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Huami Technology - The Globalization Path of Xiaomi Ecological Chain Enterprise

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Abstract: As a Xiaomi ecosystem enterprise, Huami Technology has gone through a process from its establishment to global development in the field of intelligent wearable devices. By collaborating with Xiaomi to lay the foundation, implementing a dual brand strategy to expand the market, actively promoting globalization, and transforming into a major health service provider. Despite facing challenges such as stock price fluctuations and declining net profits, it has demonstrated strong development potential and adaptability in areas such as technology research and development, market expansion, and business transformation.

Keywords: Huami Technology; Ecological chain enterprises; Dual brand; Globalization

Introduction

The development history of Huami Technology is an innovative journey from the research and development of traditional electronic devices to the field of intelligent wearable devices. It was jointly founded by Huaheng and Xiaomi. Huaheng focused on tablet development in the early days, and its first tablet was launched before the Apple iPad. During this period, Huaheng accumulated rich technical and market resources, including cooperation experience with companies such as OPPO, Shanda, Motorola, etc. Its tablet computer won the CTIA Tablet Computer Innovation Award in the United States, and its reader was also widely praised. The Zwatch watch was recognized by the then CEO of Sogou. These achievements have laid a solid foundation for its cooperation with Xiaomi.

2013 was a crucial turning point for the development of Huami Technology. In January, Huaheng began to form a core team to develop smartwatches, marking a shift in production focus from tablets to wearable devices. In September, Zwatch smartwatch was launched. In December of the same year, Huami Technology was officially established and joined the Xiaomi ecosystem the following month, starting to develop the Xiaomi wristband. In 2015, the proprietary brand Amazfit was officially launched and launched on the market in September of the same year. In 2017, Huami Technology became the world's largest manufacturer of smart wearable devices, with a market share surpassing Fitbit. Its business scope continued to expand, covering various devices such as smartwatches, bracelets, sports headphones, weight scales, treadmills, and footwear peripherals. At the same time, it focused on core technology training and launched multiple underlying chips. Nowadays, Huami Technology has set its sights on the field of big health and is committed to improving the relevant ecosystem.

1. 2014-2018: ODM background, dual brand strategy taking shape

In 2014, Huami Technology accepted Xiaomi's Series A financing to manufacture smart bracelets under the ODM model. In this mode, Huami Technology follows the principle of "holding shares but not controlling them, and the invested company must be independent". In August, the first generation Xiaomi smart bracelet was officially launched for sale, with a price of 79 yuan, which stood out in the market with an average price of 300-500 yuan at that time. In just three months, the sales reached 1 million units, becoming a popular product in the market. However, Huami Technology realized that although Xiaomi's cost-effective strategy could quickly occupy the market, the ODM model was not conducive to its long-term development, and sacrificing gross profit margin resulted in meager product profits. In order to seek breakthroughs, in September 2015, Huami Technology launched its own brand Amazfit and released related wristband and watch products. This measure marks the beginning of Huami Technology breaking away from its single dependence on Xiaomi and gradually building its own brand system. In 2016, Huami Technology achieved a total revenue of 1.56 billion yuan, a net profit margin of 1.5%, and a net profit of 23.94 million yuan. By 2017, the company's cumulative equipment shipments had reached 45 million units, and the proportion of its own brand revenue in total operating revenue had increased more than tenfold from 3% in 2015. In 2018, Huami Technology further acquired the core assets of Zeep, a well-known motion sensor company in the United States, which laid a solid foundation for the initial formation of the dual brand strategy and subsequent development.

2. 2018-2022: Listed on the New York Stock Exchange, the pace of globalization accelerates

On February 8, 2018, Huami Technology was listed on the New York Stock Exchange, becoming the first ecological enterprise under the Xiaomi ecosystem to go public. The main sources of revenue for the company include proprietary brand products, Xiaomi wearable devices, and other related products. The Xiaomi ecosystem model has provided strong support for the rapid development of Huami Technology, and the feasibility, success, and excellence of its system construction have been validated by the market.

After going public, Huami Technology's globalization process accelerated. In 2018, the revenue reached 3.6 billion yuan, a year-on-year increase of nearly 80%. In the first half of 2020, the global pandemic ravaged and had a serious impact on the globalization of enterprises, but Huami Technology's path to globalization is relatively stable. After the end of the second quarter, Huami Technology delivered satisfactory results, with Q2 revenue of 1.13 billion yuan, a year-on-year increase of nearly 10%, and a revenue growth of 21% in the first half of the year. The total shipment volume for this quarter reached 8.9 million units, with overseas product shipments accounting for 48%. As of 2022, the cumulative shipment of Huami Technology's intelligent devices worldwide has exceeded 200 million units. Its globalization strategy is not simply to expand markets in Asia, Africa, Latin America, and other regions, but to actively develop and gradually occupy high-end markets such as the United States and Europe, competing with large enterprises such as Samsung and Apple. The main force of competing products is its own brand Amazfit. The global market has brought vast development space for Huami Technology, enabling it to enjoy the incremental benefits of healthy development and global smart devices, while enhancing the company's ability to hedge risks and reduce dependence on a single market.

3. 2022-20XX: Embrace change, balance long termism and professionalism

Huami Technology reached its all-time high stock price of \$20.18 per share when it went public on the US stock market in 2018, but its stock price has performed poorly in the past two years and has fallen into a negative profit state as of 2022. In the third quarter of 2023, the net profits were -8.8 million, -107 million, -1.7 million, -0.75 million, -137 million, -0.7 million, and 2 million, respectively. As a representative company in the Xiaomi ecosystem, Huami Technology's success cannot be separated from Xiaomi's support, but as a listed company, its independence has also been questioned. Chairman Huang Wang emphasized that the company is an independent startup, not an ODM company, with its own independence and development foundation.

As early as 2015, when Apple launched its smartwatch, Huami Technology launched its own brand Amazfit and launched independent products such as wristbands and watches, beginning the process of "de Xiaomi". After acquiring the core assets of ZEPP, a US motion sensor technology company, in 2018, the implementation of the "dual brand" strategy has made the pace of "de Xiaomi" more decisive. According to the comparison of the 2017 and 2021 financial reports, the shipment volume of self owned brands increased by nearly 60%, contributing 46.5% of the total revenue and creating more than half of the company's gross profit. Despite the overall increase in the proportion of self owned brand business, a portion of the business still comes from outsourcing to Xiaomi.

Compared with Stone Technology, Huami Technology faces greater challenges in "de Xiaomi" because smart bracelets have a natural ecological dependence on mobile devices. To break through this deadlock, Huami Technology has chosen to embrace the field of big health, accumulate brand technology, and build its own ecosystem.

In 2018, Huami launched the smart wearable chip "Mount Huangshan No.1" based on RISC-V open source instruction set, and in 2020, it launched a new generation chip "Mount Huangshan No.2". On July 13, 2021, Huami Technology released a series of innovative technologies, including the smart wearable chip "Mount Huangshan 2S", the smart watch operating system ZEPP OS focusing on health, the pump beats blood pressure engine for 30 second blood pressure measurement, and the portable MRI nuclear magnetic resonance technology. These technologies can not only monitor users' health status in real time, but also provide timely feedback and suggestions, transforming Huami Technology from a simple intelligent wearable device manufacturer to a "software and hardware integrated" large health service company.

4. Conclusion

Huami Technology has rapidly emerged as an important participant in the field of smart wearables in the process of globalization, thanks to its unique position in the Xiaomi ecosystem. However, stock price fluctuations and net profit trends reflect the challenges of fierce global market competition and business adjustments. On the path of globalization, Huami Technology actively responds to challenges by continuously expanding its product line, diversifying its market layout, and building independent brands. In the future, Huami Technology will continue to utilize its own technological accumulation and globalization strategy to strive for a wider market share and more sustainable development. Standing at the crossroads of intelligent wearable devices and big health services, Huami Technology will continue to write its own development story, explore more possibilities, provide users with better products and services, achieve the transformation from 1 to N, build a more complete business matrix, and shine in the global market.

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