷¹ See the more detailed cultural approach to the Arab culture in appendix.

Drawing upon the primary and secondary data, it appears clear that Moroccan consumers still tend to favor cash over electronic payment. The mi.com platform would therefore have to allow this method of payment in the country. In order to benefit from the development of mobile money, Xiaomi could also sign an agreement with Maroc Telecom and Meditel, which both developed mobile money systems in order to enable unbanked citizens to access financial services. This would allow the Chinese start-up to appeal to risk-conscious consumers as well as the unbanked and grant them access to its e-platform either to purchase electronic items or digital services. This would also be a good factor to raise consumers' trust in the brand, which would strengthen the relationship and further encourage fans to purchase the digital services offered by Xiaomi such as the Mi mobile payment. Indeed, raising the consumer's trust in the brand would provide an enhanced customer experience. As shown through the study's results, 50.8% are ready to pay more to acquire a brand that offers a good online experience. Convincing consumers reluctant to pay for digital content would therefore be facilitated through the creation of a strong brand-fan relationship.

4. Strategic Advantages

➤ Jumia Agreement

Xiaomi would benefit from a partnership with giant e-platform Jumia. Indeed, as evidenced by the market study results, more than 80% of all respondents knew about Jumia. The 2015-Jumia study also revealed that electronic devices were some of the items that Moroccan consumers most purchase on the platform. Selling its devices on this e-platform would allow the company to diversify its online distribution channels and benefit from the awareness the African e-platform has already created.

➤ Uber/ Careem Collaboration: On-Demand Delivery

In order to boost sales and make up for the poor logistics in Morocco, Xiaomi could benefit from implementing a strategy similar to the one applied in Singapore. As explained in the second part of this research, Xiaomi sealed an agreement with Uber or Careem (i.e.: a Dubai-based transportation start-up whose business model is similar to Uber's) to develop an on-demand delivery application.

Delivery time is of the utmost importance for a majority of the Moroccan consumers surveyed. Xiaomi could create the buzz in providing such an on-demand application. The buzz thereby created would increase the visibility of the brand on social media and further encourage the creation of a community of fans in the country. Furthermore, taking advantage of the specificities of the Uber model (i.e.: all car owners can serve as delivery men) would not only make up for the poor Moroccan distribution logistics but also enable Xiaomi to decrease the overall shipping costs, which, as explained earlier, serve as a main hindrance for e-shoppers.

j. Limitations

The market study has revealed key aspects that should be taken into consideration for the adaptation of Xiaomi's value chain and operational marketing in Morocco. The primary data collected through the survey were similar to the secondary data pertaining to the dimensions that had already been studied by certain researchers or consulting firms. However, in order to understand the Moroccan consumers better, especially when it comes to the differences between regions, age and income, the sample size would have to be increased in order to be more representative of the consumers with a limited purchase power for instance.

Furthermore, certain results have led to certain hypotheses that should be tested through focus-group-question sessions in order to understand the reasons why young Moroccan consumers are reluctant to pay for mobile services or why they would not adopt an on-demand delivery while delivery time is of the utmost importance, what matters to them when it comes to advertising and in what way brand ads do impact their purchase intention. However, this goes beyond the scope of the present work and would have to be further investigated in other studies willing to get a deeper and more accurate insight in the Moroccan consumer's shopping ways.

5. Conclusion

When I first started investigating Xiaomi's business model, I had never envisaged how many valuable business insights my research would leave me with. I had long ago realized that the digital age had dramatically impacted the marketing tools and forever transformed the branding strategies and brand-customers' relationships. However, never had I come across a brand whose business model was entirely built on these changing dimensions of the customer's experience. By involving the consumers into the development of the company's products, Xiaomi has made the contribution of its fans its essential foundation and, because of the crucial role they play in the success of the brand, Xiaomi is compelled to always increase their satisfaction in order to survive and thrive, a strategy that should ultimately lead to increasing the consumer's engagement and facilitate its monetization. As such, the brand and the fans' contribution are so dramatically intertwined that trying to distinguish one from the other would stain Xiaomi's identity. Furthermore, in limiting its advertising investments and relying on e-WOM, the company has proven that the Internet has empowered consumers to the extent that sales can be driven by their sole contribution on social media.

Lastly, with a business model aimed at building a new Internet ecosystem that should ultimately bring innovation to everyone and facilitate the development of a connected lifestyle, the company has found a unique differentiation factor that enables it to evolve in a blue ocean, away from Apple, Samsung and all other big players of the industry. Sadly enough, this essential dimension remains seldom noticed and all the less appreciated since the company does not sufficiently invest in communicating on this core differentiation factor that was only disclosed to a few tech-savvy geeks. The many arguments that were put forward in the present paper do tend to stress the urgent need to change this part of the operational marketing in order to increase the appeal of the brand to a larger international audience.

Surviving and thriving would also have to go together with an expansion on other emerging markets, among which the markets of the MENA and sub-Saharan Africa.

The research has proven the potential of Morocco as the perfect host to such an expansion. This African hub, with its e-friendly environment, its political and economic stability, its well-integrated telecommunication networks, its many free zones synonyms of tax incentives and inexpensive labor would drastically ease the process of product exportation to neighboring Arab and African countries and thereby enable the company to take full advantage of the potential behind the developing telecommunication boom on the continent. Success on these markets will only depend on the company's aptation to the realities of the consumer's norms and Xiaomi's Indian success story has proven its readiness to do so. Only time will let us know what the future holds for Xiaomi's expansion. But I do hope the company will also see the potential of Morocco as an African hub.

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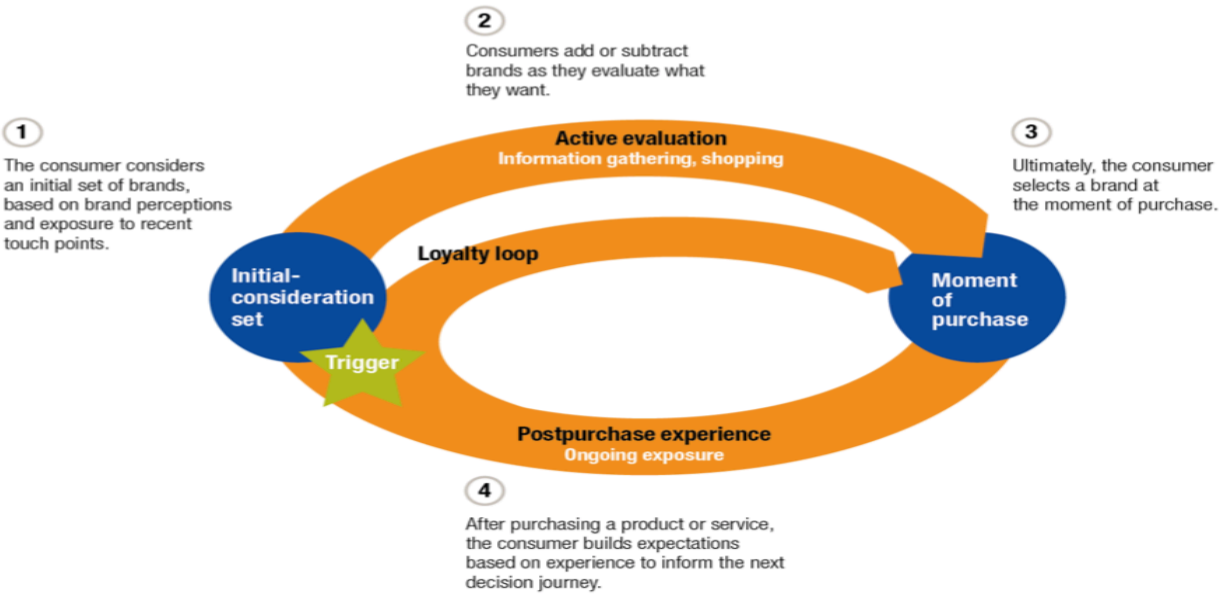
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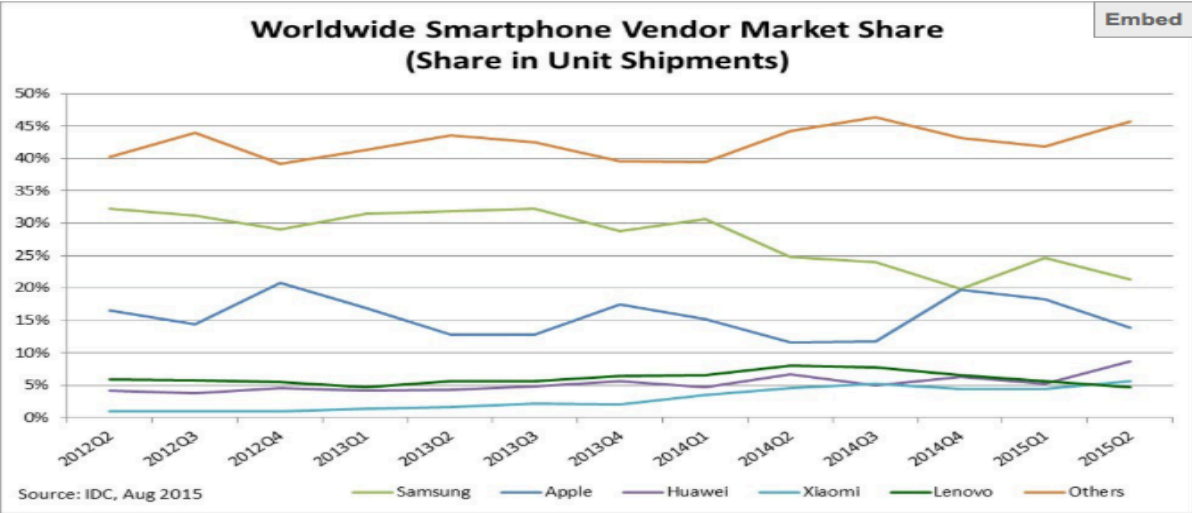
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7. Appendices

1. The New Consumer Decision Journey (McKinsey, 2009)



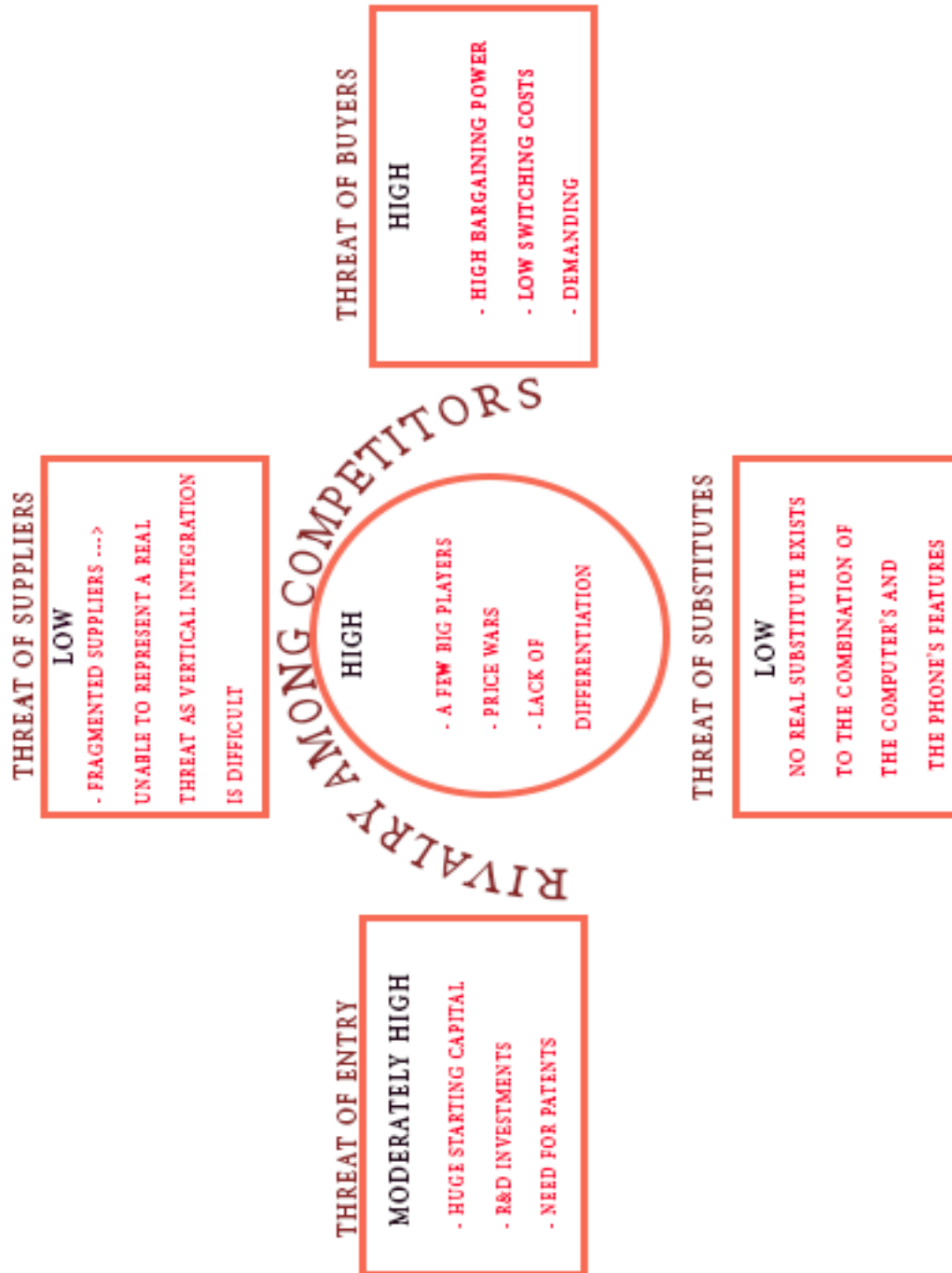
2. Worldwide Smartphone Vendor Market Share in 2015



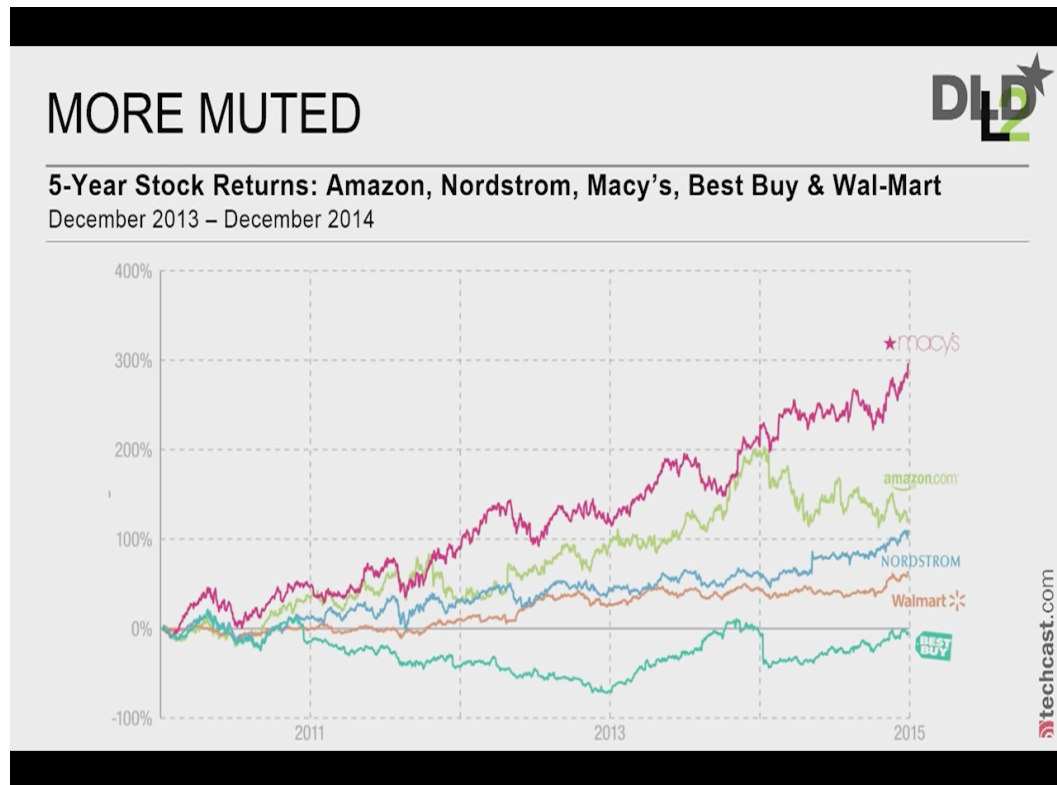
Period	Samsung	Apple	Huawei	Xiaomi	Lenovo*	Others
2015Q2	21.4%	13.9%	8.7%	5.6%	4.7%	45.7%
2014Q2	24.8%	11.6%	6.7%	4.6%	8.0%	44.3%
2013Q2	31.9%	12.9%	4.3%	1.7%	5.7%	43.6%
2012Q2	32.2%	16.6%	4.1%	1.0%	5.9%	40.2%

Source: IDC, Aug 2015

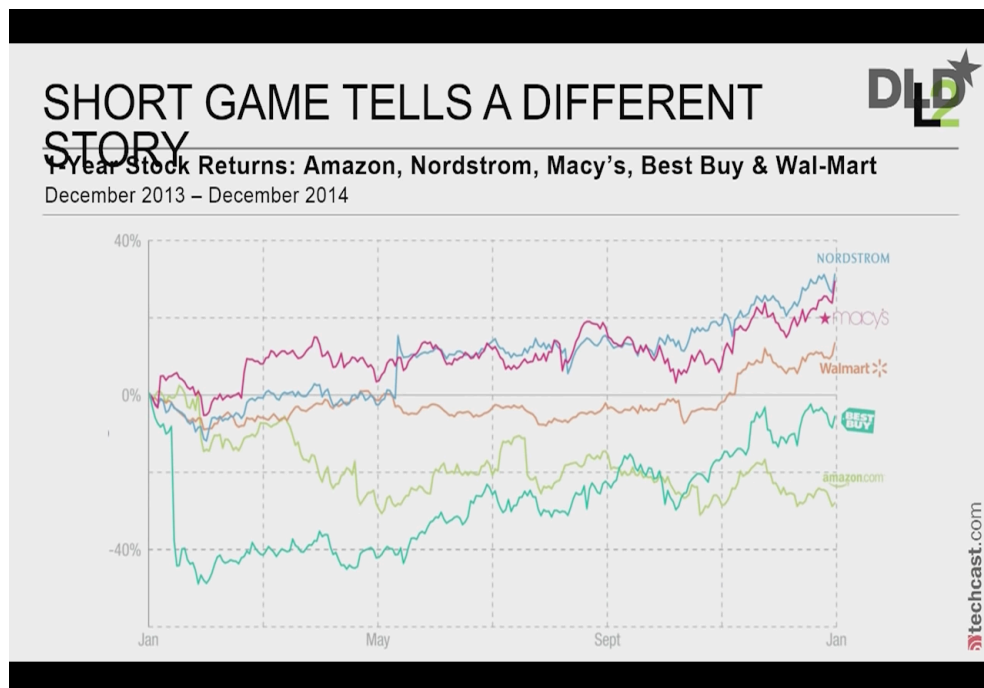
3. Porter's 5 Forces: The Smartphone Industry



4. Pure Play Analysis



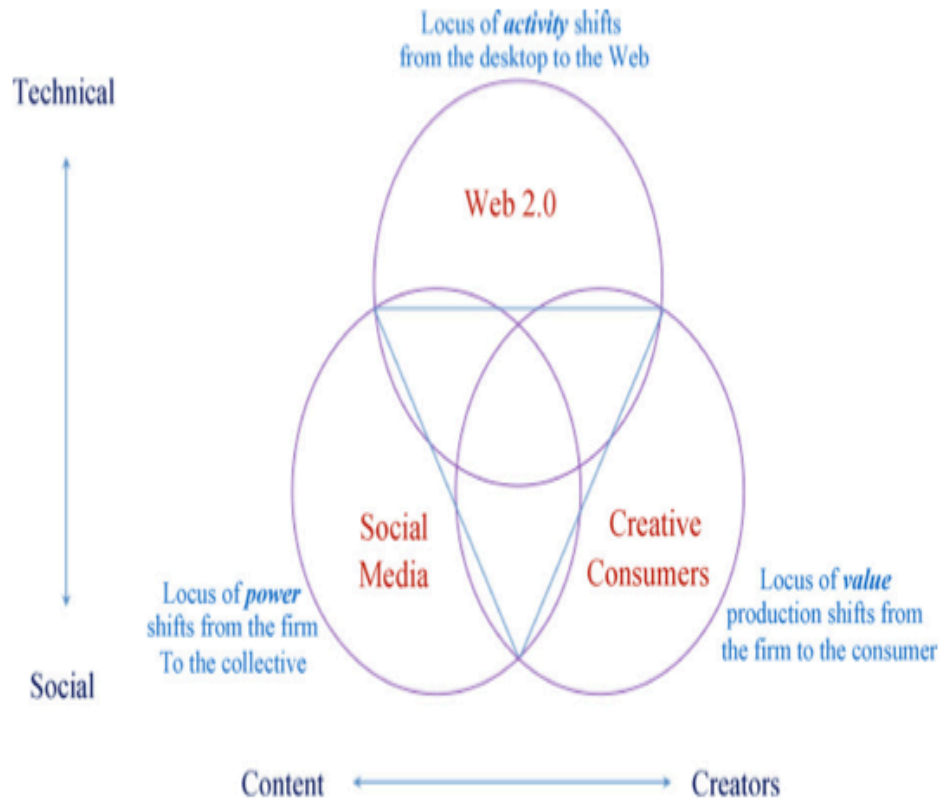
Source: Galloway (2015).



Source: Galloway (2015)

5. Web 2.0, social media, and creative consumers¹⁷²

Figure 1. Web 2.0, social media, and creative consumers



Source: Berthon et al., 2012

¹⁷² As revealed by the figure, Web 2.0 has brought about three main disruptions (Berthon et al., 2012, p.262):
 (1) a shift in locus of activity from the desktop to the Web,
 (2) a shift in locus of value production from the firm to the consumer,
 (3) a shift in the locus of power away from the firm to the consumer.

6. Relevant Metrics for Social Media Applications

RELEVANT METRICS FOR SOCIAL MEDIA APPLICATIONS ORGANIZED BY KEY SOCIAL MEDIA OBJECTIVES

This table organizes the various social metrics for social media by classifying them according to social media applications and social media performance objectives. While it is not exhaustive, it should give marketers a useful starting point for measuring the effectiveness of social media efforts because all of the metrics listed are easily measured.

SOCIAL MEDIA APPLICATION	BRAND AWARENESS	BRAND ENGAGEMENT	WORD OF MOUTH
Blogs	•number of unique visits •number of return visits •number of times bookmarked •search ranking	•number of members •number of RSS feed subscribers •number of comments •amount of user-generated content •average length of time on site •number of responses to polls, contests, surveys	•number of references to blog in other media (online/offline) •number of reblogs •number of times badge displayed on other sites •number of "likes"
Microblogging (e.g., Twitter)	•number of tweets about the brand •valence of tweets +/- •number of followers	•number of followers •number of @replies	•number of retweets
Cocreation (e.g., NIKEiD)	•number of visits	•number of creation attempts	•number of references to project in other media (online/offline)
Social Bookmarking (e.g., StumbleUpon)	•number of tags	•number of followers	•number of additional taggers
Forums and Discussion Boards (e.g., Google Groups)	•number of page views •number of visits •valence of posted content +/-	•number of relevant topics/threads •number of individual replies •number of sign-ups	•incoming links •citations in other sites •tagging in social bookmarking •offline references to the forum or its members •in private communities: number of pieces of content (photos, discussions, videos); chatter pointing to the community outside of its gates •number of "likes"
Product Reviews (e.g., Amazon)	•number of reviews posted •valence of reviews •number and valence of other users' responses to reviews (+/-) •number of wish list adds •number of times product included in users' lists (i.e., Listmania! on Amazon.com)	•length of reviews •relevance of reviews •valence of other users' ratings of reviews (i.e., how many found particular review helpful) •number of wish list adds •overall number of reviewer rating scores entered •average reviewer rating score	•number of reviews posted •valence of reviews •number and valence of other users' responses to reviews (+/-) •number of references to reviews in other sites •number of visits to review site page •number of times product included in users' lists (i.e., Listmania! on Amazon.com)
Social Networks (e.g., Bebo, Facebook, LinkedIn)	•number of members/fans •number of installs of applications •number of impressions •number of bookmarks •number of reviews/ratings and valence +/-	•number of comments •number of active users •number of "likes" on friends' feeds •number of user-generated items (photos, threads, replies) •usage metrics of applications/widgets •impressions-to-interactions ratio •rate of activity (how often members personalize profiles, bios, links, etc.)	•frequency of appearances in timeline of friends •number of posts on wall •number of reposts/shares •number of responses to friend referral invites
Video and Photosharing (e.g., Flickr, YouTube)	•number of views of video/photo •valence of video/photo ratings +/-	•number of replies •number of page views •number of comments •number of subscribers	•number of embeddings •number of incoming links •number of references in mock-ups or derived work •number of times republished in other social media and offline •number of "likes"

Source: Hoffman and Fodor, 2010

7. Strategic Options for Social Media Measurement



Source: Hoffman and Fodor, 2010

8. The Factors that Influence Entry Mode Choice

Situational influences	Firm factor	Firm-specific advantages
		Experience
		Strategic considerations
	Environmental factors	Demand and competitive conditions
		Political and economic conditions
		Socio-cultural conditions
Moderating variables	Government policies and regulations	
	Corporate policies	
	Firm size	

Source: Driscoll (1995)

9. The MENA and ICT: an Overview

The mobile economy has been playing an outstanding role in the region on the social, political and economic levels. While it plays a role of financial inclusion (i.e.: the smartphone can act as a financial services provider for the unbanked) in the less developed markets of the region, it acts as a main platform to support ambitious technological projects such as smart cities and e-commerce in the GCC.

It is therefore no wonder that, during the past few years, the Arab consumers have shown undeniable longing for more technological advancement, as demonstrated by the telecommunication firms' investing into higher speed networks in order to provide better coverage to an increasing number of smartphone users. Indeed, in the span of only six years, the number of broadband connections has witnessed a nine-fold increase in the region (i.e.: between 2009 and 2015, it went from 20 million to 182 million connections while it is expected to average 350 million by 2020). The GCC member-states are ahead of their Arabian counterparts in terms of the 4G rollouts even though Morocco, an exception in North Africa, has performed similarly (GSMA, 2015).

As of mid-2015, 54% of the whole region's population had subscribed to a mobile service and there is promising room for growth. Indeed, according to GSMA (2015), smartphone adoption will drastically increase in the MENA region in the upcoming years, a growth driven by the availability of more affordable devices and the demand for applications and other Internet services. The region is even more promising than many others according to this consulting firm since the MENA's smartphone penetration rate is expected to grow faster than the world average's (i.e.: according the GSMA (2015)'s estimates, there will be over 325 million smartphone connections across the MENA region by 2020, which represents a compound annual growth rate (CAGR) of 19% between 2014 and 2020, four percentage points above the world's CAGR average).

Between 2010 and 2015, Arab telecommunication operators spent over USD 40 billion on capital investments, which accounts for 18% of their total revenues. The money is mainly invested in network coverage improvement, capacity increase as well as higher speed mobile broadband connections (3G and 4G) deployment. In 2014, the mobile economy accounted for 4% of GDP in the MENA (i.e.: about USD 115 billion of economic value) and employed 1.3 million citizens.

These investments aimed at improving the mobile broadband connections are crucial at a time that witnesses more and more businesses going online and an increasing number of consumers willing to purchase their favorite brands on e-platforms. Indeed, e-commerce usually requires a suitable technological infrastructure to facilitate the exchange of data and payment matters. Hence these investments are indispensable to do away with the slow data

transfer and continuous network disconnections that characterize many countries of the MENA (Yavas, 2007).

10. Electronic commerce in the MENA Region: a Cultural Perspective

Online shopping is regarded as one of the fastest growing forms of retailing. Being allowed to shop from anywhere in the world at any time, consumers are provided with the most convenient way of purchasing goods yet to be replicated (Saxena, 2011). However, in spite of this, e-commerce is still seen with a lot of suspicion in the countries of the MENA region.

As much as the USA is a credit card based society, as much the Arab countries are characterized, just as India is, by their favoring cash over card payment. Traditional methods of payment and human interactions at the moment of purchase are still preferred in a region that tends to see online transactions rather suspiciously. Furthermore, in Arab cultures, purchasing goods is mostly based on others' recommendations. Word-of-mouth and human relationships would hence play a crucial role in any purchasing process (Yavas, 2007).

In 2012, Al Rawabdeh et al. pointed out that Internet use had dramatically increased everywhere in the MENA in the past years while e-commerce adoption was still lagging behind in comparison with other regions of the world¹⁷³. In an attempt to understand the reasons behind this slow adoption, they suggested that the alarmingly high rate of electronic fraud in the region would create an atmosphere of distrust and fear, which hinders most consumers in their e-commerce journey. Furthermore, the absence of strong infrastructure protecting personal data also serves as a major drawback preventing companies from adopting this transaction mode. The lack of trust associated with buying online also plays a significant part in slowing down the e-commerce adoption process as trust is ever more recognized by academics and professionals as the main tenet affecting the adoption of online shopping. This finding seems to be even more significant in the MENA. Indeed, according to Yavas (2007, p. 69), "trust in the Arab culture is established through an elaborate social process [while] concerns over security and fear of technology exacerbate the situation".

Interestingly enough, studies (Aladwani, 2002; Al Ghamdi and Drew, 2011; Al-Mohamed, 2011) have also shown that in certain countries (e.g.: Kuwait, Saudi Arabia), Arabs see the adoption of Internet shopping as another proof of the attempts of the Western cultures to overtake the traditional Arab values and ways. Consequently, social conservatism, perceived risk of online transactions, the absence of adequate online shopping infrastructure as well as a tendency to favor in-store shopping seem to stand as the main reasons behind Arab consumers reluctance to adopt online shopping (Almousa and Brosdahl, 2014). However in a study on

¹⁷³ A study conducted by Almousa and Brosdahl (2014) showed that when the e-commerce adoption rate is set above 99% in the USA, it hardly exceeds 30 % in Saudi Arabia.

the issue Al-maghrabi and Dennis (2011) also showed that consumers who are comfortable with the use of the Internet are more likely to adopt e-commerce activities. This would tend to suggest that e-commerce would be more widespread among the younger consumers living in urban areas of the MENA (hypothesis). Furthermore, even on a market as diverse as the United Arab Emirates, where the vast majority of the population comes from overseas, a study conducted in 2011 showed that only 54% of the respondents had already shopped online while only 20% would say they do so on a regular basis (Saxena, 2011).

Launching a viable e-business in the MENA region would therefore require abiding by the Arab ways. In order to success in the Arab world, companies should offer the consumers the possibility to pay cash on delivery rather than pay online using a credit card. It is also indispensable that the company builds the Arab consumer's trust when it comes to transmitting confidential information online¹⁷⁴ (i.e.: identity, payment references). In 2011, AAG¹⁷⁵ showed in a study on the issue that 21% of the surveyed Arab respondents had already quit the online purchasing process lest their personal information should be stolen (Al Rawabdeh et al., 2012).

11. Exporting: Benefits and Drawbacks

Benefits of the Exporting Strategy	Drawbacks of the Exporting Strategy
• Low risk • Relatively inexpensive in comparison with other entry methods • Direct representation gained through the distributor	• Dependence on the distributor's performance • Lack of control on the marketing strategy • Possible existence of conflicting goals and interests between the exporter and manufacturer

Source: Rosson and Ford, 1982

¹⁷⁴ This recommendation was also made in an article published in 2015 by a Moroccan newspaper as too many Moroccan users still point at the lack of transparency as a main reason behind their reluctance to purchase online (Mounadi, 2015).

¹⁷⁵ Arab Advisors Group, a consulting firm specialized in Arab media and communication issues.

**12. Interview with Mr. Muthuraman¹⁷⁶, Xiaomi's brand manager in Bahrain
(conducted on April 30th 2017)**

Good afternoon. Thank you for having me. As explained through the phone, Xiaomi is the main subject of my final dissertation. I am devising an entry strategy for the brand in North Africa and I wanted to compare it the strategy applied here in the Gulf. Can you tell me more about it?

Well this partnership is not stable. When I say partnership, I'm talking about the distribution model. Some information, I might not be able to disseminate to you because, even though it might be useful for your project, from a business perspective, they themselves are not coming ahead and invest with us in marketing. Like, if you take the Samsung phones, or even the Apple phones, you might see them investing heavily in this region. So what happens is that X amount of marketing investments will be allocated. But when it comes to Xiaomi, they invest nothing. And we find it a little big challenging to progress forward.

I wanted to know who is responsible for the partnership?

We have been working with the regional distributor. We have no direct interaction with the brand.

Is there any form of collaboration in the GCC? Do you collaborate with the distributor in Dubai? You do not collaborate directly with Xiaomi? Because, as I understand the strategy here, you do not collaborate with the brand, only with the distributor.

That is correct. We only work with the distributor. Even though we have been looking to change the brand strategy here in Bahrain. But it is the distributor that contacted us to sell the brand here.

So it is the distributor (i.e.: Task FZCO) that wanted to sell the phones here in the region. And they looked for partners like you (i.e.: Ashrafs in Bahrain). But do you market many smartphone brands alongside Xiaomi?

Alongside Xiaomi, we have Vsun, another Chinese brand.

So Ashrafs is the only one responsible for the brand in Bahrain. Can you please talk to me a little bit about the company?

¹⁷⁶ The questions will appear in bold characters while the answers provided are in normal characters.

It is a more than 100-year-old company. We are working with top brands: Nikon, Sony, Casio. For these key brands, we have a direct distribution model: we directly collaborate with them unlike what we do with Xiaomi.

Is there a reason for this?

Well, actually, we would love to directly work with Xiaomi so that we could persuade them to invest more in marketing here. But the distributor is not willing to increase the marketing budget. They themselves don't have much contact with Xiaomi.

Well Xiaomi itself does not spend on marketing or branding the phones. The question is thus: why would the distributor increase its own investment to brand the phones?

Well it's about the scope. They are unable to increase the scope. There are limitations. We need to have some additional marketing investment. Then only the brand can be developed. On this market, you really need to create buzz, a little bit like Samsung did with the launch of Galaxy S7 or I don't remember exactly which model it was. I was really surprised how well thought-out their strategy was. They managed to do even better than on the Indian market with online sales and stuff like that. Unfortunately, Bahrain is the smallest market in the region. If Xiaomi is to get to the next level, they need to look at how they can market themselves better. To develop themselves, they need to increase their marketing budget. Or they should at least have a medium of communication. If you look at their product communication, well if you have been to City Center and Seef Mall or Carrefour, were you able to notice the brand? Well they do have stalls there. There are displays of the phones there.

But there are no outlets where they are sold.

No, it's just about the display. Well if Xiaomi was working with us we could brand the products without any cost but the material used. If you go to City Center, you can see many brands nicely branded and strongly positioning themselves to the end consumer. I still don't know how we are going to make it happen. Recently, we have started to change the strategy. We are launching a campaign starting May 2nd until June 3rd just for Xiaomi because we absolutely need to sell the stock. The products are high quality but we still don't know how to reach the end consumer for the Gulf region. I really believe their model has to be relooked into for the Gulf region.

How?

Definitely some marketing budget needs to be allocated. And they need to invest on increasing the visibility.

Are you talking about Xiaomi or the distributor?

Well Xiaomi should either invest through Task FZCO or directly interact with regional partners like us so that they can have better penetration. Currently the activity, with a monthly spending of USD 20 thousand¹⁷⁷... See if it is not communicated, we will not reach the end consumers. Even if the consumer would like to purchase the product, he/she might be interested to buy one more product, he/she should at least have the opportunity to try the product. For this, the communication needs to be leveled up. Today it's not high enough. There should be some aggressive promotion.

In your opinion, why Xiaomi did not penetrate the Arabian Gulf market on its own? Because, since I have thoroughly analyzed the strategy of the brand, I do not find that the strategy being applied here in the Gulf very much reflects the image of the brand as an Internet company.

One of the reasons could be that they are still studying the opportunities on the Gulf market. They might actually be working on trying to find out how to move forward in the region. They must have been working with the regional distributor about it. I am not sure what is coming from Xiaomi's side. If not, still if you look at the Middle-East market, at least the GCC countries, the sales are retail-based. It's not like online shopping. If it was more online shopping or related to telecom providers, then it's fine. But, as far as I know, 60% of the market is still offline retail. For offline sales, retail is being supported with additional marketing from the respective brands. So because of this, retailers refrain from positioning the brand on their own. When you sell through retailers like Carrefour, Lulu Supermarkets, City Center, you need co-investments or at least marketing support, which we are unable to provide to move ahead and be more successful.

In my perspective, Xiaomi did not have interest in the region but the distributor itself might have noticed the quality of the products and be willing to sell the brand here in the region. This would explain the traditional strategy applied in the GCC, which is in no way related to what Xiaomi usually stands for in China or India, its biggest market after China. Have you changed the targeting?

¹⁷⁷ 100% allocated by Ashrafs without intervention from the Task FZCO.

Well it might be a little bit broader. We have tried to reach students through partnerships with universities. We are just starting. Volumes have still to be built up. There is a Mi Bahrain page on Facebook and Instagram. Also from our side, we have our SM accounts on which we advertise the brand. But what is happening also is that there are new launches done by Xiaomi, which the consumers ask us about. For instance, they ask us about the MI 6 while there are still stocks of Mi 5. So I can't bring in the MI 6 if I do not liquidate the MI 5 stocks first.

Is it hard for you to liquidate your existing stocks?

Yes, it is not that easy. In terms of the marketing budgets, it's not that easy.

Do you struggle in Bahrain as much as they struggle in other Gulf countries?

I'm not sure whether they are struggling in other parts of the Gulf. But with no marketing budget, things won't move.

What is the level of sales in Bahrain?

Well, I can't disseminate this information. But what I can say is that it's not as good as what we had expected. It has to be better. It's a good brand, a very good product, the failure rates are very low. It's a fabulous product. But when it comes to reachability, there needs to be an investment from their side. We are running our own campaigns with no help from their side. And people on this market only understand promotions and prices.

I had a talk with the sales persons in the Ashrafs shop in Seef Mall¹⁷⁸ and they told me that the Mi products were very famous among the workers of the country, which, for the most part, are from the Philippines, India, Bangladesh, etc. Xiaomi might be more of a low-end product here. It targets people with a limited budget. So it should address the workers' population or the students more than the high-end consumers, especially in this region. What do you think of targeting segments that are already devoted to Samsung and Apple? Because in this region, most Arabs either will go for the iPhone or Samsung.

This is correct. I agree. But I don't have data when it comes to iPhones and Samsung. But then again, when you look at how the local consumers, they are purchasing through monthly installments to the telecom providers. Huawei, a main competitor, is investing massively here

¹⁷⁸ One of the main malls in Bahrain.

in Bahrain. For them, the GCC is a very addressable market. I do not know much about their networking business but I know they are in contact with Batelco and Zain¹⁷⁹. This means that telecom providers need basic networks to be able to work. Huawei provides all this equipment here in Bahrain. So for Huawei, the GCC market, especially Bahrain, is very important. They are trying to invest whatever money they are making in networking sites.

Why did they decide to go for Bahrain and not the UAE or even Saudi Arabia?

Their office for the GCC is in Bahrain.

For financial reasons?

Probably because they can easily access Saudi Arabia from here. That must be the reason. When it comes to price positioning, there is no difference between Xiaomi and Huawei. The big difference is that Huawei massively invests in communication here. While we don't have much to communicate the Xiaomi brand. So quite obviously all these targeted segments are being acquired by Huawei.

What is the position of Xiaomi in Bahrain? Do you have a positioning map?

I don't have any data on the subject. But I can tell you that, by value, it is Apple but, by quantity sold, Samsung would be the number one. Then Huawei would come next. Then would come smaller brands such as Lava and Lenovo. But Xiaomi would be in the bottom ten.

Do you know how I could get data on the subject?

I don't know. I myself don't have access to these data especially because I have just started managing this brand. It's very new for me.

Do you work for Saudi Arabia too?

No, we just sell and market the brand here in Bahrain.

I'm not surprised to hear this about Huawei because, as I remember, they organized a huge launching event recently in Saudi Arabia. I believe it was in Riyadh. I realized they had a huge communication strategy here in the GCC. But again Huawei is not positioned as an Internet-of-Things company. This is the reason why I'm surprised by

¹⁷⁹ Two of the main telecommunication companies in Bahrain.

the strategy here. There is little reflection of the image of Xiaomi in the way it is branded. And I don't see how you will compete with Huawei, Samsung and Apple if you don't have a clear differentiation factor. And Xiaomi does have a very disruptive business model.

Well, we would frankly be happy to work directly with Xiaomi instead of working with the distributor. In fact, if I had a chance to directly interact with the brand now, I'd be more than happy. We would be able to bring in more robust models. There should be a joint partnership where they tell us "we give you X amount of money and we expect this as an outcome". But today what is happening is that we bring in models and we do not manage to sell them at the expected rate just because the reach is not that good. So I'd be happy if we would start working directly with Xiaomi.

But why don't you contact them? Is it difficult to interact with the brand, because I myself have tried but to no avail?

We have not tried yet. But we will try in the future. But the model is clearly not workable here. We are not able to bring in the new models, which means we are not able to develop the brand while there is a clear demand for the new models.

What do you think of the online business here in Bahrain?

It's very small. Even some companies started investing online but they have not succeeded.

Then it'd be difficult to apply Xiaomi's business model directly.

True. It's very difficult.

Thank you very much for your time.

Thank you. Good luck with everything.

13. Moroccan e-Government Initiatives

Maroc numérique 2013: Assessment of the Achievements (2009-2013)		
Strategic Axis	Budget (MAD millions)	Assessment as of June 30th 2013
Social Transformation	2128	1% completed, 22% underway
e-Gov Services	2186	36% completed, 3% underway
SMEs Computerization	320	22% completed, 56% underway
ICT Industry Development	481	0% completed, 67% underway
Human Capital (Training)		20% completed, 20% underway
Digital Confidence (Environment)		40% completed, 60% underway

Source: Retrieved and adapted from Ducass and Kwadjane (2015).

14. E-commerce in Morocco: SWOT Analysis

Strengths	Weaknesses
- Support of the Moroccan authorities to the development of the digital economy as shown through the multiple initiatives put in place; - Increasing number of Internet and smartphone users, especially among the youth.	- Strict exchange rate regulation; - Poor banking knowledge; - Corruption; - Infrastructure to be enhanced to reach international standards; - Lack of confidence in the e-commerce activities; - Cybercrime.
Opportunities	Threats
- Population growth, the middle-class segment included, which should increase the number of consumers purchasing their goods online; - Strategic location of Morocco as the country bridging Europe and Africa.	- Need for a stronger legal framework to ensure the protection of consumers shopping online; - Increased access to credit could lead to indebtedness; - Need for a faster ICT development.

Source: Adapted from Ducass and Kwadjane (2015)

15. PESTEL Analysis

Political	Economic	Social	Technologic al	Environmen tal	Legal
Political stability ⁺⁺	Economic stability ⁺	Illiteracy rate still high ⁻⁻	e-Commerce adoption rate on the rise ⁺	Biggest solar-plant in the world ⁺	Massive informal sector ⁻
Peaceful Foreign relations ⁺¹⁸⁰	Favorable business environment ⁺	Low purchasing power ⁻⁻	Growth the smartphone adoption rate ⁺	Increasing interest in renewable energies	Poor labor regulation framework ⁻
Strong ties with the EU and strengthened relations with the AU ⁺	Existence of different free zones ⁺ (i.e.: incentive for companies willing to squeeze their production cost) ⁺⁺	Huge income disparities ⁻⁻	Public spending to reach international facilities standards (e.g.: telecommunu cation networks, tramway, metro) ⁺		Insufficient framwork on proctection of the e-consumer ⁻
Corruption ⁻⁻	Young and unexpensive work force ⁺⁺	Increasing birth rate ⁺	Successful local software makers and computing companies ⁺		
Numerous e-Government Initiatives ⁺ (e.g.: Maroc Numéric, e-Maroc) ⁺⁺	Top foreign companies implantation ⁺ (i.e.: IBM, Microsoft) ➔ capacity	High rate of unbanked citizens ⁻	Creation of the Chinese Industrial Park in Tangiers ⁺		

¹⁸⁰ With the exception of neighbour Algeria over the Western Sahara issue.

	to attract foreign investment				
Increased trade relations with sub-Saharan Africa ⁺	Strict exchange rate policy				

16. Xiaomi in Morocco: SWOT Analysis

Strengths	Weaknesses
- High performance-low price devices; - Co-creation approach valued by Moroccan consumers; - Direct interaction with fans; - Willingness to adapt to the local context.	- Poor communication strategy; - Limited capacity of production; - E-sales model; - Limited offline distribution channels when penetrating a new market → this might limit the awareness to be created at the beginning.
Opportunities	Threats
- Increasing middle-class segment; - Strategic location of Morocco as the country bridging Europe and Africa → access to Arab and African populations facilitated; - Free zones → production facilities creation eased; - Increasing number of Internet and smartphone users, especially among the youth; - Favorable e-friendly environment	- Low e-commerce adoption rate; - High number of unbanked; - Poor local distribution logistics; - High illiteracy rate; - Corruption; - Cybercrime.

17.Descriptive Statistics Tables

1) Demographics

Gender of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	159	51,5	51,5	51,5
	Female	150	48,5	48,5	100,0
	Total	309	100,0	100,0	

Age of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	16-24	179	57,9	57,9	57,9
	25-34	130	42,1	42,1	100,0
	Total	309	100,0	100,0	

Profession of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student	158	51,1	51,1	51,1
	Unemployed	22	7,1	7,1	58,3
	White Colar/Freelancers	60	19,4	19,4	77,7
	Top Management/ Liberal Professions	69	22,3	22,3	100,0
	Total	309	100,0	100,0	

Region of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Tangier-Tetouan-AlHoceima	12	3,9	3,9	3,9
	Fès-Meknès	17	5,5	5,5	9,4
	Rabat-Salé-Casablanca	252	81,6	81,6	90,9
	Marrakech – Agadir – Essaouira	21	6,8	6,8	97,7
	The South	7	2,3	2,3	100,0
	Total	309	100,0	100,0	

Frequency Table

Monthly Revenue

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1000- 2500	43	13,9	13,9	13,9
	2500-5000	41	13,3	13,3	27,2
	5000-10000	108	35,0	35,0	62,1
	10000-40000	107	34,6	34,6	96,8
	Over 40000	10	3,2	3,2	100,0
	Total	309	100,0	100,0	

Nationality of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Morocco	303	98,1	98,1	98,1
	Other	6	1,9	1,9	100,0
	Total	309	100,0	100,0	

2) Smartphone Adoption Rate

Do you have a smartphone?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	303	98,1	98,1	98,1
	No need	3	1,0	1,0	99,0
	No but soon	3	1,0	1,0	100,0
	Total	309	100,0	100,0	

3) Brands Leaders

Brand Leaders

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Samsung	167	54,0	54,0	54,0
	iPhone	75	24,3	24,3	78,3
	Other	67	21,7	21,7	100,0
	Total	309	100,0	100,0	

4) Price Brackets

How much would you pay

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 3000	130	42,1	42,1	42,1
	3000-6000	138	44,7	44,7	86,7
	6000-8000	32	10,4	10,4	97,1
	8000-10000	9	2,9	2,9	100,0
	Total	309	100,0	100,0	

5) Favorite Operating System

Favorite OS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Android	204	66,0	66,0	66,0
	iOS	76	24,6	24,6	90,6
	Linux	12	3,9	3,9	94,5
	Windows	13	4,2	4,2	98,7
	None	4	1,3	1,3	100,0
	Total	309	100,0	100,0	

6) Credit Card Ownership

credit card

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	209	67,6	67,6	67,6
	No	100	32,4	32,4	100,0
	Total	309	100,0	100,0	

7) e-Shopping Frequency

e-shopping frequency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Once a year max	29	9,4	9,4	9,4
	2 to 3/ year	111	35,9	35,9	45,3
	Once a month	55	17,8	17,8	63,1
	More than once a month	28	9,1	9,1	72,2
	Never	86	27,8	27,8	100,0
	Total	309	100,0	100,0	

8) e-Shopping Familiarity

e-shopping familiarity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	84	27,2	27,2	27,2
	Slightly	56	18,1	18,1	45,3
	Moderately familiar	72	23,3	23,3	68,6
	Very Familiar	43	13,9	13,9	82,5
	Extremely familiar	54	17,5	17,5	100,0
	Total	309	100,0	100,0	

9) Favorite Payment Method

Favorite payment method

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cash on delivery	194	62,8	62,8	62,8
	Electronic payment	23	7,4	7,4	70,2
	Either one	92	29,8	29,8	100,0
	Total	309	100,0	100,0	

10) Best Performing Brand

Best performing brand

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Samsung	110	35,6	35,6	35,6
	iPhone	166	53,7	53,7	89,3
	Other	33	10,7	10,7	100,0
	Total	309	100,0	100,0	

11) Buying Attitude

Buying Attitude

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Every new model	26	8,4	8,4	8,4
	When price decreases	93	30,1	30,1	38,5
	When needed	190	61,5	61,5	100,0
	Total	309	100,0	100,0	

12) Importance of e-WOM

Impact of e-WOM on purchasing decision

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	8	2,6	2,6	2,6
	Slightly	11	3,6	3,6	6,1
	Moderately	78	25,2	25,2	31,4
	Very	96	31,1	31,1	62,5
	Extremely	116	37,5	37,5	100,0
	Total	309	100,0	100,0	

Importance of eWOM before buying

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	14	4,5	4,5	4,5
	Disagree	11	3,6	3,6	8,1
	Undecided	33	10,7	10,7	18,8
	Agree	80	25,9	25,9	44,7
	Strongly Agree	171	55,3	55,3	100,0
	Total	309	100,0	100,0	

13) Touching and Seeing before Buying

Importance of touching and seeing before buying

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	12	3,9	3,9	3,9
	Slightly	34	11,0	11,0	14,9
	Moderately	83	26,9	26,9	41,7
	Very	95	30,7	30,7	72,5
	Extremely	85	27,5	27,5	100,0
	Total	309	100,0	100,0	

14) E-Retailer or Brand e-Shop

e-Retailer or brand e-shop

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	E-retailer	62	20,1	20,1	20,1
	Brand e-shop	94	30,4	30,4	50,5
	Either one	153	49,5	49,5	100,0
	Total	309	100,0	100,0	

15) Impact of the Absence of Offline shops on Purchase Intention

Impact of no offline store on PI

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	28	9,1	9,1	9,1
	Slightly	44	14,2	14,2	23,3
	Moderately	112	36,2	36,2	59,5
	Very	75	24,3	24,3	83,8
	Extremely	50	16,2	16,2	100,0
	Total	309	100,0	100,0	

16) Mobile Money Adoption Readiness

Paying with smartphone

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	39	12,6	12,6	12,6
	Slightly	37	12,0	12,0	24,6
	Moderately	103	33,3	33,3	57,9
	Very	72	23,3	23,3	81,2
	Extremely	58	18,8	18,8	100,0
	Total	309	100,0	100,0	

17) Importance of Delivery Time

Delivery time importance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	2	,6	,6	,6
	Slightly	10	3,2	3,2	3,9
	Moderately	43	13,9	13,9	17,8
	Very	84	27,2	27,2	45,0
	Extremely	170	55,0	55,0	100,0
	Total	309	100,0	100,0	

18) On Demand Delivery

On demand delivery through app					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	9	2,9	2,9	2,9
	Slightly	22	7,1	7,1	10,0
	Moderately	69	22,3	22,3	32,4
	Very	100	32,4	32,4	64,7
	Extremely	109	35,3	35,3	100,0
	Total	309	100,0	100,0	

19) Importance of the Fan Community

Importance to be part of a Virtual Community					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	109	35,3	35,3	35,3
	Slightly	59	19,1	19,1	54,4
	Moderately	74	23,9	23,9	78,3
	Very	50	16,2	16,2	94,5
	Extremely	17	5,5	5,5	100,0
	Total	309	100,0	100,0	

20) Importance of the Quick Feedback

Importance of quick feedback from the brand					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not all	27	8,7	8,7	8,7
	Slightly	16	5,2	5,2	13,9
	Moderately	41	13,3	13,3	27,2
	Very	68	22,0	22,0	49,2
	Extremely	157	50,8	50,8	100,0
	Total	309	100,0	100,0	

21) Importance for the Brand to Be Active on Social Media

Favor brands on SM

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	46	14,9	14,9	14,9
	Slightly	55	17,8	17,8	32,7
	Moderately	94	30,4	30,4	63,1
	Very	77	24,9	24,9	88,0
	Extremely	37	12,0	12,0	100,0
	Total	309	100,0	100,0	

22) Readiness to Spread Positive e-WOM

Good eWOM for good online experience on selected forums and SM

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	37	12,0	12,0	12,0
	Disagree	26	8,4	8,4	20,4
	Undecided	65	21,0	21,0	41,4
	Agree	126	40,8	40,8	82,2
	Strongly agree	55	17,8	17,8	100,0
	Total	309	100,0	100,0	

23) Readiness to Recommend a Brand to Friends and Family

Recommendation of brand with good online experience to friends and family

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	21	6,8	6,8	6,8
	Disagree	15	4,9	4,9	11,7
	Undecided	51	16,5	16,5	28,2
	Agree	132	42,7	42,7	70,9
	Strongly agree	90	29,1	29,1	100,0
	Total	309	100,0	100,0	

24) Readiness to Pay More for Good Online Experience

Ready to pay more for brand with good online experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	33	10,7	10,7	10,7
	Disagree	41	13,3	13,3	23,9
	Undecided	78	25,2	25,2	49,2
	Agree	106	34,3	34,3	83,5
	Strongly agree	51	16,5	16,5	100,0
	Total	309	100,0	100,0	

25) Increase of Interaction After Purchase

Interaction with the brand increases after purchase

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	36	11,7	11,7	11,7
	Disagree	31	10,0	10,0	21,7
	Undecided	101	32,7	32,7	54,4
	Agree	95	30,7	30,7	85,1
	Strongly agree	46	14,9	14,9	100,0
	Total	309	100,0	100,0	

26) Impact of VC Membership on Interaction with the Brand

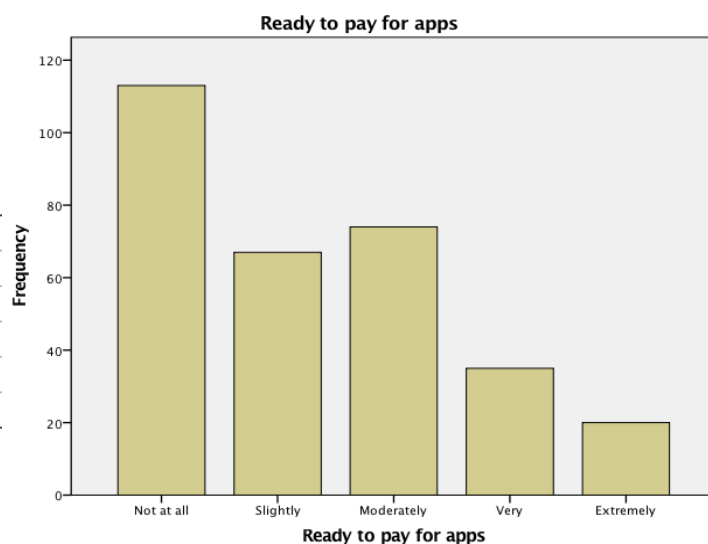
VC Membership increases interaction with the brand

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	57	18,4	18,4	18,4
	Disagree	53	17,2	17,2	35,6
	Undecided	75	24,3	24,3	59,9
	Agree	94	30,4	30,4	90,3
	Strongly agree	30	9,7	9,7	100,0
	Total	309	100,0	100,0	

27) Readiness to Pay for Apps

Ready to pay for apps

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	113	36,6	36,6	36,6
	Slightly	67	21,7	21,7	58,3
	Moderately	74	23,9	23,9	82,2
	Very	35	11,3	11,3	93,5
	Extremely	20	6,5	6,5	100,0
	Total	309	100,0	100,0	



28) Brand Advertising Impact on Purchase Intension

Brand Ads influence PI					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	42	13,6	13,6	13,6
	Slightly	56	18,1	18,1	31,7
	Moderately	103	33,3	33,3	65,0
	Very	85	27,5	27,5	92,6
	Extremely	23	7,4	7,4	100,0
	Total	309	100,0	100,0	

29) Celebrity Endorsement Impact on PI

Celebs in Ads influence PI					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	121	39,2	39,2	39,2
	Slightly	78	25,2	25,2	64,4
	Moderately	57	18,4	18,4	82,8
	Very	41	13,3	13,3	96,1
	Very	12	3,9	3,9	100,0
	Total	309	100,0	100,0	

30) Annoyance Resulting from Ads on SM

Ads on SM are appreciated					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	75	24,3	24,3	24,3
	Slightly	57	18,4	18,4	42,7
	Moderately	85	27,5	27,5	70,2
	Very	65	21,0	21,0	91,3
	Extremely	27	8,7	8,7	100,0
	Total	309	100,0	100,0	

31) Country of Origin and Made in China Image: Impact on PI

Country on Origine Influence PI

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	73	23,6	23,6	23,6
	Slightly	39	12,6	12,6	36,2
	Moderately	78	25,2	25,2	61,5
	Very	71	23,0	23,0	84,5
	Extremely	48	15,5	15,5	100,0
	Total	309	100,0	100,0	

MadeInChina avoided

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	45	14,6	14,6	14,6
	Disagree	59	19,1	19,1	33,7
	Undecided	89	28,8	28,8	62,5
	Agree	60	19,4	19,4	81,9
	Strongly agree	56	18,1	18,1	100,0
	Total	309	100,0	100,0	

32) Price-Quality Relation

Low price= low quality for smartphone

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	51	16,5	16,5	16,5
	Disagree	84	27,2	27,2	43,7
	Undecided	94	30,4	30,4	74,1
	Agree	56	18,1	18,1	92,2
	Strongly Agree	24	7,8	7,8	100,0
	Total	309	100,0	100,0	

33) Co-creation and Customization Experience

Previous co-creation experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	47	15,2	15,2	15,2
	No	262	84,8	84,8	100,0
	Total	309	100,0	100,0	

Previous customization experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	89	28,8	28,8	28,8
	No	220	71,2	71,2	100,0
	Total	309	100,0	100,0	

34) Co-creation and Customization Importance**Importance of co-creation for the respondent**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	21	6,8	6,8	6,8
	Slightly	27	8,7	8,7	15,5
	Moderately	85	27,5	27,5	43,0
	Very	92	29,8	29,8	72,8
	Extremely	84	27,2	27,2	100,0
	Total	309	100,0	100,0	

Importance of customization for the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	27	8,7	8,7	8,7
	Slightly	22	7,1	7,1	15,9
	Moderately	81	26,2	26,2	42,1
	Very	98	31,7	31,7	73,8
	Extremely	81	26,2	26,2	100,0
	Total	309	100,0	100,0	

35) About Jumia: Awareness and Shopping Experience**Jumia Awareness**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	261	84,5	84,5	84,5
	No	48	15,5	15,5	100,0
	Total	309	100,0	100,0	

Jumia Shopping Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	92	29,8	29,8	29,8
	No	217	70,2	70,2	100,0
	Total	309	100,0	100,0	

36) Xiaomi's Awareness in Morocco**Xiaomi's Awareness in Morocco**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	88	28,5	28,5	28,5
	No	221	71,5	71,5	100,0
	Total	309	100,0	100,0	