



**Research on Business Ecological Chain and
Enterprise Value Promotion
—A Case Study of Xiaomi Technology Corporation**

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Abstract

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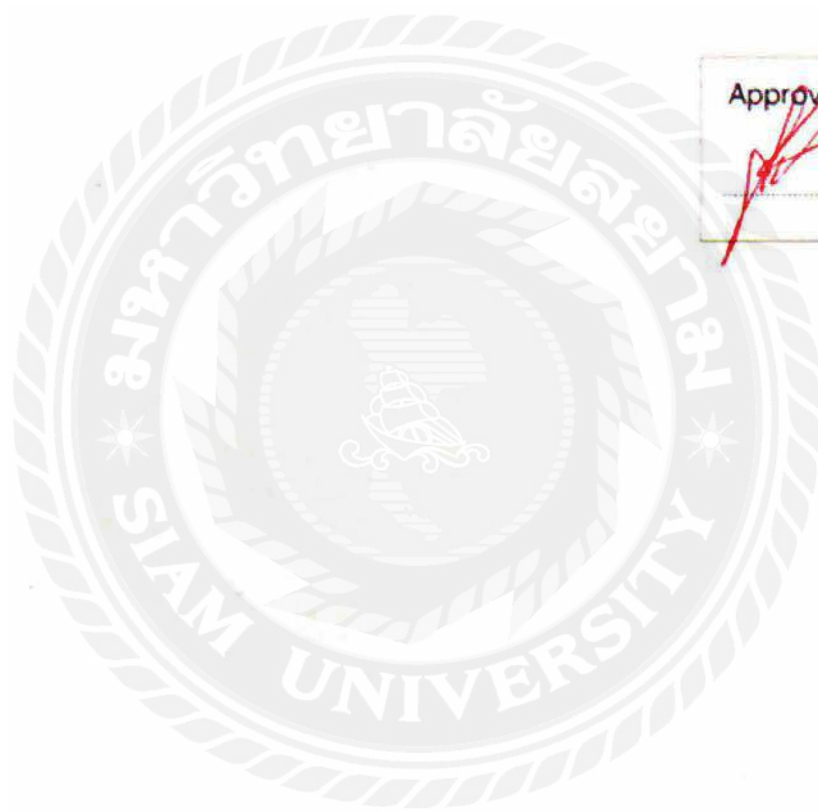
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With the rapid development of the times, modern enterprises have opened up many new models to increase corporate value. Among them, the business ecological chain model is different from ordinary corporate cooperation, corporate mergers, acquisitions, etc. It is more helpful for companies to develop together from a new perspective in the Internet era. Many Internet companies strive to create an ecological chain with the Internet as the core to realize their diversified development. Due to the differences in resources and markets between companies, the network ecosystems of different companies are also quite different in all aspects. What kind of influence the resources and market of the enterprise will have on the operation and development direction of the ecosystem are of great practical significance and research value.

Xiaomi Technology Co., Ltd. was founded in 2010, and it took only ten years to become a Fortune 500 company in the world. The ecological chain created by Xiaomi is excellent, and many of its products have also been sought after by consumers. This

paper adopts the literature research method, and case analysis method to study the relevant theories of the ecological business chain and the promotion of corporate value analyzes the development process of the Xiaomi ecological chain, and finds out the factors and corresponding risks of Xiaomi's success.

Keywords: Xiaomi, Business ecological chain, Enterprise value



Approved by


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Chapter 1 Introduction

1.1 Research background

From the end of 2019 to the present, due to the impact of COVID-19, the economic development of all countries and industries in the world has been severely challenged and tested. Nevertheless, in the face of this severe test, every country, every industry, every company, every person is working hard to overcome difficulties, create value, and make progress together. In the context of economic globalization, every enterprise will encounter many opportunities in the development process, but there are also many severe challenges. With the continuous development of the Internet economy, the way of competition among enterprises has also changed from the traditional way of competition of a single enterprise or a single product to the comprehensive competition of the entire ecological chain or the entire platform (Hannah & Eisenhardt, 2018). The core of competition among enterprises has also changed from traditional economic strength and service quality to competition among their ecological chains. In the enterprise ecological chain, a sufficient number of terminals can ensure the entire platform's stable operation and maintain the enterprise ecology's stable development. The competitiveness of each platform is also directly reflected based on the economic value generated around it.

The intelligent ecological chain is a hot issue in the current network economy. How can Internet companies use the Internet as a basis and link to achieve cross-industry value chain integration, form a globalized open shared ecosystem, and create new user value and economic value (Bonamigo & Mendes, 2019). Which way of cooperation can maximize the value of an enterprise, obtain a stable development space in the unpredictable market, and further enhance the enterprise's market competitiveness. These are the focus of current Internet companies' attention, and they are also the focus and research direction of the current industry's economic development.

1.2 The objective of the study

Intelligent ecological chain is a scorching topic in the current Internet economy. With the rapid economic development of various companies and industries, competition between companies has also changed from the traditional single product and single company competition to the entire ecological chain and the entire platform's comprehensive competence. Few people deeply analyze the relationship between intelligent ecological chain, business ecology, and enterprise value in researching related enterprise value enhancement. This paper aims to conduct an in-depth study of the value creation of enterprises in the development of the intelligent ecological chain. By analyzing the development process of the Xiaomi intelligent ecological chain, it is hoped that the relevant theoretical systems of the ecological chain of various Internet enterprises can be further improved, and the development of Internet enterprises can provide a feasible Theoretical basis.

1.3 Research Significance

In recent years, to cope with the challenges brought about by the rapid development of the Internet economy and economic globalization, many economists have conducted in-depth studies on changes in corporate value brought about by corporate cooperation methods such as joint ventures, mergers and acquisitions, and investment. However, related research lacks an in-depth analysis of the relationship between the development process of the corporate ecological chain and the enhancement of corporate value. There are also many gaps in the research on value creation in the development of ecological chain enterprises. The relationship between value creation in the ecological chain and the market environment is relatively insufficient.

With the rapid development of the Internet economy, the gap between various industries and enterprises has been increasing, and competition has become increasingly fierce. Many companies choose to invest, raise funds, or acquire more potential companies to create more corporate value. Among the many cases of enterprise cooperation, the cooperation of the ecological chain platform is relatively

new. Relying on the rapid development of the Internet economy, the intelligent ecological chain platform enterprises have also achieved rapid development in recent years (Greeven & Wei, 2017). For the development of an enterprise, value creation needs to learn a lot of experience and lessons, avoid irrational cooperation, and adhere to the concept of value creation. Every enterprise needs to strictly control every link in ecological chain cooperation and development and maximize its synergy. Therefore, studying the value creation in developing the intelligent ecological chain has important practical significance for the development of many Internet companies and business ecological chain platforms.

Chapter 2 Related theories and literature review

2.1 Business ecosystem Theory

In the 1930s, British botanist Arthur Tansley introduced the term ecosystem to describe a community of organisms interacting with each other and their environments: air, water, earth, etc. In order to thrive, these organisms compete and collaborate on available resources, co-evolve, and jointly adapt to external disruptions. The famous American social economist James F. Moore adopted this biological concept in his 1993 Harvard Business Review article "Predators and Prey: A New Ecology of Competition" Moore originated the strategic planning concept of a business ecosystem, now widely adopted in the high tech community. He paralleled companies operating in the increasingly interconnected world of commerce to a community of organisms adapting and evolving to survive. Moore suggested that a company be viewed not as a single firm in the industry but as a member of a business ecosystem with participants spanning multiple industries (Kim, 2016).

Moore defined a "business ecosystem" as An economic community supported by a foundation of interacting organizations and individuals — the organisms of the business world. The economic community produces goods and services of value to customers, who are members of the ecosystem. The member organisms also include suppliers, lead producers, competitors, and other stakeholders. Over time, they

coevolve their capabilities and roles and align themselves with the directions set by one or more prominent companies. Those companies holding leadership roles may change over time. However, the function of ecosystem leader is valued by the community because it enables members to move toward shared visions to align their investments and find mutually supportive roles (Annanperä et al., 2015). A business ecosystem is the network of organizations—including suppliers, distributors, customers, competitors, government agencies, and so on—involved in delivering a specific product or service through both competition and cooperation. The idea is that each entity in the ecosystem affects and is affected by the others, creating a constantly evolving relationship in which each entity must be flexible and adaptable in order to survive as in a biological ecosystem (Demil et al., 2018). In effect, the business ecosystem consists of a network of interlinked companies that interact dynamically through competition and cooperation to grow sales and survive. An ecosystem includes suppliers, distributors, consumers, government, processes, products, and competitors. When an ecosystem thrives, it means that the participants have developed patterns of behavior that streamline the flow of ideas, talent, and capital throughout the system (Järvi & Kortelainen, 2017).

2.2 Research on business ecological chain

Judging from the existing literature, there was no complete concept of "ecological business chain" early. Economists were mainly studying the larger concept of the "business ecosystem." The following mainly introduces the "business ecosystem" and some research involving the "business ecological chain." With the development of the times and changes in the market environment, cooperation has become more and more important for the stable development of enterprises, and enterprises have begun to shift to cooperation and joint development. What kind of model should be used to build a cooperative relationship to achieve mutual benefit and win-win results, resource sharing, and reasonable profit distribution. These have become the key issues discussed by various companies.

Customers are the starting point for profit, and all industries in the market should correctly understand and implement the concept of the business ecosystem to meet the consumer needs of customers in all aspects so that customers can get the best consumer experience. Based on the needs of consumers, build an ecological chain to maximize profits and maximize corporate value (Song, 2018). The business ecosystem brings many companies together and improves work efficiency, reduces costs, and increases profits through the division of labor. These companies have the same goals and similar ideas, making profits, development, and survival together. The value created by “1+1” in the business ecosystem is usually greater than “2” (Tan et al., 2019). The foundation of the ecosystem is the ecological chain. No company can survive independently of the ecological chain, just as animals depend on the biological chain. The internal ecosystem of the enterprise is built by multiple ecological chains. The enterprise and external systems are also connected in ecological chains, thus establishing a broader, richer, and more robust ecosystem to achieve higher value creation (Rong et al., 2015). A healthy and sustainable business ecosystem is built based on co-creating value and development. The core companies must make the right choices, and all companies in the ecosystem need to establish a win-win concept. While ensuring the steady growth of core leading enterprises, it is also necessary to meet the needs of other enterprises and coordinate the interest relationships between enterprises. At the same time, appropriate reforms and innovations should be made to promote the prosperity and development of the Internet business ecosystem with the power of technology and unity (Zhijia et al., 2019). With the continuous development of the economy, in the enterprise development process, the competition is not only limited to the two companies but also the competition between the ecological chain in which they are located. The results of enterprise competition are closely related to the participants of the entire ecological chain (Shi, 2020). The Xiaomi ecological chain model is like a bamboo forest form: Xiaomi's resources are the sound root system of the bamboo forest, and the products on the ecological chain are spring bamboo shoots. In the Xiaomi ecological chain, successful

products are constantly being produced, and products can also complete their metabolism. When the needs of users change, the form of hardware products is constantly changing. As long as the ecological capabilities always exist, successful products will continue to emerge like bamboo shoots, and the development of the ecological chain will continue (Ortiz et al., 2019). The foundation of Xiaomi's ecological chain is its unique core capabilities. Xiaomi has always sought companies consistent with its core philosophy and can jointly build an intelligent ecological chain. Xiaomi integrates upstream and downstream companies that can complement resources, promote the construction of its platform, and enriches its profitability channels (He, 2018).

2.3 Research on value creation

In the business world, the relationship between various participants is highly complicated. Enterprises need to cooperate with suppliers, customers, and other participants to realize value creation. Moreover, it is necessary to maintain a competitive relationship with these participants to obtain the value created by them (Santos, 2021). For any product, whether it can well meet the needs of consumers is a crucial factor in determining the value of the product. Allowing consumers to participate in the product development process and being oriented toward consumer needs will increase the resource utilization rate of the enterprise, and at the same time, make the new products developed to meet the needs of consumers as much as possible and create more value (Priem et al., 2018). Value creation needs to go through two processes: first, the value creation process from the logical perspective of consumers; second, the value creation process from the logical perspective of producers. Enterprises need to cooperate with consumers for mutual benefit. Integrating resources and cooperation is the only way to realize value co-creation (Anker et al., 2015). Based on the service-led logic, value creation can be divided into three processes: customer value creation, enterprise value creation, and Mutual connection. Through the above three stages, the two sides have achieved mutually beneficial

results. Customer value creation: Consumer experience is the key, and consumers' emotions, opinions, and behaviors will all be affected by it. Enterprise value creation: Enterprises need to establish a common creation platform and good relationships. Mutual connection: The company interacts with customers and creates value together. The company needs to communicate and practice to create opportunities (Cossío-Silva et al., 2016). Value co-creation can not only reduce production costs, but consumer participation can also increase efficiency. Value co-creation can enhance customers' experience of products and brands, make customers loyal to the corporate brand, and have a particular awareness of the brand's value. Value co-creation is conducive to improving customer satisfaction, and customer participation in value creation can promote customer purchases, help, and feedback (Zhou et al., 2019).

Chapter 3 Business Ecological Chain and Enterprise value promotion

—Case analysis of Xiaomi technology corporation

3.1 Xiaomi Technology Corporation Ecological Chain Case

3.1.1 Basic information of Xiaomi Corporation

Xiaomi Technology Corporation was established in 2010. It is a global mobile Internet company that focuses on researching and developing intelligent hardware and electronic products. It is also an innovative technology company that focuses on constructing high-end smartphones and intelligent home ecological chains. Its main products include Internet TV and smart home eco-chain-related products in addition to smartphones. Xiaomi's philosophy is "Born to Fever" and "to make everyone enjoy the fun of technology" is its corporate vision. Xiaomi has applied the Internet development model to develop products while removing many intermediate links and is committed to allowing everyone in the world to enjoy high-quality technology products from China.

Xiaomi released its first smartphone in August 2011 and rapidly gained market share in China to become the country's largest smartphone company in 2014. At the start of

the second quarter of 2018, Xiaomi was the world's fourth-largest smartphone manufacturer, leading in the largest market, China, and the second-largest market, India (Sun & Fah, 2020). Xiaomi Corporation independently developed mobile phone chips, becoming the fourth company with independent chip property rights after Apple, Samsung, and Huawei. Xiaomi later developed a more comprehensive range of consumer electronics, including a smart home (IoT) product ecosystem, which connected more than 100 million smart devices and appliances.

Global Smartphone Shipment Share (Last Eight Years - Leaders Then & Now)

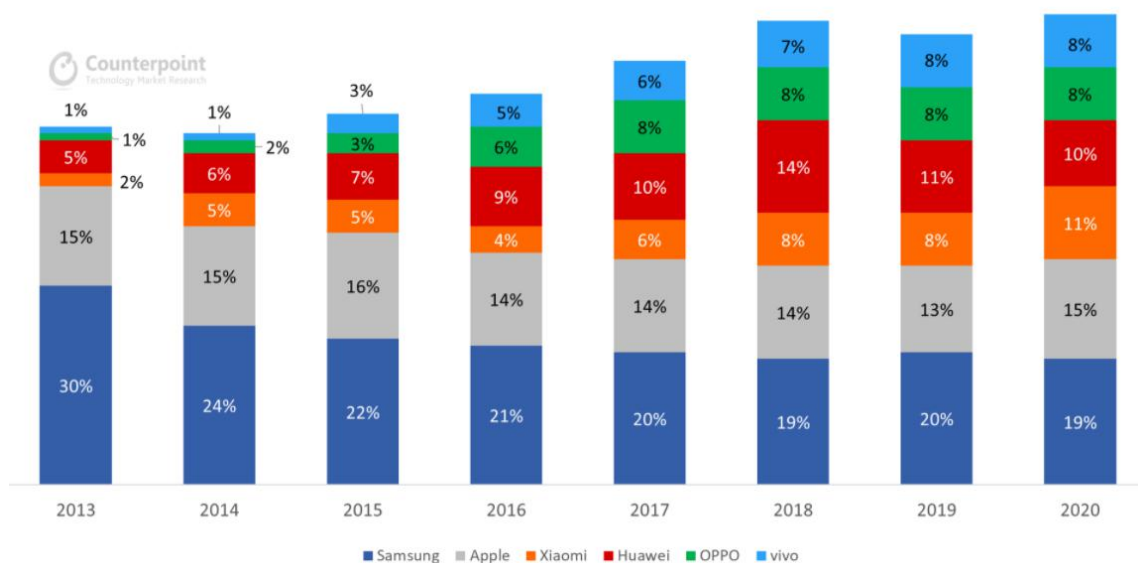


Figure 3-1 Global Smartphone Shipments Share (2013 - 2020)

Source: Counterpoint Research Market Monitor

Xiaomi is the youngest company in the 2019 Fortune Global 500 list, ranking 468th. In the global list of listed companies released by Forbes in 2021, Xiaomi ranks 222. According to the 2020 financial report released by Xiaomi Corporation, Xiaomi's operating income in 2020 will reach 245.866 billion yuan, a year-on-year increase of 19.45%, and after-tax profit reached 20.313 billion yuan, a year-on-year increase of 101.06%.

3.1.2 Xiaomi Technology Ecological Chain

In the 11 years since its establishment, Xiaomi has become a Fortune 500 company

with annual revenue of RMB 245.9 billion. This is not entirely dependent on a single company Xiaomi. The mobile phone business alone is not enough for a company to achieve such an achievement. What makes Xiaomi successful is the ecological chain of Xiaomi.

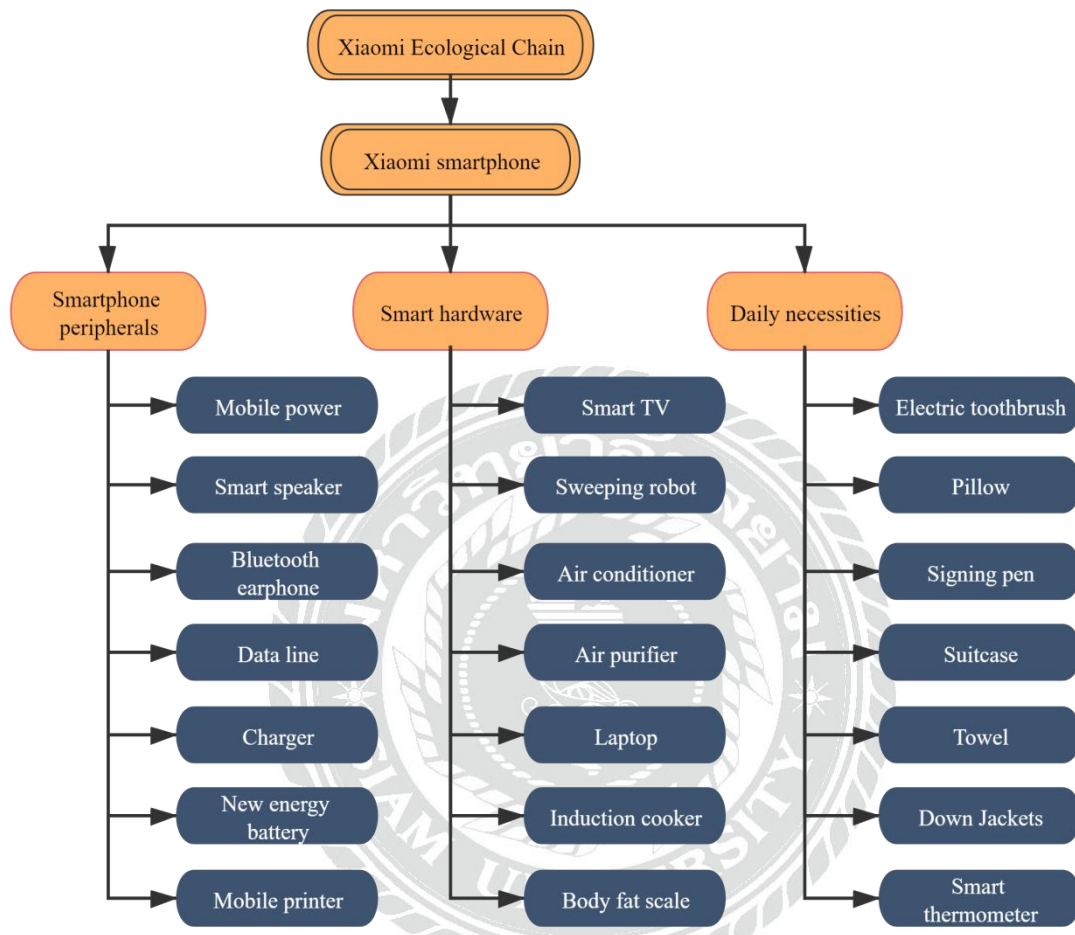


Figure 3-2 Xiaomi Ecological Chain Structure

When people talked about the Xiaomi brand in the early years, the first reaction was that it was a mobile phone brand. Today, Xiaomi brand products include smartphones and peripherals, intelligent hardware, traditional home appliances, daily necessities, etc. For example, mobile power supplies, smart bracelets, intelligent speakers, sweeping robots, air purifiers, TVs, air conditioners, electric toothbrushes, and towels, etc., these products all belong to Xiaomi's ecological chain.

Starting in 2013, Xiaomi has built an ecological chain and deployed IoT (Internet of Things). In addition to continuously developing itself, it also invests in companies that "have potential and agree with Xiaomi's values" in the market. The layout of the three

aspects of hardware, content, and corresponding software has gradually formed an ecological chain and value network around Xiaomi. In this ecological business chain, various participants maintain connections, including joint ventures, investments, mergers, acquisitions, etc. The products provided by these companies are put on the market in the name of Xiaomi and become part of the ecological chain of Xiaomi (Lin, 2018). In 2020, Xiaomi invested in nearly 400 companies, covering smart hardware, consumer goods, education, games, social networks, culture and entertainment, medical and health, automobile transportation, finance, and other fields. Xiaomi has successfully built the world's largest consumer IoT platform, connected to more than 100 million smart devices, and the monthly active users of the MIUI system reached 242 million (Miao, 2019).

3.2 Motivation for the formation of Xiaomi ecological chain

3.2.1 Expand the market to ease the pressure of competition

Xiaomi Technology Corporation started its development with smartphones. In today's mobile Internet era, global technology is developing rapidly, knowledge and information are rapidly updated, and the demand for smartphones and smart hardware continues to rise. In this market environment, many Internet companies have seized the opportunity to create new mobile phone brands one after another, and Xiaomi is an outstanding representative among them. The rapid development of Chinese smartphone brands, including Xiaomi, Huawei, OPPO, VIVO, etc., has seized the market share of iPhone and Samsung and has intensified the global smartphone market competition. The smartphone industry is very competitive. Many brands, including Nokia, Smartisan, Blackberry, and LeTV, etc., cannot keep up with the development of technology and have to withdraw from the smartphone market.

With the rapid development of technology, many new industries do not have leading companies, and a giant cake is divided among many small companies. At the same time, there is a severe polarization phenomenon in these industries. Good quality products are expensive or cheap products but poor quality, allowing Xiaomi to expand

the market. Relying on its brand marketing and high-cost performance in the smartphone market, Xiaomi has accumulated very high popularity and has many supporters. Xiaomi has randomly developed into multiple industries to create an ecological product chain around itself (Lu, 2017).

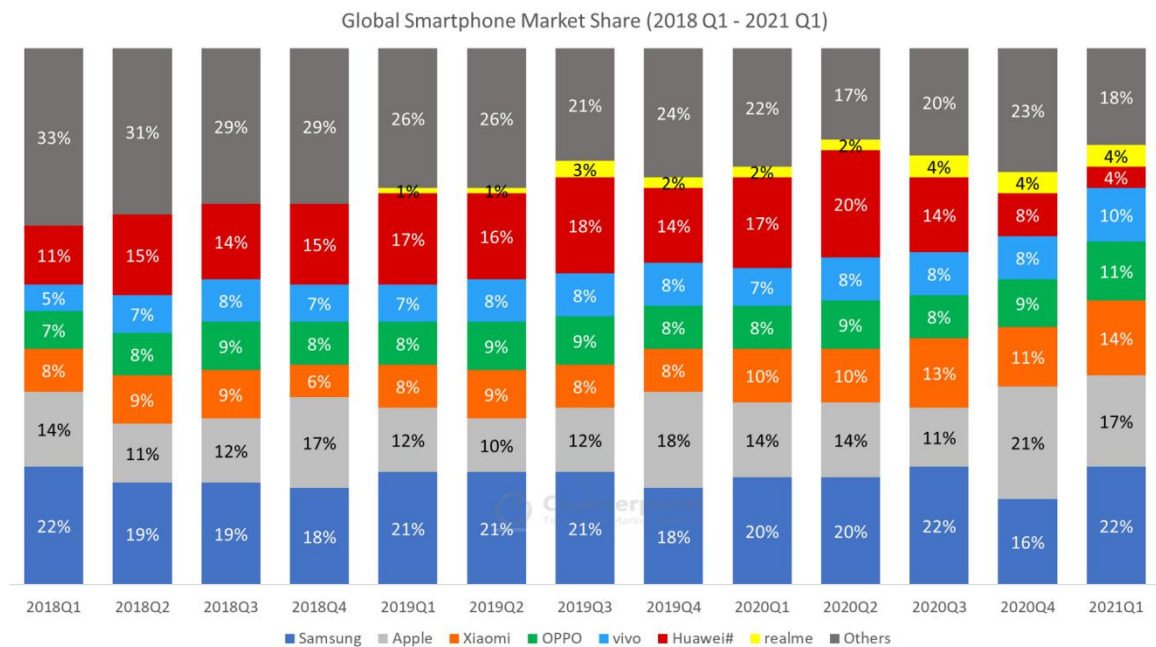


Figure 3-3 Global Smartphone Shipments Market Share (2018 Q1-2021 Q1)

Source: Counterpoint Research Market Monitor

Xiaomi Technology will continue developing new products and entering other industries based on the current people's favorites and needs, rather than arbitrarily setting foot in other industries. The marketing strategy of Xiaomi mobile phones is very successful, and the brand influence is enormous. Other products in the ecological chain will also receive attention due to the popularity of the Xiaomi brand and are widely welcomed by consumers. Regardless of whether customers use Xiaomi phones or not, they are likely to understand other products in the Xiaomi ecosystem. This has changed how Xiaomi relies solely on smartphones for its development and broadened the entire ecological chain.

3.2.2 Alleviate development bottlenecks

Many people know "Made in China" but do not recognize "Created in China." Chinese electronic products lack many key core technologies because of their slow

start. Xiaomi smartphones cannot get rid of the dependence on these core technologies, including Qualcomm's smart chips, Google's Android operating system, Samsung's screen, Sony's camera, etc. These core technologies have also primarily affected the development of Xiaomi's smartphone business.

Xiaomi's Internet marketing method has been very successful, especially its famous "hunger marketing" strategy, which immensely helped Xiaomi in the early stage of development to increase the visibility of the Xiaomi brand and Xiaomi smartphones. However, behind Xiaomi's "hunger marketing," there are problems in the supply chain of Xiaomi's smartphones. Due to the lack of many-core technologies, the production of mobile phones is limited to suppliers of mobile phone accessories. Xiaomi's new mobile phone production capacity is insufficient, making Xiaomi have to "hungry marketing." Xiaomi's new mobile phones were sold out in less than one minute. Many consumers had to find ways even to increase prices to buy Xiaomi phones. Many consumers chose other brands because of Xiaomi's excessive "hunger marketing" (Yan et al., 2019).

3.2.3 Consolidate customer stickiness and build an ecological chain

With its excellent marketing strategy and cost-effective products, Xiaomi has attracted the love of many consumers from all over the world. Xiaomi calls its fans "rice fans." Xiaomi interacts with fans through social media platforms such as Weibo, WeChat, FACEBOOK and encourages fans to put forward ideas and opinions and participate in product design to help Xiaomi design products that better meet consumer needs.

The MIUI operating system is currently the most popular Android system. Since its release in 2010, the development team has reached 750 people, and the number of users has reached 300 million. To improve customer satisfaction, the Xiaomi team encourages customers to propose changes and participate in product design. The consumer's feelings are the core of the design concept. Consumers help Xiaomi make the MIUI operating system more substantial and more popular. Xiaomi also incorporates the design ideas that customers expect into the product. At the same time,

Xiaomi attracted more loyal fans through interactive communication (Dong & Zhang, 2016).

Xiaomi regards brand operation as the focus of its resource allocation and development, and the maintenance and improvement of user stickiness are essential. The brand effect has long-term and deep-seated characteristics, and the development of the ecological chain can quickly increase the influence of the brand. By transferring the advantages of the brand, not only can the performance and market competitiveness of the ecological chain enterprises be improved, but also the overall improvement of Xiaomi itself and the ecological chain enterprises can be promoted. Focusing on Xiaomi's existing customer base, introducing new products or services can rely on fans for effective marketing and promotion. At the same time, new high-quality products can further consolidate user stickiness and enhance brand influence.

3.3 The development process of Xiaomi's technology ecological chain

3.3.1 Selection and establishment of Xiaomi's ecological niche

Enterprise niche is the resource space that an enterprise can obtain and use in the entire ecological resource space. It is a company's precise position and a sign of competitive strength in the industrial ecological environment. In the early stage of the development of Xiaomi, the company relied on meager profits to maintain its survival of the company. This required Xiaomi to accurately position its products to the corresponding customer groups during the operation process and maximize its resources; thus, relying on This limited group produces more excellent value (Yang & Hua, 2020).

In the beginning, the marketing of Xiaomi mobile phones was entirely Internet sales, focusing on Internet customers, and did not set up offline physical stores, which can effectively reduce operating costs, so that cost-effective marketing strategies can be adopted. With the ultimate cost-effective strategy, Xiaomi has successfully seized a large share of the smartphone market. The intelligent home ecological chain that

Xiaomi expects to build is a complete smart experience surrounding life with smartphones and the Internet as the core. It consists of various intelligent hardware products, including routers, smart TVs, smart speakers, sweeping robots, smart light bulbs, and so on. Customers can use mobile phones or smart speakers to control all intelligent hardware through the network and enjoy the happiness brought by technology while making life easier.

Xiaomi has precisely positioned its consumer group in the scope of "technology enthusiasts" in its operations. The more prominent feature of this group is that they have a specific understanding of smartphones and smart hardware and are willing to try new technology products. They are familiar with the Internet and are willing to share each other's opinions and ideas, share excellent products, and even give opinions on Xiaomi products. These fans can help Xiaomi promote its products, attract more offline consumers, and increase the brand's influence.

3.3.2 The expansion direction of Xiaomi's technology ecological chain

When Xiaomi chooses its ecological chain expansion direction, it usually chooses target companies connected with its development direction to invest and does not jump out of the circle that it is familiar with. This is consistent with Xiaomi's business philosophy and development concept. Such an operation ensures that it meets the development needs of Xiaomi's own company and allows Xiaomi to grasp the market's needs better, continuously develop new fields and directions, and supplement its market competitiveness at any time.

When Xiaomi considers those investment goals, it usually analyzes the degree of matching between the other party and itself, and at the same time considers its capabilities and the situation of the entire industry, and conducts investment behavior through comprehensive analysis. Once it is determined that the target company's products have sufficient technical level and good development direction, Xiaomi will make a rational decision.

According to the financial report for the first quarter of 2021 released by Xiaomi, as

of March 31, 2021, Xiaomi has invested in more than 320 companies with a total book value of 51.9 billion yuan, a year-on-year increase of 60.8%.

3.3.3 The selection basis of Xiaomi's investment

1. In line with Xiaomi's development values

Xiaomi's philosophy is to always insist on making good products "moving people's hearts and fair prices." Xiaomi's primary marketing strategy since its establishment is its super high-cost performance. With lower profits in exchange for more sales, profits are based on excellent services. It is precisely because of the high-cost performance that Xiaomi mobile phones have attracted the favor of many consumers and helped Xiaomi increase its corporate value. For those target companies, their development values must be in line with Xiaomi to be favored and invested by Xiaomi.

2. Product design meets the needs of fans

Fan groups are a vital force for Xiaomi's development and progress, and Xiaomi's success also benefits from their attention to consumers. They are not only loyal customers of Xiaomi, but they are also able to promote the brand and products of Xiaomi so that Xiaomi's products can be sold better. When Xiaomi makes commercial investments, it will consider whether the product design of the target company will meet the preferences of consumers.

3. Product has room for improvement

Whether the target product has room for improvement is vital to the future development of the product and the ecological chain. With the rapid development of science and technology, the updated iteration of technology products is also very rapid, and the market will eliminate products that are not upgraded fast enough. When Xiaomi invested, it did not focus entirely on the present but looked forward to future development. The target product needs to have room for improvement and upgrade, which is meaningful for the development of Xiaomi's intelligent ecological chain.

4. Investment goals need to have strong strength

The target team or company invested by Xiaomi must have sufficient strength, such as

scientific research and development capabilities, productivity, and sales capabilities. In the diversified ecosystem established by Xiaomi, if a problem occurs in a particular link, the entire chain will be affected. Xiaomi must ensure the regular operation of every link in the ecological chain. Every enterprise in the ecological chain needs to have enough strength to complete its tasks so that the entire ecological chain can develop rapidly..

3.4 Xiaomi realized value creation through ecological chain

3.4.1 Value creation of Xiaomi ecological chain enterprises

1. Customer relationship

Xiaomi has proposed three tactics in developing the ecological chain: open participation, design interactive methods, and spread of word of mouth. If a company wants to make a successful product, it must open more ways of participation to fans and attract consumers' attention and love to Xiaomi's ecological chain products. At the same time, more interactive ways are designed to make the interaction more manageable, full of value, engaging, and real. This will naturally increase the breadth and depth of fans, allowing customers at different levels to become loyal fans of Xiaomi. The publicity of word-of-mouth will increase the recognition and popularity of products in people's minds. By improving the reputation of products and brands to accumulate fans, the products of the Xiaomi ecological chain can be promoted more effectively. Companies in the Xiaomi ecological chain take customer participation as the core of their strategy, establish good customer relationships, and make suitable products based on customer needs (Li et al., 2019).

MIUI system is the core of Xiaomi's technology ecology. Xiaomi collects all users' experiences and feedback through the MIUI system and actively analyzes users' suggestions and opinions. In line with the principle that fans are product designers, Xiaomi quickly updates its products to meet the needs of consumers. In the process of helping customers solve problems, Xiaomi has maintained a good customer relationship. A stable and friendly customer base is the most critical part of the value

creation of Xiaomi's ecological chain. Mi fans will be happy to support various products of the ecological chain and recommend them to people around them to help the Xiaomi ecological chain create more excellent value.

2. Core competence

Xiaomi lacks many core technologies, and the development of Xiaomi smartphones is therefore restricted. The independent research and development of core technology require much workforce, financial and material resources. Xiaomi reduces its independent research and development expenditures through investment and concentrates its efforts to improve its core capabilities, including the update iterations of Xiaomi mobile phones and MIUI systems, brand marketing, and so on. Xiaomi's substantial brand value and marketing channels can provide substantial incremental value for the products of the entire ecological chain.

Compared with Xiaomi, many small companies or teams have advantages in technology patents and core technology, but they are insufficient in the capital, brand recognition, distribution channels, and corporate management. From technology research and development to product launching into the market, a significant and continuous investment of capital and personnel is required during this period, and interaction of resources and capabilities is required. This limits many teams, and it is not easy to focus on technology research and development. Xiaomi combines its core capabilities with these companies and develops together in the form of an ecological chain, each focusing on its core capabilities to create value for the ecological chain (Chen, 2019).

3. Profit model

Xiaomi's chairman Lei Jun once said that the wide net profit margin of Xiaomi hardware would never exceed 5%. Xiaomi smartphones have won the favor of many consumers by adopting a cost-effective strategy and have exchanged profits for huge sales. The ecological chain surrounding Xiaomi mobile phones, including smart hardware, household products, etc., has brought considerable profits to Xiaomi. This Internet-based word-of-mouth marketing model, while reducing costs, efficiently

converts traffic into profits, has become the mainstream model of the mobile Internet industry (Wang, 2020).

3.4.2 Synergy effect

The synergy effect is simply the "1+1>2" effect. Xiaomi's brand community marketing uses the advantages of the Internet to achieve a benign interaction between consumers and between enterprises and consumers. Incorporate the needs of consumers into the entire process from research and development of new products to sales, realize the cooperation between enterprises and consumers, and jointly promote the development of enterprises. Compared with traditional brand development, this marketing model can provide a more potent driving force for the development of the enterprise and optimize the entire marketing process.

At its establishment, Xiaomi put forward the development principle of "everything is user-centric." Enterprises are required to incorporate users' needs into the entire process of product development, production, and sales during the development process, to achieve collaborative creation between customers and between enterprises and customers (Zhou, 2020). In this way, Xiaomi can meet the needs of consumer groups with a strong pertinence, and to the greatest extent, stimulate the role of Xiaomi product lovers in the development of the enterprise so that they can make suggestions for the development of the enterprise. The synergies within these brand communities can help Xiaomi improve resource utilization and meet the needs of its customers at the lowest cost. At the same time, this can also increase the sense of participation of Xiaomi users in the development of Xiaomi and spontaneously help Xiaomi to promote and publicize so that the company can stably occupy market share in the market.

3.4.3 Spillover Effect

With the rapid development of the Xiaomi ecological chain, many ecological chain companies have launched some high-quality technology products, such as sweeping robots, air purifiers, and smart speakers. This has allowed more and more people to

enjoy the happiness brought by technology and arrange intelligent home products in their homes. However, every market will not lack competition. No matter what product it is, as long as it is favored by consumers and is profitable, it will quickly attract the attention of many companies and attract them to join the competition in this market. The excellent products that Xiaomi designs and produces according to the needs of consumers will be imitated by other companies.

The spillover effect in the development of the Xiaomi ecological chain has brought different opportunities to many companies. The rapid development of technology has also indirectly intensified fierce competition, and consumers have more choices. Only by adhering to the needs of consumers and making high-quality products can we win in the fierce market competition.

Chapter 4 Finding and Conclusion

Nowadays, the competition in the mobile phone industry is becoming more and more fierce. Xiaomi has successfully used a diversified business ecosystem to share the pressure of the mobile phone market and increase the value of the company. From development, investing in a solid and effective ecosystem can enhance an enterprise's overall strength and brand value. It can also provide consumers with more quality services and products.

According to existing research, cooperation is essential for the stable development of enterprises. The business ecosystem can help enterprises realize resource sharing, mutual benefits, win-win results, and reasonable profit distribution. Based on the same goals and development concepts, the value created by “1+1” in the business ecosystem is usually greater than “2”. Every link in the ecological business chain plays a vital role. While each enterprise exerts its core capabilities, it coordinates the needs of other enterprises and jointly promotes the development of the ecological chain. Based on the concept of meeting the needs of consumers, considering the design and production process of products from various logical perspectives such as consumers and manufacturers, cooperating with consumers, and integrating resources

can we realize the co-creation of value.

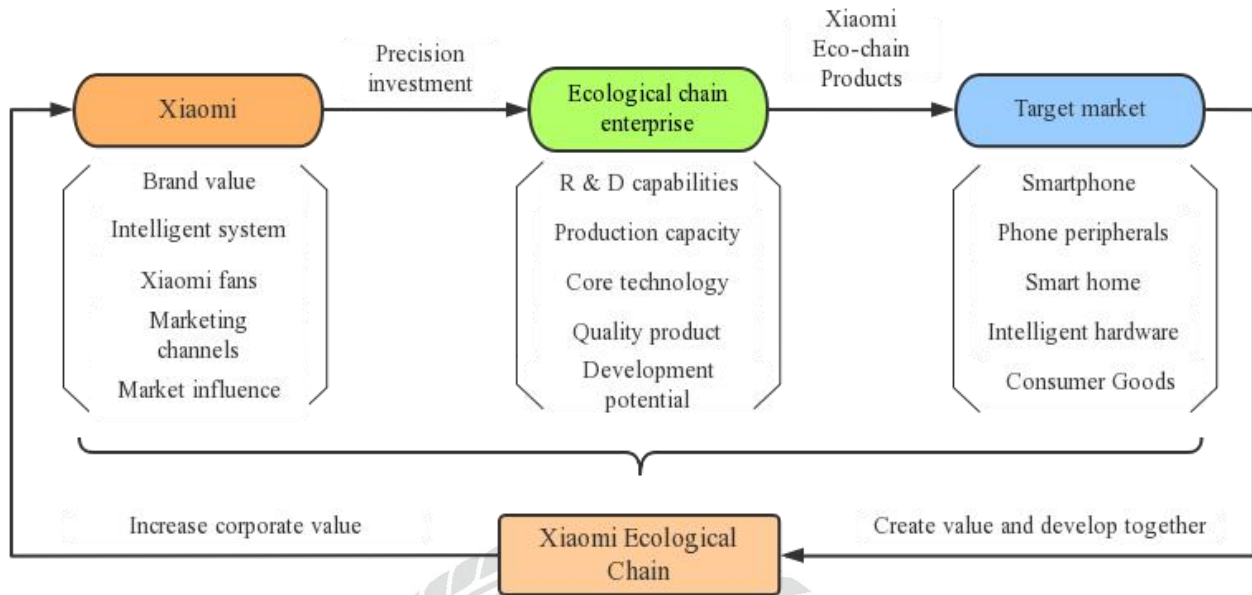


Figure 4-1 Xiaomi ecological chain realizes value creation

The investment model of Xiaomi's ecological chain can be summarized as 1. Obvious return on investment. Choosing the right way when investing can get many benefits at a lower cost and allow the company to develop better. In the development process of the ecological chain, Xiaomi did not focus on technology research and development but focused more on the expansion of the ecosystem, the diversification of products, and the improvement of its brand. Xiaomi has promoted the development and progress of the ecological chain through its strong brand effect, and at the same time, helped those invested enterprises succeed. 2. Brand promotes business expansion. In addition to bringing a large number of material returns, Xiaomi's business investment also allows Xiaomi's brand to continue to penetrate and expand. With the continuous strengthening of the brand, it can, in turn, promote the development and expansion of the enterprise.

Relying on the advantages of brand value, market influence, and sufficient funds, Xiaomi has established a complete corporate ecological chain. In this ecosystem, each link gives full play to its core capabilities to jointly promote the development of the entire ecological chain and realize value creation. With the continuous development of science and technology, Xiaomi's ecological chain has brought more and more

high-quality products to consumers, and Xiaomi's comprehensive competitiveness has also been significantly improved.

Chapter 5 Recommendation and discussion

Based on the above research, it can be considered that in the future market competition, the competition between enterprises will not only be a comparison between individuals, but will also be upgraded to a confrontation between enterprise ecological chains. The enterprise ecological chain will be the most basic form of enterprise survival and development. The marketing strategy formulated by the enterprise needs to be coordinated with the development strategy of the ecological chain. Each environment in the ecological chain has its responsibilities, closely connected, cooperate, and make progress together.

Through ecological chain investment, enterprises can bring all-around improvements in the market, talents, and technology to their platforms. High-quality investment can further enhance the attractiveness of the ecosystem to external companies, thereby increasing the success rate of other ecological chain projects. Before making a decision, an enterprise must accurately locate its ecological position, analyze the current situation scientifically and rationally, and recognize the development trend of the industry, to increase the probability of success (Hannah & Eisenhardt, 2018).

The business model of Xiaomi's innovative hardware ecological chain provides a representative example. The characteristics of the transaction value, transaction cost, pricing mechanism, and transaction risk management of the ecological chain business model characterize the internal interaction mechanism of a sustainable and mutually beneficial business ecology. The dynamic changes of the resource capabilities of all parties determine the dynamic evolution of the internal interaction mechanism (Zhijia et al., 2019).

The construction of Xiaomi's intelligent hardware ecological chain is a successful case of business scale growth and investment value growth: Xiaomi makes full use of its accumulated and controlled advantageous operating resources and capabilities to

conduct business transactions with startup companies or teams that meet the selection criteria. Through the trade of resources and capabilities, costs and benefits are rationally allocated, while both parties have the right to operate and maintain flexibility. The result is that the number of companies in the intelligent hardware ecosystem is increasing, and the success rate is higher than that of independent companies, forming a benign synergy and value-added effect of the business ecosystem. The business scale and investment value of ecological chain enterprises and Xiaomi smart hardware ecological chain have increased (Wang, 2016).

There are still many shortcomings in this research: 1. In the research materials of this article, the relative lack of primary data leads to the lack of in-depth discussion in some chapters. At present, Xiaomi's products are spreading more and more in the ecological chain. However, because a large part of them are commercial secrets, there is a lack of data and information about long-term cooperation. 2. The research in this article is carried out through a single case, and more relevant case analysis is needed to support the conclusions in order to finally summarize the views and find a development law that combines theory with reality.

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