

*Research Article (July – December 2020)***Research on the core strategy of “AI+IOT” IN THE CONTEXT OF INTERNET +” --taking xiaomi in china as an example**

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**Abstract**

In recent years, with the popularity of 4G technology and the gradual maturity of 5G technology, the mobile Internet has further developed , showing explosive growth momentum. In this case, the smartphone industry has ushered in a latest "Industrial Revolution", which has exerted a new and prominent impact on the social prospect and survival of our country. Following the beat of this era, Xiaomi mobile phones put forward the “AI + lot” development strategy, and are committed to the development of new smart phones. Thus, this article analyzes the development status of the mobile phone industry and Xiaomi mobile phones, and carries out a SWOT analysis of the strategic development of Xiaomi mobile phones based on the Internet + era background. Finally, the article discusses “Internet +” from the perspective of strategic choice and strategic guarantee, illustrating development countermeasures of the core strategy of Xiaomi's mobile phone “AI + lot” under the background of the times.

**Keywords:** *Internet + , Xiaomi mobile phone, AI + lot strategy*

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**Introduction**

China's mobile communication technology has developed very quickly over recent years, and the 5G era has quietly arrived before entering the 4G era. Specifically, integrated with "Internet +" and artificial intelligence, the current development of mobile communication technology has become an irresistible

historical development trend. Therefore, for smart phone companies, how to realize their own development and upgrade with the help of artificial intelligence in the context of the "Internet +" era is of great importance.

Established in 2012, and then independently developed the MIUI mobile phone system, Xiaomi mobile phone occupied the domestic smartphone market with its unique business model and marketing model. The "AI + lot" development strategy, that is, "Artificial Intelligence + Internet", has been proposed over recent years marked by the "Internet +" era. This is a historic opportunity for Xiaomi to fulfill its mission, making it possible for everyone worldwide to access to a good life brought about by technology. However, at present, there is still a certain gap between Xiaomi's mobile phone and its proposed development strategy. Therefore, it is of great practical significance to further strengthen the "AI + lot" core strategic research in the context of the "Internet +" era.

### Literature review

At the end of the 1840s, Barnard put forward the idea of strategic management in his book *The Functions of Managers*, which is regarded as a forerunner of the study on corporate core strategy. In the 1960s, Ansoff pointed out in the book *Enterprise Strategy* that product and market potential, industry development status, the company itself, and the speed of development serve as the most critical factors affecting the company's core strategy. In the 1980s, the study on corporate core strategies entered a peak period. Michael Porter clearly stated in his research that companies should choose the development direction of large markets or small markets according to their own positioning, and emphasizing the development path of differentiation. Ann Fillman Pekruhn (2004) illustrated that the development of communication companies is closely related to the network, making it essential and crucial for communication companies to take advantage of the major changes brought about by the development of information technology. On this basis, they must improve their core strategic development thinking continuously to meet the increasing changes of consumers. Additionally, Martin Kenney and Bryan Pon (2011) proposed that the integration of mobile phones and the Internet has brought "mobile Internet" to smartphones. Thus, it is of great importance for mobile phone companies to integrate the previous core strategies into the development of smart phones, to gain an advantage in the "mobile Internet" market competition, which has guiding significance for the strategic development of smart phones in the context of the "Internet +" era.

Although China's researches on corporate core strategy started relatively late, China has made huge achievements in the researches on smart phone core strategy. Yuan Xiaoming (2013) proposed in his article *Differentiation Strategy of Xiaomi Technology Company* that Xiaomi Technology Company, with Michao, MIUI and Xiaomi mobile phones as its most core competitive products, has been committed to develop a

differentiated development strategy. Differentiated products, differentiated marketing and differentiated communication methods have achieved great success through differentiation Positioning; Zhang Fangfang and Liu Pankun (2014) deeply analyzed the brand development strategy of Xiaomi mobile phones in *Analysis of the Development Strategy of Local Mobile Phone Brands by Xiaomi*, illustrating that customer-centric Internet marketing focuses on creating innovative companies, regarding establish a good corporate image as a successful weapon for the development of Xiaomi's mobile phone brand; Zhou Hanhai, Lin Weibo (2016) suggested in the article *Xiaomi's Mi Net "and future development* that the success of Xiaomi's mobile phone lies in the focus on extremes, rapid iterative micro-innovation, experiencing beyond expectations, and the mass line. Therefore, Xiaomi's "Mi Net" and future development should inherit and optimize the above successful experience. Xu Jiantao, Wu Yuetang (2018) explained Xiaomi Technology in *The Implementation of Diversification Strategy: Taking the Xiaomi Ecological Chain as an Example*. Development Division conducted brief introduction, noting that millet technology companies should implement diversification strategy, strengthen patent applications and the introduction of talent, improve the relevant store and avoid blind expansion, and adopt diversification strategy for further success.

## Methology

### Literature research method

In the specific research process, a lot of literatures about the core strategy of smartphones are reviewed in the article, especially some professional books written by well-known experts in the field. Besides, with the help of huge network resources, the relevant information about the development strategy of Xiaomi's "AI + lot" is collected. Overall, the materials have laid a solid literature foundation for the in-depth study.

### 3.2 Case analysis

In order to make the article more specific and follow the core strategy of the smartphone "AI + lot" in the context of the Internet + era, Xiaomi mobile phones is used as a practical example in this article to conduct a SWOT analysis of the core strategy of Xiaomi mobile phones "AI + lot", proposing related countermeasures, to make the research more authentic, reliable, and more convincing.

## Centent

### 1. Strategic Analysis

Lei Jun announced that he had decided to start a newly formulated five-year strategy at the Xiaomi Annual Conference on January 11, 2019. Xiaomi officially entered the mobile phone + An lot dual-engine strategy, indicating that Xiaomi will focus fully on the field of Alot in the future, as well as the strategic goal of

Lei Jun in recent years. As a strategy for Xiaomi in the next five years, Xiaomi will invest more than 10 billion yuan in the AIoT field, which is a long-term strategic layout of Xiaomi.

Lei Jun has such a layout, proving that Xiaomi has launched a new round of transformation. In the future world, the connection between people and the Internet will further be deepened by entering an era of artificial intelligence Internet of Things, which is the AI + IoT strategy. Every object is connected with others, and the advancement of high technology will improve our living quality.

The full name of AIoT is *All in AIoT*. As early as 2013, Xiaomi has identified a strategic ecological chain centered on mobile phones. After five years, Xiaomi has been ranked among the top worldwide in the IoT layout, becoming the largest global Internet of things consumption platform. Currently, although Xiaomi has been in business for 8 years and Xiaomi mobile phones have been its core business, the entire industry is still in fierce competition. If Xiaomi wants to maintain its reputation, it must be a long-term war. Thus, at the annual meeting, Lei Jun announced that with the arrival of 5G spring in Oda, Xiaomi mobile phones will always adhere to the first front, fight protracted battles, and launch various mobile phone brand strategies.

This is not only a simple business goal, but also a move that Xiaomi can develop in the long run to maintain its brand effect. Of course, at the annual meeting, Lei Jun also mentioned external pressure and internal competition, firstly taking about the uncertainties brought about by the economic war between China and the United States and the overall sluggish demand in the mobile phone industry. This is an indisputable fact. Of course, Xiaomi has its own reasons. Since the development of Xiaomi, Lei Jun has also raised some challenges as its rapid growth has affected its existing organizational structure. He has made a very mature mobile phone sequence, Redmi, independently into a brand, only for the sake of simplification of military affairs.

## 2. Development Trend

Over recent years, with the development and change of the times, China's mobile phone industry has shown new development trends:

There are two trends in the development of the Internet. One is to connect people and services, while the other is to integrate the digital and physical worlds through AI under the technological background of "Internet + Internet of Things + 5G". Since the Xiaomi company went public in 2018, the dispute over Xiaomi as an Internet company has never been stopped.

Currently, Xiaomi's core business foundation consists of two parts, namely, the basic disk of the smartphone with the highest personal connection, and Xiaomi's powerful IoT. According to the latest

information from Xiaomi, the mobile phone operating system MIUI already had 207 million monthly active users in the second quarter of 2018; Xiaomi IoT had connected more than 115 million devices, and Xiao AI had over 30 million monthly active devices. Few people realize that Xiaomi has already been a data company with large data, which will eventually contribute it to becoming an artificial intelligence company. In the future "5G + Internet of Things" era, when everything is interconnected, data sharing and interaction between hardware will be very interesting. People, devices, and the Internet serve as the three dimensions of Xiaomi's data. Xiaomi executives told the author that Xiaomi IoT platform is connected to more than 100 million devices currently, and has already become the world's largest consumer-grade IoT platform, accumulating data for users' diverse life scenarios. Traditional Internet companies collect only one dimension of data through applications. Xiaomi's accumulated user data is multi-dimensional, sourcing from hardware, Internet applications and services, and new retail. Through the integration, analysis, and judgment of massive data in different dimensions, insight into user preferences can be mastered more accurately, to achieve precise marketing of "thousands of people".

China's entire mobile phone industry will change from the former "quantity for benefits" to "quality for development". From the perspective of mobile phone products, with the advent of the 4G era and the approach to the 5G era, personalized smartphones with multiple functions will become the mainstream to meet the personalized needs of smartphones. Mobile phone products will focus more on improving internal quality and optimizing appearance and details to gain more consumers' favor.

### 3. Status and Problems of Xiaomi Mobile Phone Development

#### 3.1 Development Status

Xiaomi Technology Co., Ltd. was founded in 2010 by Lei Jun, a well-known entrepreneur. Lei Jun represents Xiaomi Technology Co., Ltd., focusing on the development of cost-effective smartphones. Its current core businesses include Xiaomi mobile phones, MIUI, Xiaomi ecological chain, and market valuation. With US \$ 4.2 billion, it has become a very well-known mobile Internet company in China.

After the establishment of Xiaomi Technology Company, Xiaomi launched a series of mobile phones. However, these mobile phones were uncharacteristic and did not attract customers with various styles. Instead, it has been committed to the system development and appearance design of the mobile phone, and embarked on a road to create the most cost-effective high-end smartphone. Although the current Xiaomi phones are not various in style, they are impeccable in terms of operating system and hardware configuration, and more importantly, with a price much lower than similar smartphones from Apple and

Samsung. For example, Xiaomi Mi 9 (Comprehensive 4G +) smartphone produced by Xiaomi Technology Co., Ltd. this year is equipped with a 7nm octa-core processor and a rear 48-megapixel camera, which is sold at 2999 yuan. Compared with the same period of the previous year, the configuration of mobile phones with friends is much more cost-effective.

### 3.2 Potential problems

Although Xiaomi has achieved good development and progress in recent years, and is even reputed as the "Myth of Xiaomi", potential problems are involved in Xiaomi's strategic development.

For example, Xiaomi has attracted a large number of mobile phone users, but it has felt into to some extent the embarrassing situation of "quantity and no profit". First of all, other Chinese mobile phone brands such as Huawei and ZTE continue to introduce low-priced high-end smartphones, which has greatly diminished the market share of Xiaomi mobile phones. Second, the deployment costs of Xiaomi mobile phone are not low, but they are sold at relatively low prices. Although it is not losing money, its profit is very meager, which brings challenges to Xiaomi mobile phones in earning profits. In addition, although the hungry marketing adopted by Xiaomi's mobile phone has played a prominent role, it has made some consumers lose patience to a certain extent, causing Xiaomi's mobile phone to lose a certain number of users.

## 4. SWOT Analysis of the Development of Xiaomi's Mobile Phone "AI + IoT" in the "Internet +" Era

The advent of the "Internet +" era has provided significant opportunities for the development and upgrade of Xiaomi 's "AI + IoT", posing a certain threat to them. Besides, Xiaomi 's mobile phones only actively play its advantages and improve its disadvantages. It is important for it to learn from others' advantage to supplement its own weaknesses, so as to get out of the predicament and obtain "Nirvana".

### 4.1 Xiaomi mobile phone development advantages

Xiaomi's mobile phone has risen within a short period of time because Xiaomi's mobile phone has explored a path suitable for its own development on the basis of cost-effective advantages. First of all, Lei Jun, the founder of Xiaomi Mobile, owns Internet companies such as Jinshan Software, Fanke Eslite, UC Browser, and Sunpin.com, thus enabling Xiaomi Mobile to establish a "terminal + service" operating model very smoothly, making it very seize the Internet's opportunities effectively. Secondly, Xiaomi mobile phone is a typical "latecomer" in the domestic smartphone market, which strives to innovate and surpass products and models. It does not follow the path of other smartphone companies which rely on models and emphasize profits, but follows a single model. The manufacturing of smart phones is carefully crafted, and the joint development model of the Internet is actively launched, thus providing good conditions for the

development and upgrade of Xiaomi 's "AI + lot" mobile phones. Furthermore, Xiaomi 's mobile phones actively respect consumers' opinions and attract users to participate in the design and manufacture of Xiaomi mobile phones, capturing a lot of users' "hearts". Thirdly, Xiaomi mobile phones are good at using the Internet in marketing to improve online sales, thus greatly lowering the costs. This has also pushed Xiaomi mobile phones to become the most cost-effective smart phones with incomparable advantages.

#### 4.2 Disadvantages of Xiaomi Mobile Phone Development

First of all, compared with domestic mobile brand Huawei, Xiaomi's mobile phone is supported by abundant funding and extortionary technology. Although Xiaomi's mobile phone has its own MIUI operating system, it falls far short of Huawei's strengths in such as mobile phone chips and network equipment. Huawei not only owns the chip company, but also successfully developed a new type of quad-core processing chip independently. In contrast, Xiaomi phones rely on MIUI operating system to compete with domestic top smartphone brands such as Huawei. The "AI + lot" development of mobile phones is subject to people. Secondly, despite of the rapid development of Xiaomi mobile phones in recent years, the annual sales volume of 7 million units is still not far behind the annual sales volume of Huawei and ZTE by 10 million units. In addition, Huawei, ZTE and other mobile phones also have strong servers and network equipment support, which can help avoid the occurrence of greater risks, while the development of Xiaomi mobile phones is lagging behind. In short, by contrast, Xiaomi's "AI + lot" development lacks effective technical support and is at a disadvantage.

#### 4.3 Development Opportunities of Xiaomi Mobile

China's "Internet +" era has arrived gradually, giving Xiaomi's future "AI + lot" development a major opportunity. First of all, "Internet +" makes mobile Internet business more and more diversified, with the number of users of mobile phones with Android system in China exceeding Apple's IOS system. The MIUI operating system of Xiaomi mobile phones is also an Android system that can be deeply customized. On the one hand, further refinement and satisfaction of the user's personalized needs for the operating system can make Xiaomi phones more popular, to help Xiaomi phones obtain new profit through built-in game software. Secondly, with the comprehensive application of "Internet +" and the further popularization of mobile Internet, China's smartphone market will become even more extensive. According to the report of *21st Century Business Herald*, the total number of mobile phone users in China reached 1.505 billion in 2018, among whom, the total number of 4G users has reached 757 million. Moreover, with the development of the times, this number will grow rapidly, indicating that Xiaomi mobile phones face a very large user market. In

this broad market, promoting "AI + IoT" development is greatly promising, which brings about a rare development opportunity.

#### 4.4 Threat of Xiaomi mobile phone development

The market segment of Xiaomi mobile phones is mid- to high-end smartphones around 2,000 yuan, occupying the smartphone market with an unbeatable price/performance ratio. However, in recent years, Samsung, Motorola, China's Huawei, and ZTE have also gradually entered this segment and launched a series of mid-to-high-end smartphones around 2,000 yuan. Even more, they have been favored by a large number of consumers with unique brand awareness, making Xiaomi lose its mobile phone's advantages, as well as posing a very serious threat to its future development. In addition, Xiaomi mobile phones have created the "Xiaomi myth" based on the model of "Internet research and development + online sales + logistics distribution", but with its expansion, many problems have been exposed this model. For example, its online sales model no longer adapts to the scale of 7 million annual sales. In addition, the lack of physical stores has also resulted in the ineffective guarantee of the after-sales service quality of Xiaomi mobile phones. Failure to address these problems will impose serious threats to "AI + IoT" development model of Xiaomi mobile phones.

#### 5. The development strategy of Xiaomi's "AI + IoT" core strategy in the context of the "Internet +" era

It is not difficult to see from the above analysis that the future development of Xiaomi mobile phones faces both significant opportunities and threats. This article believes that in the context of the "Internet +" era, Xiaomi mobile phones should be centered on "AI + IoT" core strategy :

##### 5.1 "AI + IoT" Core Strategic Development

At the 2018 Xiaomi AIoT Developer Conference, Lei Jun, Xiaomi Group CEO, stated that Xiaomi's core strategy will always be AI + IoT (that is, artificial intelligence + Internet of Things) in the next five to ten years, namely, the concept of "AI empowerment, interconnection of all things" . In simple terms, AIoT is AI + IoT = AIoT, representing a new era of intelligent interconnection of all things. With the increasing popularity of 5G networks, more and more hardware devices will be able to access the Internet in the future and can be controlled by voice. These are all AI + The products of IoT.

##### 5.2 Strategic Choice

###### 5.2.1 Taking the road of differentiation

The success of Xiaomi's mobile phone stems from its original differentiation strategy which is required by the realization of the "AI + IoT" core strategic development in the "Internet +" era. Specifically, Xiaomi mobile phones should continue to adhere to their "terminal + service" model, aiming to create the



best domestic smartphones by striving to innovate Xiaomi mobile phones' products and services, so as to create smartphones different from other brands. Only in this way can homogeneous competition be avoided fundamentally and help Xiaomi mobile phones go further in the "Internet +" era. Thus, Xiaomi mobile phones should invest more funds and energy for the research and development of smart phones. Overall, the quality and configuration of mobile phones, with the help of increasingly mature artificial intelligence, can only gain their own core advantages.

#### 5.2.2 Adhere to cost leadership

Xiaomi mobile phones rely on online marketing to avoid a large amount of marketing expenditures, thus gaining huge cost advantages, and shaping their ultimate success. Therefore, this article recommends that Xiaomi mobile phones continue to adhere to the cost-leading strategy in the "Internet +" era to gain new competitive advantages. In the future, in addition to maintaining the cost advantage of its online marketing, Xiaomi mobile phones should further optimize the quality of cost management in terms of raw material procurement, company operation management and labor cost control. In particular, with the "AI + IoT" method, upgrades were achieved in the above-mentioned management links, invalid steps and personnel were cut, and Xiaomi mobile phones were "lightly loaded on the battlefield" to obtain greater cost advantages.

#### 5.2.3 Focus on cooperation and competition

The so-called cooperative competition means that Xiaomi mobile phones should be good at competing in cooperation and competition. First of all, Xiaomi mobile phones need to strengthen cooperation with operators who are, after all, in a monopoly position and have huge resources. Thus, Xiaomi mobile phones need to strengthen cooperation with operators and strive for more subsidies and support to promote the popularity of Xiaomi mobile phones. Secondly, Xiaomi mobile phones should continue to take advantage of the cooperation advantages of Lei Jun's companies. Through effectively integrating the customer resources, management experience and marketing channels of these enterprises, Xiaomi has obtained more support for the development of the "Internet plus" era and injected more new momentum into its development.

#### 5.2.4 Improving core competitiveness

In the "Internet +" era, Xiaomi mobile phones must improve their core competitiveness if wanting to stand out in the fierce market competition. This article believes that improving the core competitiveness of Xiaomi mobile phones requires "higher performance, lower price, and more excellent system". In addition, with the further development of the "Internet +" era, Xiaomi mobile phones should effectively promote the

rapid development of the "AI + IoT" core strategy through the application of high-tech such as artificial intelligence based on the above-mentioned core competitiveness. The integration of mobile phones with the above-mentioned high-tech has improved core competitiveness of Xiaomi mobile phones.

### 5.3 Development Layout and Goals: 5G + IoT Makes AI a Lifestyle

Here is a simple example of the Yunmi refrigerator launched by Xiaomi Ecological Chain Company. Different from other refrigerators on the market, this refrigerator has a 10.5-inch display, making it possible to manage the refrigerator through the mobile smart home app and AI Xiaomi classmates, through which, we can communicate with the refrigerator by voice. In the future, through system upgrades, Yunmi refrigerators will support image recognition technologies such as fingerprint recognition and face recognition. As the pioneer of Xiaomi's entering the era of artificial intelligence, AI Xiaomi classmates will be connected with more skills and perform more things to build Xiaomi's intelligent voice ecology in the future. It will also allow more ecological chain enterprises to have Xiaomi classmates built in their devices, or to support and control them.

In home scenes of the near future, in addition to touch, keyboard, and remote control, "voice input + image recognition" will become the main communication method. In the "voice input + image recognition" era, hardware devices will be miniaturized and screenless; software will be embedded and de-applied, and people will be directly connected to services. To connect people and devices, Xiaomi's goal is to create a "one-stop AI scene" to provide a "one-stop AI life" which has more Internet imagination space. In the future, voice input will play an important role with greater commercial prospects. At present, Xiaomi's IoT platform is connected to more than 100 million devices, which has become the world's largest consumer-grade IoT platform, accumulating data for users' diverse life scenarios.

### 5.4 Strategic guarantee

#### 5.4.1 Strengthening human resources management

The support of talents is inseparable to the development of Xiaomi mobile phones. Therefore, this article recommends that Xiaomi mobile phones strive to strengthen human resources management and provide important guarantees for the implementation of its core strategy. First of all, Xiaomi mobile phones should establish a more effective incentive mechanism to directly link the performance salaries of outstanding employees with that of Xiaomi mobile phones, while encouraging employees to actively innovate in mobile phone design as well as manufacturing. In this way, employees can no longer keep their eyes on the current short-term interests, but pay more attention to the future development of Xiaomi mobile phones to a certain extent. In addition, to strengthen the education and training of employees, one of the most basic tasks is to

require all employees to comprehensively understand and master all the details of Xiaomi's mobile phone-related products as well as services, and facilitate all employees' understanding of the "Internet +" and the "AI + lot" core strategy of Xiaomi mobile phones to urge employees to actively implement the above-mentioned core strategies in their daily work by establishing typical models and improving the reward as well as punishment mechanism.

#### 5.4.2 Good corporate culture construction

Zhang Ruimin, president of Haier Group, once stated that people and culture are the soul of enterprises. Corporate culture, serving as a company's core value concept, can well guide the direction and continuity of the survival and development of an enterprise. Thus, the first thing to do in developing Xiaomi's "AI + lot" core strategy is to establish an "AI + lot" corporate culture. Xiaomi mobile phones should change the traditional ideology, gradually popularize the "AI + lot" corporate culture concept by informing every employee the importance of the core strategy development of "AI + lot" in the "Internet +" era, so that they truly recognize Corporate culture. In addition, the company should emphasize propagating the "AI + lot" corporate culture by holding various trainings and activities, so that employees can recognize the importance and necessity of the "AI + lot" corporate culture subtly. Besides, it should cooperate with more enterprises to lay stress on the further development of the core strategy of "AI + lot".

#### 5.4.3 Strengthen the role of financial support

For the development of the "AI + lot" of Xiaomi mobile phones, good financial support is a necessary condition. Based on the current financial management, Xiaomi mobile phones should further introduce advanced management concepts to improve the financial management system. First of all, it must give more priority to the legal construction of corporate financial management, and take legal thinking and means to achieve effective supervision as well as deterrence of corporate financial management. Secondly, it is necessary to further construct the internal control system of the enterprise, clarify the financial management procedures of the enterprise, and strengthen the assessment of relevant financial management personnel. Third, it is of great importance to strengthen the financial risk management of enterprises and effectively improve their ability to cope with risks. On the one hand, it must plan ahead and make emergency plans for risks in an usual way; on the other hand, it must actively take targeted measures based on the characteristics of risks, developing coping strategies to minimize the adverse effects of risks, so that Xiaomi mobile phones can develop better in the rapidly changing Internet era.

## Conclusion

In summary, with the rapid development and progress of the mobile Internet, smart phones have become the main form of Chinese mobile phones over recent years, and mobile phones have changed from the original luxury goods to the necessities of people's lives. Focusing on the development of high-end smartphones, Xiaomi mobile phone has become a very well-known mobile Internet company in China. However, compared with China's Huawei, there are still major deficiencies for Xiaomi. Additionally, China is embracing "Internet +" era, giving Xiaomi's mobile phones significant opportunities and posing potential threats to its further development. This article believes that in the context of the "Internet +" era, Xiaomi mobile phones should take "AI + IoT" as the core, take a differentiated path by adhering to cost leadership, focus on cooperation and competition, improve core competitiveness, and strengthen human resource management. Overall, the role of cultural construction and financial support should be strengthened to promote the good implementation of its "AI + IoT" core strategy.

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