

Global Logistics Supply Chain Analysis-Take Xiaomi Company as an Example

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Abstract: This essay will analyze the impact on global supply chain and logistics of globalization and technology, then will include competitive strategy of Xiaomi and it is future challenge.

Keywords: Global logistics supply chain; Xiaomi company

1. Introduction

Supply chains are becoming volatile as a result of changes in the external environment, such as natural disasters, globalization and technology. The global supply chain and logistics management the global supply chain and logistics management are the process of purchasing, transporting and inventory between suppliers, manufacturers and customers.

2. Factors influencing globalization

Globalization has had both positive and negative effects on global supply chain management and logistics. The first advantage is that the globalization of supplying chains can reduce costs. Globalization has allowed more companies to build factories in countries with low labor costs to decrease costs and increase profits. For example, Uniqlo has built most of its production plants in China to reduce the cost. Therefore, built industries in developing countries can reduce products costs so that more consumers will buy products and the company market share will increase meanwhile. The second advantage is that globalization can strength communication within supply chain and is able to let companies reach new customers and new market easily. Globalization of supply chains allows business owners, suppliers, manufacturers and customers to communicate more closely. Hence, there are many companies build their supply chains abroad to get closer to customers, which make it easier for them to focus on the local market and understand customer preferences to make it easier for them to enter the market. However, there still have adverse impact. Supply chain globalization is vulnerable to natural disasters affecting its sustainability. Supply chain sustainability is often affected by natural disasters, when the company's raw materials, factories, and customers are located in different parts of the world. In addition, the 2011 earthquake and tsunami in Japan forced Toyota to close its U.S. factories because of damage to its car manufacturing plants in Japan. In other words, natural disasters can increase the risk of global supply chain disruption and companies will lose a large amount of money.

Changes in technology have also brought good and bad effects on the supply chain. Firstly, digitization helps companies make purchasing decisions to maintain the correct inventory quantity. Procurement refers to the entire procurement process for the purchase of services or goods for the enterprise. In addition, inventory management is also a member of procurement management. To be more specific, using a digital inventory monitoring system to query current inventory levels can help companies make purchasing decisions to keep inventory in the right amount. This means that supply chain management costs are not increased by excessive inventory. Nor are supply chain delays caused by too little inventory. Secondly, development of drone technology will reduce logistics costs. Amazon is trying to deliver drones to consumers who shop on the internet. In brief, the progress of the use of drone technology to transport goods has improved the efficiency of logistics and reduced the cost of human transportation. Thirdly, Technology reduces the risk of supply chain volatility due to COVID-19. And COVID-19 has led to an increasing number of workers because of illness lead absenteeism that has made the supply chain more volatile than ever before. That is to say, for suppliers, lack of workers will lead to inefficient production of products and an inventory shortage, supply chain will delays and even interruptions, for logistics, the lack of truck drivers lead to slower logistics. However, technology can change the destructive impact of COVID-19 on the supply chain. Moreover, Robots can be utilized in the manufacturing, assembly and warehousing of the supply chain and take less time to be more accurate and efficient. This means, robots can replace human jobs and be more efficient, as well as reduce supply chain instability owing to the lack of employees. Fourthly, Advances in technology can reduce defect products and can also decrease the cost of the reverse supply chain. Reverse supply chain mainly includes the return of defective products for customers and the recycling and disposal of old products^[1]. Moreover, according to the survey, Americans returned nearly \$260 billion in 2016, most of them due to defective products. Take food industry for an example, the use of x-rays is a key technique for detecting defects^[2]. Namely, improving technology can reduce the probability of detect products. Nevertheless, there are also the negative impact of technology on the supply chain. Increased customer demand requires more advanced technology to make the supply chain more flexible, and a lack

of capital for small companies can lead to the inability to use advanced technology. The need for the younger generation, especially millennials, is always changing, for example, they always want the update products and faster delivery. Therefore, in order to meet clients expectations, companies need technology to develop products and find faster ways to deliver them. In addition, changes in consumers expectations present significant challenges to traditional supply chains, and companies need to be more flexible in their supply chains. Especially for small companies, the challenge becomes even greater. The reason is that, small companies do not have enough capitals to support the development of technology.

3. How does Xiaomi face the challenge

3.1 Xiaomi competitive advantage

One of competitive advantage of Xiaomi is cost advantage. Firstly, Xiaomi manages supply chain relationships through strategic alliances, joint ventures, and back vertical integration. For strategic alliances, strategic alliances are partnerships between multiple companies to share resources and strength to achieve common goals. Xiaomi and CK Hutchison which is a multinational group, formed a strategic alliance that not only expanded Xiaomi's overseas markets through resource sharing, but also provide preferentially priced of Xiaomi in carrier channels, which reduced Xiaomi's costs. For joint venture, which are co-financed by more than two entities of the same commercial purpose. That is to say both strategic alliance and joint venture can reduce Xiaomi cost by sharing resources and strengths.

For back vertical integration which refers to when a company is acquisition or bundling with a supplier for the high degree of control and ownership of the supply chain. Moreover, vertical integration back allows for better monitoring of suppliers and maintains supply stability and continuity. Xiaomi has invested \$115 million in AAC technology suppliers to secure the supply of camera components. This means that Xiaomi's equity investment in suppliers not only ensures the stability of supply, but also can be negotiates with suppliers the best terms for lower-priced camera components to reduce the price of Xiaomi products.

Secondly, Xiaomi utilize direct distribution channel to reduce cost. Direct distribution channel is for producers to be sold goods directly to consumers. Xiaomi through the offline and online consist of a distribution channel. For offline, Xiaomi continues to expand offline channels and plans to expand its new retail business in small and medium-sized cities in China to expand customers and enhance the customers experience. It is means that customers can order directly online after the offline experience and online orders are delivered to customers through direct distribution channel. Since the direct distribution channel is the company's direct sale of products to customers, there is no middleman to reduce costs and improve logistics efficiency.

3.2 Future challenge

Xiaomi is expected to continue to expand overseas markets, but there are obstacle have negative impacts which is the changing global political will have negative supply chain of Xiaomi.

Xiaomi promises a combined profit of no more than 5% for all products. That is to say Xiaomi used lower product prices to attract customers. Plus, in 2020 Xiaomi's markets overseas continued to rise and reached 39.8 billion RMB. This means that Xiaomi is growing rapidly in overseas markets. However, the continued rise in the exchange rate of RMB has brought challenges to Xiaomi. From 2014 to 2018, the RMB exchange rate continued to rise^[3]. In addition, Biden will be still impose economic sanctions on China. That means there is probability that the RMB exchange rate will continue to increase in the future which can lead Xiaomi's products exported overseas will become expensive and lose its price advantage. Nevertheless, Xiaomi can reduce the cost to maintain price advantages overseas. The first way to reduce cost is outsourcing. Outsourcing is transferrable of generation and manufacturing of products to other countries. Therefore, Xiaomi can transfer the supply chain to develop countries and export products from other countries rather than from China.

4. Conclusion

In a conclusion, globalization and technology have critically impact on the global supply chain and logistics. Then the core competitiveness of Xiaomi is cost and differentiation to support and in the future. For cost, Xiaomi maintains a good relationship with supplier and use direct distribution channel as well as just in time to cut cost. In the future, Xiaomi plan to expand overseas markets will also face RMB exchange rate increase.

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