



Xiaomi launches MVNO service; takes wraps off Mi 4c smartphone

Arjun Kharpal | @ArjunKharpal
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Chinese smartphone maker Xiaomi is branching out as a mobile operator, offering users \$10-per month phone contracts as it looks to diversify its business away from just hardware.

by Taboola

The rapidly growing company announced a service called "Mi Mobile" which will allow users in China to buy SIM cards online.

Xiaomi is offering two packages. The first is a pay-as-you-go model which charges 0.10 yuan or \$0.02 per voice minute, text message and 1 megabyte of data. This will be available starting September 23. The second deal is a 59 yuan (under \$10) package that gives users 3 gigabytes of data and charges customers 0.10 yuan (\$0.02) per call minute, text message or for each 1 megabyte that exceeds the 3GB data limit. This will be available for public beta in October.

'Long-term strategy'

The announcement is seen as a big move for Xiaomi, the world's fourth biggest smartphone maker, as it looks to move away from relying on hardware in a slowing smartphone market to pushing its services.

"This makes total sense in terms of strategy. Most people think that Xiaomi is a hardware company trying to sell cheap handsets. Xiaomi is not just a hardware company, but phones provide a way into the services they will be developing in the future," Francisco Jeronimo, research director for European mobile devices at IDC, told CNBC by phone.

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Xiaomi's market share has been growing rapidly over the last few years but its growth in terms of smartphone unit shipments has slowed down recently. Still, in the second quarter of this year, the company shipped 17.9 million units and commanded a 5.3 percent market share. The past few years have seen Xiaomi selling high-spec low-cost smartphones to users to build up an install base in order to be able to launch a service like Mi Mobile, analysts said.

"This service is one of the first services to address the long-term strategy. But to be able to succeed in that they need the install base and that has what they have been creating and not just in China but abroad too. When Xiaomi moves to other countries I expect to see similar services," Jeronimo added.

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The Mi Mobile service makes Xiaomi a mobile virtual network operator (MVNO). In order to run this operator service, Xiaomi is essentially renting capacity from existing carriers -- in this case, China Unicom and China Telecom. This means that it won't have to build costly infrastructure.

Xiaomi's SIM cards are also able to be used in different phones, meaning it will be able to attract users who are using other devices to its services. This could open up the potential for bundle deals where Xiaomi sells its Mi Mobile service with one of its handsets for a cheaper price.

Xiaomi is not the the only smartphone manufacturers that is also an MVNO. Earlier this year, Google announced it was building an MVNO service on a "small scale" in the U.S.

At the same time as announcing its MVNO service, Xiaomi also took the wraps off its new 5-inch Mi 4c flagship smartphone that costs 1299 yuan (\$204).



Arjun Kharpal

Assistant Producer, CNBC EU News Digital Team



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