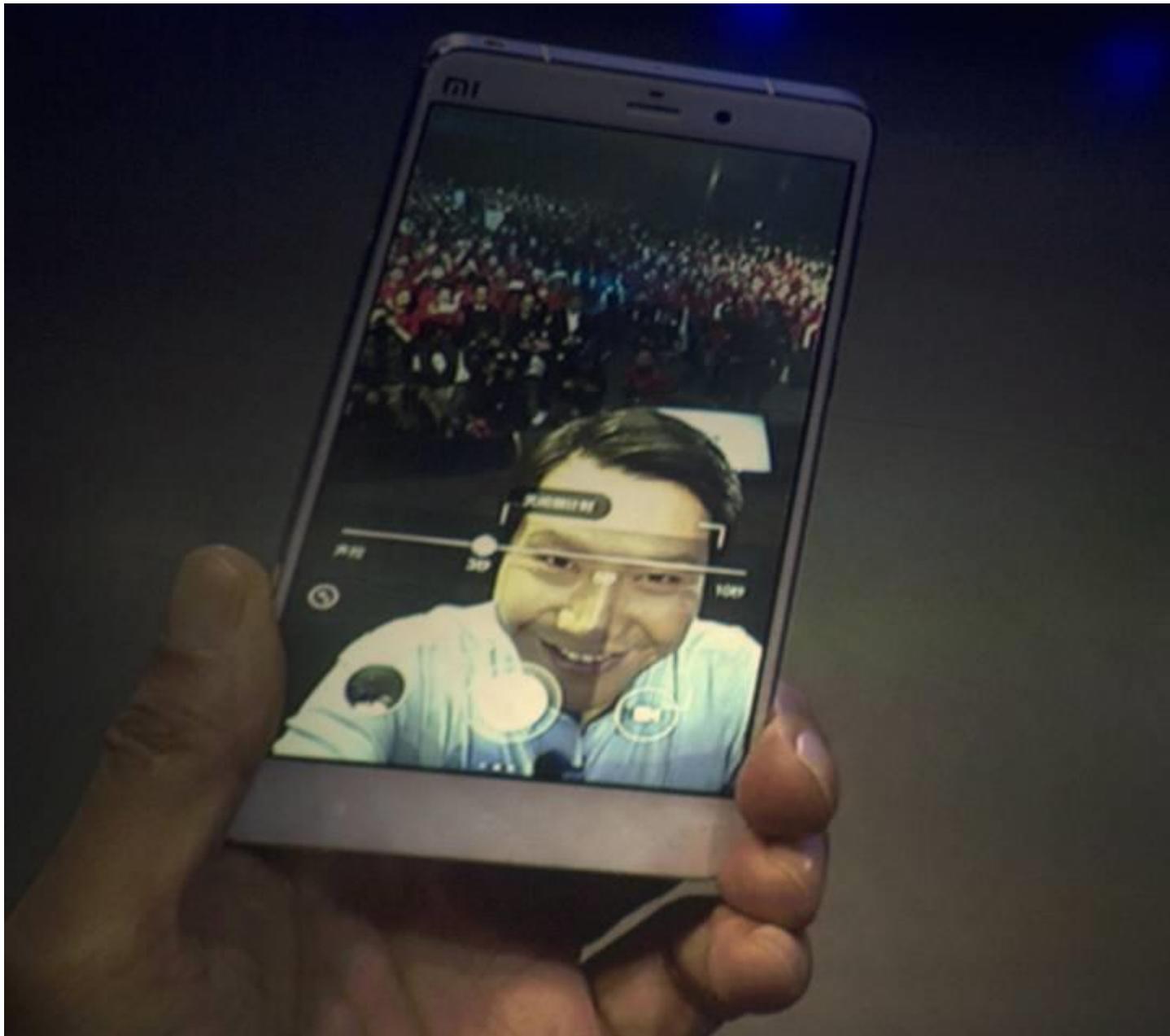


Xiaomi: The Secret to the World's Most Valuable Startup

Xiaomi reaches out to customers through parties and social media



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Lei Jun, founder and CEO of Xioami, took a selfie at a phone launch event in January. The executive has 12 million followers on the Weibo messaging service in China.*PHOTO: NG HAN GUAN/ASSOCIATED PRESS*

By

EVA DOU

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HANGZHOU, China—Zhao Ruiping assembles mechanical valves at a factory in this southern Chinese city. But he spent a recent Saturday evening at one of the city’s flashiest nightclubs—as a VIP guest of Xiaomi Corp.

“I’ve never been to a club before,” said Mr. Zhao, 27 years old, who arrived in his brown work jacket. “I’m just an average worker. I can’t afford to go to places like this.”

The party, for about 300 fans, was an example of why Xiaomi has risen so quickly to the top of China’s smartphone market. It has spun a dream of social advancement for China’s vast numbers of young people, a dream of luxuries from the developed world now within reach.



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Xiaomi sells smartphones that in many aspects are similar to phones from [Apple Inc.](#) and [Samsung Electronics Co.](#), but for less than half the price. The company became the world’s fifth-largest smartphone maker last year and the world’s most valuable startup by a recent Wall Street Journal tally, with a valuation of \$46 billion.

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Five-year-old Xiaomi has achieved this success partly by making its customers feel part of an exclusive club, such as by throwing parties for them every few weeks across China.

Now Xiaomi is trying to prove it can make this model work in the rest of the world, for a multitude of products. It is especially challenging given that part of what has fueled Xiaomi fans is a sense of national pride, that Xiaomi can become the first Chinese global brand that is actually edgy.

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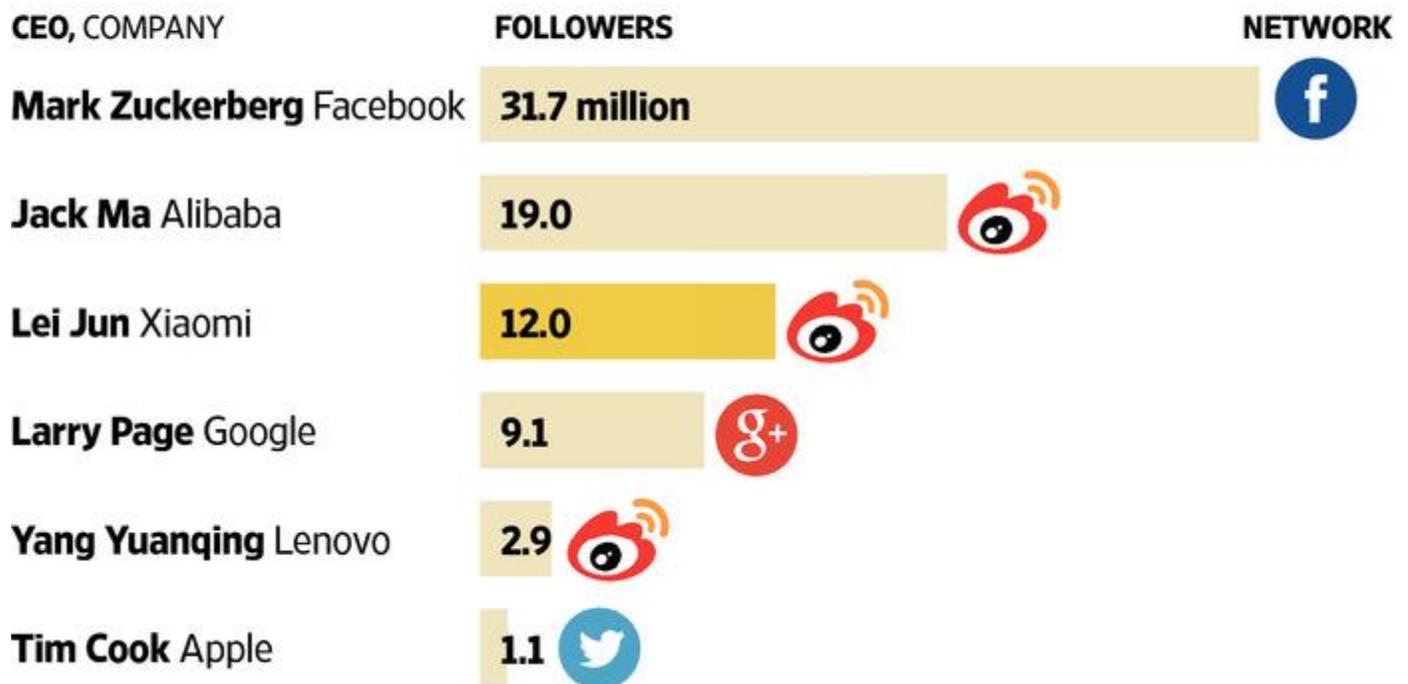
Xiaomi's fans send founder Lei Jun handcrafted gifts of encouragement that he displays in a case at the company's Beijing headquarters. Wang Wenyong, a fan at the nightclub party, said he likes Xiaomi partly because it is Chinese.

Mr. Lei has declared not only that he wants Xiaomi to be world's largest smartphone maker within a decade, but that he wants to bring all the trappings of the good life to developing-world consumers for bargain prices, from television sets to smart light bulbs.

"What if we allow all of our products to be this beautiful? What if [the Chinese] no longer have to envy Germany or Japan?" Mr. Lei told reporters recently.

Popularity Contest

Xiaomi founder Lei Jun promotes his smartphones on the Weibo microblog service. Comparing the number of followers on different social-media networks:



Sources: Facebook, Weibo, Google, Twitter

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In overseas markets, Xiaomi's share is still low. In Malaysia and the Philippines, where Xiaomi has been for less than a year, its market share was 4.4% and 0.3% respectively, last year, according to data firm IDC.

The company has so far preferred fan interaction, not ads, for its marketing outside of China. But it is a challenge, with lower brand recognition and limited product supplies. Xiaomi's page on the Chinese Weibo microblog service has 10.7 million followers, while its English-language [Twitter](#) account has 59,000 followers and its Indonesian [Facebook](#) page has 64,000 likes. The comments are fewer overseas. Many express frustration at limited smartphone supplies, such as after a post this month about new software on the company's Philippines Facebook page.

This kind of social-media approach, while common among startups, generally can take a company only so far. As brands grow, companies typically embrace more traditional methods such as TV ads to build broader awareness.

Still, Xiaomi is committed to trying to export its approach. “In terms of the success formula, some things are universal,” said Amanda Chen, head of overseas marketing. “The first is to understand the fans and to make friends with them, instead of talking as a brand.”



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Xiaomi smartphone fans attend a recent party it threw in China. *PHOTO: EVA DOU/THE WALL STREET JOURNAL*

Those connections for Xiaomi start at the top. Senior executives take time to meet with users in person and answer their questions online. These customers then help Xiaomi with free marketing, which has enabled the company to limit expenses and keep down product prices.

Xiaomi’s first fans were volunteer testers of its mobile user interface MIUI, which the company launched before its first phone. The company has since developed fan clubs across China and overseas.

Mr. Zhao, a stocky factory worker originally from China’s distant Gansu province, works 29 of 30 days on a Hangzhou-area assembly line, earning about \$650 a month. In his spare time, he spends two to three hours each evening on Xiaomi forums, answering other users’ questions. All the hours he has logged have made him a “VIP” in Xiaomi circles.

“I wasn’t always a VIP,” he said. “I remember what it is like as a low-ranked fan, so now I try to help others.”

He says he has received gifts from Xiaomi as thanks for his contributions, including a Web camera and two WiFi-controlled smart-plug adapters. “Being part of Xiaomi’s community gives me a sense of achievement,” he said.