

Competitive industry of mobile handsets in philippines

[Art & Culture](#), [Comedy](#)



Bucalbos, John Christopher Competitive StrategyDe Jesus, Mike Ms. NublaDel Prado, SilasGutterez, KImJavier, RobertMapoy, Rey AnnBasic Demand and Supply Conditions I. Supply ConditionsThe Production Process of CellphonesThe process of manufacturing a cellphone is tedious and requires a lot of raw materials. This process will be explained and broken down to 4 steps. The first step is the extraction of its raw materials.

In general, the cellphone itself consists of 40 percent metals, 40 percent plastics and 20 percent ceramics and trace materials, according to the US Environmental protection agency or EPA's article on the life cycle of a cellphone. The cellphone consists mainly of a circuit board, LCD and a battery. The materials will then be processed, which will be step two, Materials Processing. The raw materials will be processed in order to make the parts of the cellphone. Crude oil is combined with natural gas and chemicals in a processing plant to make plastic, which is normally used to house the delicate circuit board and other internal parts of the phone. The third step is Manufacturing, which involves putting together the processed materials together and coming up with a finished product. The plastics and fiberglass are used to make the basic shape of the circuit board while LCDs are manufactured by sandwiching liquid crystal between layers of glass and plastic.

These materials individually go through these manufacturing processes and once they are done; they will be transported and are to be assembled and packaged. Step 4 is the packaging and transportation of these finished products. This requires the use of fossil fuels that will be fed to planes, trucks

and other vehicles that would be used to transport them to their respective destinations, such as warehouses and retail stores.

The cost of manufacturing cellphones really depends on the model that is being produced. During the period when the once heavyweight Nokia was king of the the industry, it spent ??? about \$88 to build a phone??” though the actual costs vary widely, from \$20 or less for basic models to hundreds of dollars for decked-out multimedia gizmos. The average selling price for Nokias entire product portfolio in the most recent quarter was \$130.

That works out to a gross margin of nearly 33%, which in turn lets Nokia pull down the highest operating margins in the business???, according to Bloomberg businessweek. Due to a lot of technological advances over the years, the manufacturing of cellphones has also drastically changed. From the simple machines that used to cut plastic frames for the housing of cellphones, companies, like Apple and Samsung, have upgraded their machinery to CNC equipment designed to cut aluminum for the new breed of phones available. Machines also handle most of the transporting of the materials through the plants in forms of conveyer belts, wherein human labour is still key in assembling the parts.

Major investment requirementsToday, it is typical for an average person to own a mobile handset and some people do even own more than one of this electronic gadget. They often use this device for contacting other people, record conversation, taking snapshots, record video, answering emails, checking Facebook and lastly, it is used as entertainment like playing games,

listening to music and watching television in mobile handsets. As we could see, there is a big improvement in the mobile handsets brought by new technology which now contain a lot of features that will truly make most of the people enjoy. There are many reasons why a person buys this mobile handset. The first major investment of mobile handset companies is the artist or the cellphone designer. The company is not only paying an employee but it is paying the man in charge of making the company's product marketable. The first aspect seen by a potential customer is the design.

The next major investment requirements are the programmers. The first job of the programmer is to transfer the design of the artist to a prototype which is created on a computer. A personal computer price ranges from Php8, 000-40, 000. This prototype is created in a 3D scale so that the artist can see if the design works, the artist usually makes more than one design. The next job of the programmer is to create a printed circuit board. A printed circuit board is one of the most important parts in the cellphone, because this is loaded with the operating system which enables the phone to text, call and any software being used to function. A printed circuit board price range varies depending on the size and capacity of the circuit board. The price can go from Php50-400 per piece.

Let's now go to the outer part of the cellphone, the fabrication. After the cellphone and the circuit board are designed, they put these inside a protective container along with the battery, speakers and the screen. This protective cover is known as the casing.

In order to create a cellphone casing it requires a ??? Plastic mold injection molding OEM???. This is a machine that molds the design according to the preference of the designer. The Plastic mold injection molding OEM machine will cost the company Php 152, 000- 231, 000.

Another major investment is the ??? digital mobile phone image case printing machine???, this machine allows the company to print designs on their cellphone casings. Usually the company puts their own logo in the cellphones. This machine will cost the company Php200, 000-530, 000, depending on the capacity of the machine.

After the cellphone is complete it has to go through safety and fail tests. The first test is the battery test. A high quality battery testing machine with a complete battery discharger price ranger from Php9, 000-10, 000. The next test is to see if the cellphone can resist crashes like falling on the floor or the vibration it gets in the pocket while walking. A machine to test this is called a ??? Cell Phone Vibration Wear-resisting Testing Equipment???. This equipment cost ranges from Php40, 000-120, 000.

These investments are very important for the company, because with these equipment and the people behind those equipment hold the key to the reputation of the company through the quality of their products. These investments are critical for making not only a cellphone, but a product their customers can trust. Raw materials sourcing Local phones like Cherry mobile, Myphone, and torque mobile get their competitive advantage against the international brands of phones like Apple, Samsung and Nokia through

their low price campaign; where they offer phones with features that can go toe to toe with these international brands at a very and affordable price. They simply made Smart phones accessible not just to middle class and upper class, but also to the masses, which counts for nearly 30% of PhilippineTM's population. The question is how do these local Cellphone brands maintain low cost products, so this is where Raw materials sourcing come into play. To be able to maintain and sell products at a low price, the production cost of each phone should also be below average. So these local Cellphone brands outsource their products and raw materials from Asia because Asia is leading in providing low cost manufacturing without sacrificing quality and specifically China, because china can produce and supply advance technology at a very low price.

This is because they are the World's largest manufacturing power country, allowing them to grow their economy dramatically being the fifth of global manufacturing, they achieved this kind of ??? success??? through their infamous low wage labor practice. Torque, myphone and Cherry emphasize their product through their marketing as a ??? gawang pinoy??? brand so people who consume their product would have a feel of nationalism.

Outsourcing the Raw materials from china doesnTMt lessen the idea that it is ??? gawang pinoy??? because what these brands do is that they are the ones who build and create the engineering designs for each Cellular phones, then send it to their manufacturers for them to comply with these designs.

The raw materials needed for the manufacturing is specialized because this is where competitiveness of each Local brands are seen, for instance the addition of larger memory, Tv, radio, wifi, and so much more. But the basic parts of a Cellphone are still intact. Each Cellphones has more or less nine basic parts/raw materials. These local brands outsource the following raw materials: 1. Circuit board/ Writing Board ??” this act as the brain of the Cellphone, in the case of the local brands (torque, Myphone, cherry) they are the ones who draw and formulate their own board design to meet their expectations for the handset. Circuit boards are made out of plastics and fiber glass and are consist of different kinds of metals like copper, gold, led, nickel, zinc, beryllium, tantalum, coltan and many more. Theses raw materials are then soldered together with different kinds of function. Most of these materials are persistent to toxins so they tend to last for a long period of time.

2. Liquid Crystal Display (LCD) ??” a flat panel display on the screen, comes in different shapes and sizes and resolutions, depends how powerful the phone is. It generates images whenever electric current passes through it. Usually made out of layers of glass or plastic.

3. Rechargeable batteries ??” serves as the heart of the Cellphone, because it powers up the whole handset. Consist of two major parts, the electrodes and a liquid substance called electrolytes. Chemical reaction cause by an outside current (electric socket) to charge up electric current giving batteries power. There are different kinds of batteries, nickel-metal hydride (Ni-MH), lithium-ion (Li-Ion), nickel-cadmium (Ni-Cd), or lead acid. 4.

Antenna ??“ this is what receives and sends signal from the cellphone. 5.

Keypad ??“ Where the digits and letters are placed. But for the touch screen phones, the keypad is already part of the LCD. 6. Microphone ??“ Enables to transfer and accept voices from the user.

7. Speaker ??“ Provides sound either from a call or from the different applications of a cellphone. 8. Plastic casing ??“ The Exterior of the phone, usually consist of plastic or fiberglass.

9. Accessories ??“ These are the small parts that come with the Cellphone, like charger, adaptor, earphones, case etc. The reason why these local cellphone brands outsource their raw materials is because until now we still lack the advance technology to manufacture our own cellphone/smartphone raw materials and at the same time labor here in the Philippines is higher compared to the other Asian countries which make is harder for the companies to accomplish their goal of providing a line of cellphones that are affordable and low cost.

Sensitivity to major supply FactorsThere are a lot of issues that surrounds China??™s developing economy and global capitalism; the Chinese economy has grown dramatically since the 1980??™s because of the continuous growth of their manufacturing and production business. Almost all the large-scale company worldwide outsource their products and raw materials from china because executives of each companies believes that Asia or China to be more exact has a more vast scale of factories that are more flexible, skillful and diligent compared to their counterparts like USA etc. but mainly

because of their low wage practice. For instance, some of Apple's raw materials/products are from china. This shows their successful side, they were able to do something that no society has yet to be done, and they were able to create an economy of wealth and lessen the population of poverty in such short amount of time and remember that this is mainly attributed to low wages. And this brought them to a debate of overpowering United States of America in the future, where the global distribution of power will be transferred to China because United States is reported that it is starting to experience its decline in the economy. But the Global Financial Crisis (2007-2008) brought changes in the wages of labor in china because GFC resulted to the decrease of companies both international and local to manufacture their products in china. So what the Chinese government did is they offered incentives or government stimulus spending to the manufacturers for them to pursue more consumers for the economy to cope up with their exports, this resulted to inflation pressures to the economy.

And this is because the stimulus spending of the government did not work; manufacturers invested these budgets to financial speculation like stock exchanges etc. rather than in their production and operations. At the same time, the consumer demand during GFC declined that led to the decline of china's exports.

This led to idea of increasing the demand for China's domestic market demand to compensate with their lost of export market. But to be able to execute this, higher income should be implemented so that the consumers will be able to afford the products they will offer. To make this proposal

successful, the government should increase wages. Low wage is what brought China to what it is now, so imagine if this factor is no longer available. ??? Cheap china may be drawing to a close??? mentioned in an article about China??™s economy, increase in land prices, government taxes and safety regulations also play a part but still the biggest factor is the increase of labor. Standard charter conducted a study about the increase of wages around Asia Pacific and the results revealed that there is already an increase of 10% on the wages of Hong Kong manufacturers last year (2012) and an increase of 16%-25% in Taiwanese manufacturers who produce Apple??™s iPad last February 2012.

It has been mentioned that labor cost in China has increased dramatically by 20% for the past four years (2009-2012); labor cost including benefits increased by 12% in Guangdong from 2002-2009, 14% a year in Shanghai while the other Asian countries like Mexico only increase by 1% and the Philippines by 8%. Because of theses trends, the price of the mobile phones sold by Myphone, Cherry and Torque are really sensitive to the Factors that surround their manufacturers. Prices could easily rise without any perfect substitutes to replace it with because china so far is the leading high quality manufacturers who can provide this level of technology at a very low rate. Other manufacturing country may be cheaper or the same as China??™s manufacturers but the level of craftsmanship involved is not the same; like the technology and the flexibility capabilities of theses manufacturers. An rise in production cost due to rise of labor cost in China will result to the increase of the mobile products Myphone, Cherry and Torque are selling.

Their marketing objective of being a ??? gawang pinoy??? that results to an affordable phone will be in jeopardy. Sales will assume to drop because of their lost in their market share, 30% of their target market will be cut of because this 30% are the consist of the masses that can only afford a low priced cellphone. Capacity UtilizationCapacity utilization is defined as a level to which the productive capacity of a firm is being used in generation of goods and services.

This capacity utilization can be measured through getting the rate by computing the rate at which probable output levels are being met or used. If a company has the ability to run three manufacturing shifts per day and is only operating two shifts per day, it has a capacity utilization rate of 66.66%. This is expressed mathematically as actual output minus potential output, divided by potential output. However, companies rarely operate at 100% of installed productive capacity, because there will often be downtime due to equipment malfunctions and various other causes. In most industries, 85% is a consistent rate is considered optimal.

The capacity utilization rate will never exceed beyond 100% since no machine or human is expected to work at full capacity of 100%. The maximum rate that can be expected is 90% which indicates that many problems that can arise with both man and machine. Hence, man cannot always perform to his maximum everyday and it is inevitable to encounter several problems relating to working of machinery that would not allow to have optimum output. At this present, society is living with advanced

technology and almost everyone want to keep pace with the new technologies.

The reason for this industry to grow larger is because it has become necessity. Most of the parents use these mobile handsets in order to communicate their children or family in case of an emergency. Despite that Philippines do have marginal sectors, the poor still manage to get a mobile handset and enjoy more of its benefits aside from the basic texting and calling.

This resulted to the increase of buyers and market size worldwide. According to NEDA (National Economic and Development Authority) manufacturing growth is very helpful for the economy since many of the exports subsectors are tied to manufacturing. Also, this sector is seen as job generator that can greatly help spread the benefits of economic expansion. It was reported last April 2011 that twelve of the twenty major sectors have capacity utilization rate of 80% or more including basic metals (86.

9%), petroleum products (86. 6%), food manufacturing (86. 5%) , electrical machinery (85. 7%), machinery except electrical (84. 3%), non-metallic mineral products (83. 5%), rubber and plastic products (82.

7%), chemical products (82%), paper and paper products (81. 8%), miscellaneous manufactures (81. 3%), wood and wood products (80. 4%) and electronics (85%), (Olchondra, 2012). Under this electronic industry are components and devices, consumer electronics, office equipment, control and instrumentation, automotive electronics, electronic data processing,

communications and radar, medical and industrial and lastly telecommunications which mobile handset belongs (Santiago, nd). This high capacity utilization rate of 85% for mobile handsets implies that companies cannot increase their output without incurring additional fixed costs to purchase new machinery or build new facilities. Furthermore, the rising capacity utilization rate will indicate strength in a national economy and will be favorable to the currency of Philippines.

Hence, economic expansion will be occurred and there are two ways of expansion: internal and integration. Internal expansion implies that mobile phone companies enlarges its scale through opening branches, inventing new products or developing new businesses. Likewise, integration means a company enlarges its scale through taking over or merging with other companies. On the other hand, if the capacity utilization rate is low, the companies are able to increase production without incurring additional fixed cost. Once the demand for mobile handsets increase, the company can produce more goods at the same cost per unit.

Bargaining power of supplier Supplier power signify to the ability of providers of inputs to determine the price and terms of supply. Furthermore, the suppliers can exert power over firms an industry by raising prices or reducing the quality of purchased goods and services, so reducing profitability (Barnat, 2005). In the case of local mobile handsets, the bargaining power of suppliers is low which means, they cannot easily determine the price and supply. There are many reasons why there is a low bargaining power of suppliers of mobile handsets in Philippines. First of all,

the country is dominated by many firms of both international and local mobile handsets such Apple, Nokia, Samsung, Sony Erickson, Motorola and HTC while the local ones are Torque, Cherry Mobile, Myphone and Starmobile. As a result more competition can be seen in selling the products. Moreover, more affordable phones and lower service cost can be seen in the market in order to attract customers given that almost everyone now are very practical in spending for buying a gadget. One good example for this is Torque which provides a wide array of cellular phones nicely made to fit the consumer's budget.

For less than Php 5000, you can have a stylish, doesn't look cheap that is suited to match your needs. Plus most of the units are dual sim and it is unique because both SIMs can be active. Moreover, it has the necessary features like the large phonebook memory, bluetooth connectivity, FM radio, MP3/MP4 player, a microSD memory card and camera.

Also, you can charge the phone through USB. The second reason is less differentiation can be seen from different suppliers, that is why it is easy for buyers to switch from one supplier to another. Nowadays, companies are competing in advance technology and communication sector in order to attract customers to buy their products and services. That is why the local mobile handsets companies such as Torque, Cherry Mobile and Myphone try to go with the latest trend of new technology but has different physical attributes to the phones and different costs, which buyers have choices to choose from.

For example, Cherry Mobile introduced a new product which called Cherry Mobile Flare which retails at Php 3, 999 only. It has a feature of dual-SIM, dual-standby smartphone, powered by Qualcomm Snapdragon Dual Core processor, each running at 1. 2 GHz. Flare also sports a 4-inch IPS capacity touch panel for flawless navigation. Lastly, with true dual-SIM capabilities, Flare offers enhanced smart social experience while enjoying internet network connectivity. Third is customers are very important for the supplier of local mobile phones. The mobile handset industry is in the Mature Life Cycle Stage, where nearly all-potential customers are already users of the industry's product. The cell phone industry's growth and profitability depends entirely on its ability to attract new customers.

Hence, the mobile handset companies have two ways to attract more potential buyers: service and innovative phone style. First is making mobile handsets more affordable will attract buyers to buy more industry's products and increase competition between companies to lower service fee. Second is creating new design and improvement in the physical appearance of the mobile handsets, and more add-on features attract customers to buy the products at a higher rate. The reason behind these innovation is technology alone will not attract buyers, instead companies offer value-added services for mobile-phone securities. In a nutshell, local mobile handsets has low bargaining power of supplier since a lot of international mobile handsets brands entering in the Philippine market.

Despite of this threat from branded mobile phones, the local companies still improving and innovating their products in order to attract customers and to

have profitable business. Two things that make the owners of local mobile handsets proud are the ideas behind the products are contributed by Filipino engineers and they are sell in the market in a very cheap price with almost the same quality to the international brands. II. Demand Conditions Domestic and Export Markets This section will cover the advantages and disadvantages of selling local or foreign.

According to Bothma (2012), the difference between the domestic and export markets is the location of business. She defined domestic market as ??? marketing within the confines of the local home market.??? while export market is described as ??? marketing across the borders.??? Factors that affect the Domestic Market The figure above shows the 7 factors in selling locally. The local mobile handset companies in the Philippines must consider these things to be successful in selling their products in the domestic market. Economic factors deals with the set of fundamental information that affects a business or an investment??™s value according to the businessdictionary. com (2013). The local mobile handset companies must take into account the current and expected future value of a business.

This will include the laws, labor costs, interest rates, and taxes. Political and Legal factors are the activity that is related to the government policy and its administrative practices that can have an effect on something (business dictionary. com, 2013). Local mobile handset businesses must be watchful in the new legislation or regulatory shifts because it could have a substantial impact on how their company operates. International and foreign exchange factors are the things to be considered when having transactions between

two or more countries and nations outside of their own political boundary. According to the Philippine Star Newspaper (2010), Cherry mobile manufactures their units in China but mostly sells them locally in the Philippines. This implies that other local mobile handset companies could similarly do what Cherry mobile did because it might be less expensive manufacturing the products elsewhere.

Technological factors are the causes that affect the company's manufacturing procedure. Local mobile handset companies must consider this and take advantage of the modern technologies in making their products in high quality at the same time inexpensive to produce. Social or Cultural factors are the things to be considered in the marketing and manufacturing aspects of the local companies. Having knowledge of the Filipino culture will give the local mobile handset companies the competitive advantage in selling their products locally. Social factors include the facets that will affect the current market thus imply that mobile handset companies must be in date with the social trends.

Factors that affect the Foreign Market This figure shows the 13 things needed in exporting the product of the local companies. There are more things to consider in foreign market than the domestic market because it tackles on penetrating a new environment. Demand Determinants The Philippines, according to analysts, will be having a GDP of 7.5-8% in 2013. This implies many things and one of which will be an increase in demands of the commodities.

Under the commodity section is the mobile handset industry. This is further divided into two namely the local and the foreign companies. There are many factors on which the demand for a mobile handset depends and this study will focus on the local. A. Consumer Income The first demand determinant is the income of the consumer.

According to Sushil (2012):??? A consumer??™s demand is influenced by the size of his income. With increase in the level of income, there is increase in the demand for goods and services. A rise in income causes a rise in consumption. As a result, a consumer buys more. For most of the goods, the income effect is positive. But for the inferior goods, the income effect is negative. That means with a rise in income, demand for inferior goods may fall.??? Effective 01 November 2012:?

| Sector/Industry| Basic

WageAfterCOLAIntegration| COLA Effective 3 June 2012| COLA Effective1 November 2012| New Minimum Wage Rates| Non-Agriculture| P 426.

00| P 20. 00| P 10. 00| P 456. 00| Agriculture (Plantation and Non Plantation)| P 389. 00| P 20. 00| P10. 00| P 419. 00| Private Hospitals with bed capacity of 100 or less| P 389.

00| P20. 00| P10. 00| P 419. 00| Retail/Service Establishments employing 15 workers or less| P 389.

00| P20. 00| P10. 00| P 419. 00| Manufacturing Establishments regularly employing less than 10 workers| P 389. 00| P 20. 00| P 10. 00| P 419.

00| National Wages and Productivity Commission (2012)The above table shows the minimum wages as of 2012 with a per day basis. Compared to other countries such as U. S. having \$7. 25 per hour as its lowest salary in total of \$1160 a month, roughly P47, 560.

00 a month, the Philippines is actually low with a total of P8, 380. 00 monthly. This means that an average American will be able to afford more commodities than an average Filipino. This further implies that a typical Filipino buys cheaper goods than Americans. B. Commodity PriceThe second determinant is the price of the commodity. According to Sushil (2012):??? Price is a very important factor, which influences demand for the commodity. Generally, demand for the commodity expands when its price falls, in the same way if the price increases, demand for the commodity contracts.

It should be noted that it might not happen, if other things do not remain constant.??? In connection to mobile handsets, local brands tend to be cheaper by more than 50% of the foreign brand price. With this, Filipinos tend to buy cheaper products because of their income. One of the trendiest local phones as of January 2013 is Cherry Mobile??™s W50 ranging from P3, 000. 00 to P4, 000. 00 in local stores. This phone includes a great deal of specifications at its price compared to foreign mobile handsets that costs about P10, 000. 00 with the same specifications.

This is one of the reasons why there is a 75% demand for local mobile handsets, according to Madanmohan (2012), in the market. C. Changes in the prices of related goodsThe third determinant is the price of related

goods. According to Sushil (2012):??? Sometimes, the demand for a good might be influenced by prices changes of other goods.

There are two types of related goods. They are substitutes and complements. Tea and Coffee are good substitutes.

A rise in the price of coffee will increase the demand for tea and vice versa. Bread and butter are complements. A fall in the price of bread will increase the demand for butter and vice versa.??? In terms of mobile handsets, a substitute for these phones is the landline telephone.

Nowadays, landline operators offer phones that are wireless such as local companies, PLDT and Bayantel. In addition, it provides the consumers with unlimited calls but not texts according to their company websites. If the price for mobile handset increases then people might transfer to using wireless landline thus lesser profit for local mobile handset companies and vice versa. A compliment for mobile handset is the Phablet. This product is a marketing term for tablets that has mobile handset features such as calling and texting but it is usually 25-100% larger. The problem for some consumers with this device is portability and mobile handsets provide it perfectly. In 2010, tablets were increasing in sales by 60-90% thus competing with smartphones. Both type of products are on a head to head competition thus they are compliments to each other as of 2012.

D. Tastes and preferences of the consumersThe fourth determinant is the inclination of the consumers. According to Sushil (2012):??? Demand

depends on people's tastes, preferences, habits and social customs. A change in any of these must bring about a change in demand.

For example, if people develop a taste for tea in place of coffee, the demand for tea will increase and that for coffee will decrease. MyPhone is the first local mobile handset brand to be established in the Philippines around 2007. In that time of year, there were already many foreign mobile handset brands competing in the market such as Nokia and Motorola. There were also two telecommunications company namely Globe and Smart. Before that year, most Filipinos are buying two phones because they are subscribed to both networks. The problem with this was the cost of having another phone. This was where MyPhone was unique because they were the only brand offering dual sim mobility that was why it was a hit.

All these imply that consumers in the Philippine mobile handset market prefer the one with dual sim. In today's market, consumers now demand a lot of things from smart phones and the local mobile handset companies are keeping with the demand well. It is stated in the local companies' website the specifications of their mobile handsets and almost all of it have the preferences of the consumers such as Internet connectivity and touch screen technology. The local brands must be well aware of the people's preferences in order to have competitive advantage. E. Change in the distribution of income The fifth determinant is the equality in income. According to Sushil (2012): If the distribution of income is unequal, there will be many poor people and few rich people in society. The level of demand in such a society will be low.

On the other hand, if there is equitable distribution of income, the demand for necessities commonly consumed by the poor will increase and the demand for luxuries consumed by the rich will decrease. However, the net effect of an equitable distribution of income is an increase in the level of demand.??? In the case of the Philippines, the gap between the rich and the poor is far as computed by the Gini coefficient stated in the National Statistical Coordination Board of the Philippines. The Gini coefficient takes on values between 0 and 1; the higher the number, the more unequal income distribution is. The Philippines scored 0. 48 nearly 50% which means a rich person in the country can get a 50% in income with the other 50% is still divided among the poor.

Considering this circumstance can lead to a conclusion that more Filipinos will be buying the cheaper mobile handset. The ratio between the rich and the poor in the Philippines is approximately 1: 20 consequently implying that for 1 rich person, there will be 20 poor people. This can also be translated as a higher demand of low-priced mobile handset such as the local companies namely: Cherry Mobile, Torque, and MyPhone. F. Price expectationsThe sixth determinant is the people??™s expectations on price. According to Sushil (2012):??? Expectations of people regarding the future prices of goods also influence their demand.

If people anticipate a rise in the prices of goods in future due to some reasons, the demand for goods will rise to avoid more prices in future. Contrarily, if the people expect a fall in price, the demand for the commodity will fall.??? One of things that can make people expect for a price increase or

decrease is the change in oil price. Oil affects almost everything in the market because of the manufacturing procedures of the companies. Local mobile handset companies use oil to produce the commodities they will sell to its customers. If there will be an oil price hike then people might think that manufacturing the cellphones will be costlier than before thus forcing themselves to buy now resulting in the increase of demand. G.

State of economic activityThe last determinant is the economic activity.

According to Sushil (2012):??? The state of economic activity is major determinant influencing the demand for a commodity. During the period of boom, prosperity prevails in the economy.

Investment, employment and income increase. The demand for both capital goods and consumer goods increase. But in period of depression demand declines due to low investment and low income.??? In 2010, according to the National Statistical Coordination Board, the GDP was 7. 63%.

At this number the country is experiencing good investments, government spending, and consumption. This implies that more jobs will be offered thus people will be able to receive wages and buy the things they needed. This is called an increase in state of livelihood.

When people experience this, they will be able to buy more commodities or things that they can now afford that they previously cannot. The effect of this to the local mobile handset companies can either be a gain or threat. It will be a gain if the consumer??™s income can now buy their products but cannot buy higher end foreign products. On the other hand, it will be a threat

if people can now buy the better products such as an Apple iPhone because they will lose customers. Bargaining Power of Buyers The bargaining power of buyers is one of the five forces of Porter's model.

Swathen (2012) defined this as: Porter's Five Forces of buyer bargaining power refers to the pressure consumers can exert on businesses to get them to provide higher quality products, better customer service, and lower prices. When analyzing the bargaining power of buyers, the industry analysis is being conducted from the perspective of the seller. According to Porter's 5 forces industry analysis framework, buyer power is one of the forces that shape the competitive structure of an industry.

The buyers can be classified into two things namely the strong and the weak. According to Swathen (2012), Strong buyers can pressure sellers to lower prices, improve product quality, and offer more and better services. This means they have the capacity to control the producers thus making them more competitive and decrease profit potential. Swathen (2012) stated, On the other hand, a weak buyer, one who is at the mercy of the seller in terms of quality and price, makes an industry less competitive and increases profit potential for the seller. In this way, the sellers are the ones controlling the buyers. Stated above in the demand determinants are the buyers of local mobile handset companies namely the rich and the poor. The strong buyer between the two is the poor because of their number at almost 60% of the total population and their capacity to buy the products. They are the target market of the local companies thus their price range of their products is suitable to their livelihood.

In present times, these people expect much from the product even if it is priced low thus challenging the local companies to be more creative with their commodities. The weak buyer on the other hand is the rich because they tend to consider buying higher quality products to companies they trust. Local mobile handset companies do not simply comply with the demands of the rich because it might be costlier for them to produce the expected products and might not achieve their target sales. This is because their lifestyle can afford better commodities while obtaining better product quality. According to Swathen (2012), ??? there are several factors that determine Porter??™s Five Forces buyer bargaining power.??? Strong Buyer Power| Weak Buyer Power| Buyers are more concentrated than sellers| Buyers are less concentrated than sellers| Buyers switching costs are low| Buyers switching costs are high| Threat of backward integration is high| Threat of backward integration is low| Buyer is price sensitive| Buyer is not price sensitive| Buyer is well-educated regarding the product| Buyer is uneducated regarding the product| Buyer purchases product in high volume| Buyer purchases product in low volume| Buyer purchases comprise large portion of seller sales| Buyer purchases comprise small portion of seller sales| Product is undifferentiated| Product is highly differentiated| Substitutes are available| Substitutes are unavailable| ReferencesBarnat, R., 2005. Bargaining Power of Suppliers.

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