XIAOMI: NURTURING A FAN CULTURE

Synopsis

In 2014 Xiaomi was honored as one of the top three smartphone producers in China, even though the company had only a short, four-year history. Xiaomi’s rapid rise captured public attention. Its sales reports indicated that 61.12 million of its smartphones were sold in 2014, an annual increase of 227%. Revenue in 2014 was US$11.67 billion, a yearly rise of 135%. Four years after the establishment of Xiaomi, the company earned a substantial share of the Chinese smartphone market. Some observers considered Xiaomi’s distinguished culture the essential factor to the company’s achievements. This company’s “fan culture” and “sense of involvement” triggered the interest of other companies in the industry.

Xiaomi’s Culture Nurtured by Lei Jun

In 2014, Xiaomi was honored as one of the top three smartphone producers even though the company only had a short history of four years. This honor was removed shortly by Lenovo which announced its takeover of Motorola, however, the rapid rise of Xiaomi still captured the attention of the public.

According to Xiaomi’s sales report, 61.12 million smartphones were sold in 2014, which was a 227% increase compared with that of 2013. Moreover, the sales (including tax) was US$11.67 billion, a rise of 135% compared with that of 2013 [see Exhibit 1]. Four years after the establishment of Xiaomi, the company earned the largest market share in China’s smartphone market. Xiaomi’s “fan culture” and “sense of involvement” triggered the interest of other companies in this industry. What was Xiaomi’s company culture? How did this culture influence the development of Xiaomi? How did Xiaomi pass on its culture to internal and external stakeholders?

2 The exchange rate of RMB to USD was 1: 0.157 on 16 September 2015.
Preparation Period of Xiaomi

Kingsoft’s Company Culture

Lei Jun\(^3\) was a well-known figure in the industry ever since he became the CEO of Kingsoft—before the founding of Xiaomi. Lei’s management style during the Kingsoft period was far different from that in Xiaomi\(^3\).

Kingsoft’s corporate culture was to maintain a competitive edge in the marketplace. The focus of the company was all about increasing the sales volume and limiting the potential of competitors. To that end, Lei set pinpoint goals to “knock down” its competitors. He also took Microsoft\(^6\) as its simulated enemy to boost his employees’ fighting spirits.

“Ambitious” was the term to conclude the characteristics of Kingsoft from 1998 to 2007. Lei Jun set high goals which were hard to reach. He stipulated the sales target and encouraged the whole team to achieve it, and he would announce the sales volume from time to time. Moreover, employees would be evaluated individually to better engage them at work. On the surface, the high-handed policy seemingly increased the employees’ incentives, however, they were overburdened with the high work pressure which hampered their creativity.

Kingsoft used Key Performance Indicators to define and measure progress toward organizational goals. It also maintained the traditional hierarchical business structure [see Exhibit 2]. Under this structure, decisive information flow from the top management to the frontline team was slow. Moreover, whether the proposed new designs or products would be approved was entirely determined by the senior management. This structure became an obstacle for the company to transform from a software company\(^7\) to an internet company\(^8\).

Lei Jun’s Inspiration during the Angel Investor Period and the Budding of Xiaomi

“Going along with the trend will lead you to success” — Lei Jun\(^9\)

When Lei attempted to transform Kingsoft to fit in the upcoming mobile internet era, he realized that the mature system in Kingsoft could hardly be changed. Later on, Lei left the company and started his new business life in angel investing. Even though Lei emphasized his aim was to assist his friends with setting up their businesses, it seemed that his investment projects were all related to internet business, including UC\(^10\) and Joyo.com\(^11\).

\(^{3}\) Lei Jun was born in Xiantao city, Hubei province in 1969. He was the founder, board director and CEO of Xiaomi, the director of Kingsoft and a well-known Asian angel investor.

\(^{4}\) Kingsoft was a leading software company in China, established in 1988.


\(^{6}\) Founded by Bill Gates, Microsoft was an American multinational technology company and the leading PC operating systems vendor.

\(^{7}\) Software companies provided software or software-related services to customers.

\(^{8}\) Internet companies provided internet access to users, including IT companies, e-business companies, and software development companies.


\(^{10}\) UC, also known as UCWEB, was a mobile browser which was designed to make mobile Web access more convenient.

\(^{11}\) Founded in 2000, Joyo.com was a Chinese shopping website which sold books, audios, software and others. It was later taken over by Amazon.
Before Xiaomi’s establishment, Lei once visited Meizu\(^{12}\), the first smartphone company in China, in the capacity of a potential investor. Huang Zhang\(^{13}\) later accused Lei of stealing his company’s trade secrets. Obviously, Lei started his research during this period to prepare for the establishment of Xiaomi.

According to Lei’s quote “going along with the trend will lead you to success” when he was working on angel investment projects, he believed that the mobile internet era would soon replace the internet era. At this stage, Lei built the base for Xiaomi. Moreover, he also put the ideas of “Wemedin”\(^{14}\) and “involvement”\(^{15}\) learnt from Tongrentang\(^{16}\) and Haidilao\(^{17}\) into the core of Xiaomi’s corporate culture to devise his “fan strategy”. To achieve his goal, Lei set up the fundamental framework of Xiaomi, which provided the company a stronghold in three aspects, namely, hardware, software and internet service, to prepare for the upcoming mobile internet era.

**Xiaomi’s Culture**

To apply the model of a “triathlon”\(^{18}\) [see Exhibit 3] in the industry, Lei handpicked nine experts from the hardware, software and internet industries to be his partners. For example, Lei persuaded former Vice President of Google’s Android division in charge of product management, Hugo Barra, to be one of his partners. In order to set common goals, Lei spent long hours sharing his dream, as well as the core values and culture of Xiaomi with his partners.

The first batch of staff was also recruited from the three industries, and Lei interviewed each and every candidate. The average age of the staff was 42. All of them were veterans in their respective fields, and they were comfortable with the core values and culture of Xiaomi. Traditionally, an engineer work day and night in front of a computer screen. To change the “old-fashioned” working style of these engineers\(^{19}\), Lei assigned all staff to work as customer service officers for a period of time. In the preliminary stage, everyone in the entire company was required to monitor customers’ opinions and give feedback. With this approach, the staff were able to review their work from the users’ perspectives. Moreover, their performance appraisals were made pursuant to customer reviews. Those who received positive reviews would gain great compliments from customers and the Xiaomi management, while the laidback staff and those who received negative reviews would have to put more efforts and passion in the next task to strive for better reviews.

**Structure of Xiaomi’s Fan Culture**

Wholeheartedness, focus, perfection, efficiency and family-like culture are the five core values of Xiaomi’s corporate culture. Xiaomi insisted on providing the best products and

\(^{12}\) Meizu was a smartphone manufacturer in China. It was dedicated to producing smartphones that had user-friendly interface and sophisticated design.

\(^{13}\) Huang Zhang was the general manager of a joint venture enterprise in Singapore. He established Meizu in 2002 and acted as the company’s CEO.

\(^{14}\) Since the rise of blog, Weibo, open source collaboration platform and social media, news was published in real-time, available to everyone.

\(^{15}\) “Involvement” was the core value of a book, written by Li Wanqiang, who was one of the founders of Xiaomi. It emphasized the user involvement in developing the brand.

\(^{16}\) Tongrentang was a famous Chinese pharmaceutical company and it upheld the slogan of “never sacrifice quality to cut costs”.

\(^{17}\) Haidilao was a Chinese hotpot restaurant founded in 1994. It had the top priority of meeting the customer satisfaction by providing the best service.


\(^{19}\) “Old-fashioned” working style referred that the workers were required to work at all hours of the day and night.
services that surpassed customers’ expectations, hoping that a good reputation for Xiaomi could be built quickly through word of mouth. With the advancement of internet, word of mouth could create an enormous impact on the general public. As Xiaomi earned a good and widespread reputation, more and more loyal customers were keen on using Xiaomi’s products. This process also proved that building a good reputation was the highlight of Xiaomi’s fan culture [see Exhibit 4].

**Wholeheartedness**

“Never sacrifice quality to cut costs” – Tongrentang

Honesty and wholeheartedness are the fundamental values of Xiaomi’s culture. Xiaomi fans were loyal to the brand because Xiaomi was eager to consider customers’ opinions wholeheartedly and produced the best fit products for them. Even for details which the customers might not notice, Xiaomi insisted on using materials of the best quality. Batteries produced by Xiaomi were one of the examples. Xiaomi sourced from the top producer of lithium-ion polymer batteries, even though other alternatives were much cheaper. This was to ensure safety in using the batteries. Lei learnt from Tongrentang’s value of “never sacrificing quality to cut costs” and put this idea into Xiaomi’s operations. When dealing with complaints, Xiaomi’s staff would not embellish their words to cover up faults. They all aimed at solving problems honestly with the most straightforward way. Moreover, Lei gave up the practice of using fancy and exaggerating advertising ideas he used in the Kingsoft’s period, Xiaomi’s advertisements only contained plain and clear messages. Just as the quote from Li Wanqiang’s book: “Involvement (参与感)” there were only two requirements in Xiaomi’s advertisements- first, direct enough to ensure easy understanding; second, hitting the bull’s eye. For example, “Xiaomi’s phones run fast” was the classic slogan of Xiaomi. This down-to-earth attitude upheld Xiaomi’s strategy of selling low-priced but high-quality products, which boosted customers’ trust and loyalty towards Xiaomi.

**Focus**

*The four-word formula for success of internet companies: focus, perfection, reputation and efficiency* - Lei Jun

Xiaomi consistently concentrated on the development of products. As Lei said, in four-and-a half years, Xiaomi released six phone models, in other words, Xiaomi developed 1.5 phones per year. Xiaomi focused on the details of its phones, rather than releasing fifty to a hundred models per year as other phone companies did. Xiaomi chose to sacrifice the quantity of releases but each and every release has to be perfect in its quality. The first phone released by Xiaomi “wowed” the public with its high-tech functions and applications.

The research and development team at Xiaomi was formed by many small teams, while a small team would only focus on one issue each time. Engineers and the management staff could focus on the particular issue and share their opinions freely without restraints, which led to high efficiency of the company’s operations.

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Perfection

“Pushing yourself and others to the limits” - Lei Jun

Driving for perfection is a core of Xiaomi culture since its establishment. In Lei’s words, designers of Xiaomi would push themselves to their limits in developing hardwares and the OS program. Xiaomi’s staff worked day and night to keep improving the quality of its products, hoping to offer the best to their customers. With the staff’s greatest efforts, Xiaomi’s products could catch up with the ever-changing cyber world better than its competitors. Xiaomi had its competitive advantage as its products were more functional than those of other companies. Lei often cited in interviews his story of willing to pay RMB 1 million for the best computer wallpaper for Xiaomi. In fact, Lei rejected many wallpaper designs produced by his designers, and he was even willing to pay such huge sum to a designer who could offer him the best wallpaper. From this example, it was concluded that Xiaomi was willing to pay high prices to provide the best for its customers.

On the company’s official forum, there were columns which allowed customers to express their opinions on Xiaomi’s OS system. Through this channel, all designers would receive a set of detailed comments from customers. So the designers had to face the complaints and ameliorate the system till the customers were satisfied with it. With this practice, Xiaomi’s staff were made more accountable.

Efficiency

“In the world of Kung Fu, nothing is indestructible except speed” – Lei Jun

Lei believed that “high efficiency” was the key of success in the mobile internet era, so Xiaomi put great efforts in boosting its efficiency. Since the establishment of the company, Xiaomi insisted to reply customers’ inquiries within 15 minutes. Besides, Xiaomi’s OS testing system would be renewed every week to meet tech-lovers’ needs, while for the general users, the OS system would be updated every month. The frequency of Xiaomi updating its system was a lot higher than that of other smartphone companies.

The high efficiency was resulted from Xiaomi’s flat company structure [see Exhibit 5] and its “micro-innovation”. Xiaomi’s staff strived for the quickest way in solving customers’ problems and the company worked at its highest speed in developing new items or ameliorating the current system.

Family-like culture

Another specific culture of Xiaomi was that the company treated everyone as part of the Xiaomi clan. The family-like culture was a core value of each Xiaomi member. Xiaomi also set up different social media platforms to build a close bond with its fans and staff.

The use of social media provided the linkage between Xiaomi and its fans. Xiaomi fans not only offered precious opinions, they also shared moments of their lives with Xiaomi on these platforms. Moreover, Xiaomi celebrated different occasions with its fans, including the

24 Li Wanqiang (2014), Involvement (参与), Citic Press Group, pp.44 -47.
25 Operating system (OS) was system software that managed computer hardware and software resources. The operating system was a component of the system software in a computer system to function.
“Mifen Festival” and the “Popcorn Festival”. As of 31 March 2015, Xiaomi held the “Mifen Festival” for four times with a total of 15 million participants. With this fan culture, a long-term and intimate relationship between Xiaomi and its fans was built.

Xiaomi celebrated happy moments with its staff. The company also expressed its appreciation to the staff in different ways. When Xiaomi was first established, Lei and the other six founders had a bowl of millet congee (Xiao Mi Zhou) together, and it symbolized enduring hardships altogether. Every time a new member joined the company or a new store opened, all Xiaomi’s staff would be given a bowl of millet congee, so as to pass on the tradition of the company to appreciate the staff’s hard work.

The company focused on mentoring and nurturing each “family member”. Xiaomi arranged job rotation from time to time for the staff to gain hands-on experiences in different aspects of the company operations. The staff were benefited with the opportunities to acquire various skills, while the company’s performance was enhanced with better trained staff. Moreover, Xiaomi valued the mutual support of the company and the staff. As revealed by ex-employees of Xiaomi, the level of support they received from the company was high. It was believed that the company maintained a happy and harmonious relationship with its staff.

The family-like culture could also be found in Xiaomi’s policy. The company had a flat structure and the staff did not have to fight for career advancement. The reward was made in terms of salary raise. This policy prevented internal competition among the staff, so that they could focus on work. This also provided a more favorable environment for liaisons within the company.

**Reputation**

“Reputation differentiates brands in the internet industry” – Li Wanqiang

The reason for Xiaomi to treasure its fan culture was to boost word of mouth which led to its good reputation among mobile internet brands. According to the book “Involvement (參與感)” written by Xiaomi’s Vice President, Li Wanqiang, the public preferred getting information from the internet. A company with a good reputation among its customers did not need to spend a dollar on advertisement. To achieve this goal, Xiaomi’s staff were required to make friends with its fans and deliver a “wow” factor to the public via Xiaomi’s events and products. Providing the public with products and services that were beyond expectations, Xiaomi successfully gained the support from its customers and penetrated their minds.

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28 April 6 was Xiaomi’s foundation day and it was named as “Mifen Festival”, the annual carnival for Xiaomi fans.
29 Popcorn Festival was Xiaomi’s official large-scale offline event. Since 2012, Xiaomi organized the festival at over 30 cities in Mainland China, with each Festival entertaining up to 300 to 500 participants.
30 Millet was a cereal crop that is grown for its seeds.
31 On 6 April 2010, Lei Jun and 14 team members had millet congee in the Beijing office to celebrate the establishment of the company.
38 “Wow” factor was a kind of product strategy to make the products stand out from the masses.
39 Pricing strategy of Xiaomi: Most of the company’s profits did not come from the hardware. It offered such a low price that beyond the users’ expectations.
Ways to Sustain the Xiaomi Culture

Recruitment of Xiaomi Fans

Xiaomi upheld the slogan of “just for fans”, the company tried hard in pleasing their fans in all aspects, including human resource management. According to Xiaomi’s official page on the LinkedIn website, a great number of their staff were originally fans of Xiaomi before entering the company. Having fans worked for the company could ensure the staff were passionate about the brand and would be eager to work for the betterment of the company’s future. With the growth of the new mass media, the company made use of different channels in recruitment. The ways of recruiting fans to work for Xiaomi are as follows:

First and foremost, the MIUI forum was used to recruit talented fans to work for Xiaomi. The MIUI forum was the official forum set up by Xiaomi not only for conversations about Xiaomi products, but also daily life conversations between Xiaomi’s customers and the corporate team. Recently, Xiaomi stepped up its efforts to enter the global market, and they posted an announcement on this platform for the recruitment of sub-forum moderators to maintain daily functions of the sub-forum. As the job application was restricted to applicants who responded to the thread of the post within a week, only the attentive fans would notice the announcement and apply for the position.

Secondly, Xiaomi also made use of WeChat to recruit new staff members. WeChat was not only the most important medium for Xiaomi to reach its fans, it was also used for recruitment purposes. Xiaomi opened a career account on WeChat for announcing job vacancies to its fans. The messages were advertised to followers of Xiaomi who added Xiaomi Recruitment (小米招聘) as friends on WeChat. If the message receivers were interested in the positions, they would be requested to send their curriculum vitae to the company. Moreover, people could communicate with Xiaomi’s team about the job openings via text or audio messages. This facilitated close contact between the company and the interested candidates who could know more about Xiaomi’s culture and work-related issues. This helped the candidates to have a deeper understanding of Xiaomi even before entering the company.

In addition, Xiaomi posted job descriptions on its Facebook official page, “Mi”， to recruit passionate fan for the post of community manager. According to the “Social Media Updates 2014” research conducted by the Pew Research Center, Facebook ranked the top among the social media in terms of the number of adult users. Xiaomi made use of the most popular social media to capture the greatest attention from its fans. Facebook allowed companies to open their official pages to communicate with the public, however, the updates on Xiaomi’s page would appear on the Facebook news feed only if the Facebook users clicked the “like” button of that page earlier. Therefore, the job descriptions would only reach Xiaomi’s fans

37 Founded in 2002, LinkedIn was a communication platform for professionals from all over the world.
41 “Mi” was the pinyin of the company’s name. It was also an acronym for Mobile Internet and Mission Impossible.
43 Pew Research Center was an American independent research organization headquartered in Washington. The organization provided important information related to the U.S., the current issues in the world and trends.
44 “Like” in the internet language referred that the users agreed or liked the contents.
that consistently paid attention to the company updates. This ensured the position would be
very likely taken up by a Xiaomi follower who was familiar with the brand.

Besides using new social media to communicate with its fans, Xiaomi also made use of these
channels to recruit people who were conversant with Xiaomi and had the eagerness to join
the big family. It was believed that after a long exposure the company’s information, Xiaomi fans
would also be acquainted with the spirit and culture of Xiaomi. In other words, these channels
facilitated Xiaomi to find the right person who could fit in the company culture.

Passing on the Culture to Xiaomi fans

Fan is one of the strongest forces that pushed Xiaomi toward success in a few years’ time.
Therefore, the company upheld its family-like culture to build a strong and long term
relationship with its fans. In order to sustain this culture, Xiaomi consistently worked hard in
finding diverse ways for communication with its fans. Xiaomi mainly used WeChat, QQ, its
forum and Weibo to connect with fans. In fact, WeChat provided Xiaomi closer
communication flow with its fans than QQ and its forum, followed by Weibo. WeChat was a
medium that allowed users to send out text messages, images and audio files to others
spontaneously, while other users could reply at any time. This channel allowed two-way
communication with high privacy. It was believed that Xiaomi fans would be more
encouraged to voice their opinions under anonymous settings. This also helped Xiaomi
nurture friendliness and intimacy with its fans.

Moreover, Xiaomi tried to establish a close bond with its fans. Unlike other technology
companies, Xiaomi’s updates not only limited to posts on social media for promoting its
products, but also on some global issues. Xiaomi also organized interactive events for its fans
to participate. During the World Cup period, Xiaomi designed the World Cup Mi-bunny [see
Exhibit 6] to share the joy of the world event with its fans. This could shorten the distance
between Xiaomi and its fans. The fans might find Xiaomi as a buddy to share their thoughts
not only on its products but also about their everyday life experiences.

Conclusion

Xiaomi became the top smartphone seller in China only after four years since its
establishment. Xiaomi’s culture and mode of operation were well received by the general
public of Mainland China. The company’s founder, Lei Jun, was elected by “Times
Magazine” in 2014 as one of the world most influential figures. In his speech delivered in the
“Cross-Strait Mobile Internet Conference”, he proudly proclaimed Xiaomi’s vision to become
the number one brand in the smartphone industry within ten years. Although Apple
immediately refuted with its counter statement of “easy to say, hard to do”, it was undeniable
that Xiaomi had an incredible achievement within a short period of four years. Quoted from
Lei, “What if our dreams come true?”, his confidence in Xiaomi’s future was clearly
revealed.

Xiaomi grew from a business for a small group of customers to a popular brand among the

46 WeChat, QQ. MIUI forum and Weibo were popular social media sites in Mainland China.
47 Sabrina (27 November 2013) “The Secrets of Xiaomi Marketing Success in China”, China Internet Watch,
48 To share the joy of World Cup 2014, Xiaomi specially designed Mi-Bunny’s costumes to represent nine famous national
football teams.
49 Hou Liangru (13 January 2015) “雷军：盼小米 10 年内登世界第一 中时电子报”, China Times,
general public. Some people used to attribute Xiaomi’s success to its “hunger marketing” rather than its products. But it was proved not the case with Xiaomi’s rapid development in recent years. Xiaomi kept its flat company structure even with its expansion to ensure fast information flow and high efficiency. Xiaomi also organized events for its fans frequently, and these events succeeded in maintaining a strong bond between the company and its fans.

There were several issues behind the seemingly flourishing age of Xiaomi. Firstly, Xiaomi’s MIUI system was already thoroughgoing, but the system could no longer satisfy all Xiaomi users. Xiaomi used to focus on satisfying its tech-lover fans. However, the number of general fans increased dramatically and Xiaomi’s MIUI system could not satisfy both groups of users. Secondly, Xiaomi was no longer simply a smartphone company but an influential large corporation. Its business strategies could affect the entire mobile internet industry. Could Xiaomi stay focused under the current circumstances? With the ongoing expansion, could Xiaomi perpetuate its flat company structure? Thirdly, some analysts believed that the success of Xiaomi was partially due to its “involvement” culture, which meant involving the users to give comments on the company’s smartphone production or related areas. Yet, this might not have the same results in the market environments of other countries. Could this strategy lead Xiaomi to success in the global market? Last but not least, with the advancement of technology, other companies could easily imitate Xiaomi’s strategy of providing the public with products and services that surpassed their expectations. Losing this comparative advantage, could Xiaomi outshine other companies? These were critical factors that Xiaomi had to look at for its future development.

Learning Objective: Students will be required to summarize Xiaomi’s fan culture and and discover both how Xiaomi’s CEO developed the culture and the culture’s rationale. Students will also be required to analyze how Xiaomi passes on this culture internally, to employees, and externally, to “fans”.

Suggested Questions: 1. What is Xiaomi’s fan culture?
   2. How and why did Xiaomi’s CEO establish this fan culture?
   3. How does Xiaomi pass its culture on to internal and external stakeholders?
   4. What is the impact of Xiaomi’s culture on the company’s business?

“Hunger marketing” referred to a kind of marketing strategy where the commodity provider reduced production in order to create demand. If the product was popular, this strategy would allow the provider to achieve control of supply and demand and create an imaginary shortage. It aimed at maintaining brand image, a high commodity price and profit purpose.
EXHIBIT 1: MAIN ACHIEVEMENTS OF XIAOMI IN 2014

Source: Tech Ifeng (2015)“雷军晒小米 2014 年业绩：含税收入 743 亿元 出货 6112 万”,
http://tech.ifeng.com/a/20150104/40928977_0.shtml (accessed 7 June 2015)
EXHIBIT 2: TRADITIONAL PYRAMID MANAGEMENT MODEL

EXHIBIT 3: XIAOMI TRIATHLON

Source: Youtube (30 September 2013) “TVBS 看板人物 - 小米旋风雷军百亿传奇”, https://www.youtube.com/watch?v=1S0u60Pcf6Q (accessed 7 June 2015)
EXHIBIT 4: XIAOMI’S CORPORATE CULTURE

Source: Li Wanqiang (2014), Involvement (参与感), Citic Press Group, pp.6
EXHIBIT 5: FLAT COMPANY STRUCTURE

EXHIBIT 6: CUSTOMIZED WORLD CUP MID-BUNNY