Micromax marketing

Business, Marketing

This strong growth can be at least partly attributed to increased competition following further market entry and the dramatic price decrease. As exclusively using a mobile telephone is much less expensive than fixed-line telephone connection for some consumers today, this will lead to an increased intermeddle competition between mobile and fixed-line telephone even further. Competition In all markets, competition and the resulting prices strongly depend on the competing firms' cost structures.

For mobile telephone networks the cost structure has high fixed and common costs and relatively low variable or incremental/marginal costs. The main part of a mobile telephone operator's costs therefore does not vary with the number of participants, calls or connection minutes, but it is fixed and, Rutherford, to a large extent also sunk, which acts as a major disadvantage. Building a mobile telephone network and developing a brand name are largely specific investments, which cannot be recovered at all or only partly if an operator goes out of business.

If these investments cannot be used as planned they have to be written off completely or at least to a large extent. Exactly such a cost structure with high sunk fixed and common costs and relatively low incremental costs is decisive for competition and price setting. Competition Intensity in Mobile Telephone Markets Even when a firm's price structure is efficient without competition, the price level may be inefficiently high resulting in an allocation efficiency loss. In general, prices will be the closer to the allocation efficient price level the more intensive actual or potential competition is in a market.

In a market without significant entry barriers firms will enter up to the point where an additional firm would not be able to operate without losses. Existing firms are disciplined in their price setting behavior through actual or potential market entry, and the firms' profits are thus restricted. In such a situation prices correspond in their structure and in their level to Ramsey-Bateaus prices. Thus, the resulting price level will not correspond to incremental costs because they cannot be upgraded with competition in an industry where prices are dependent on the costs which are fixed.

And this leads the idea of telephone services to be cost - oriented as lacking, especially in the understanding of competition in the mobile industry both in theory and practice. In the current market scenario the main competitors are: Apple, Samsung, Monika, LEG, ZIT, etc. Companies (rank wise) 1 . Samsung rowing at 19 percent 2. Monika 14% Sales: 61 million Slowing demand due to fierce competition Ionians Llama demand grew by 112. 7% 3. Apple 7. 3% sales: 32 million Faced a significant drop in selling prices of its smartness due to an increasing demand of phone 4 4.

LEG Electronics 3. 9% sales: 17 million Still able to stand in such a tough competition. 5. ZIT 3. 5% sales: 15. 2 million Sales of 9. 6 million units. Market Entry Barriers As we all know that prices tend to be efficient when market entry barriers are low, but are the barriers to entry into mobile telephone markets are sufficiently low to spieling firms in their pricing policies. There are two potential factors suggesting a major role: (1) The limited availability of frequency spectrum and (2) possible consumer switching costs, I. . A potential reluctance on the consumers' side to switch from an existing provider to a cheaper alternative. Let us consider these two factors in turn. Limited Spectrum Availability as a Barrier to Market Entry? Spectrum availability is important for operating a mobile telephone network which is limited and the access of which is provided by the government in some way or the other in all Jurisdictions. This is the reason the no. Of mobile networks are limited. Switching Costs as Barrier to Market Entry?

Switching costs is one of the reasons why entry is difficult because customers will switch to new network only when their price advantage is higher than their switching costs, which consists of direct expenses and of contract canceling with previous network prior to expiry and also the indirect costs like: giving up old no. , where only the innovation of mobile no. Portability can save not only the customer but the new market entrants also, strengthening the competition for the existing firms.

Profitability in the cellophane market During the first quarter this year ETC, RIM and Monika all surprised investors with bad news. The effect is evident in the share price of these companies which, in the case of RIM and Monika is around book value, and in the case of ETC, neared 12 month lows and a 70% drop from peak. These " misses" in earnings and expectations are on top of the already woeful news from Sony Ericson and Motorola, which have not had profits for years and LEG, which has been borderline since late 2009. Two reasons for above scenario: 0 New market disruption and; 0 Low end disruption

THE NEW MARKET DISRUPTION The new market disruption is evidenced by the shift of fortunes to Apple and Samsung and away from every other device maker. Here is the profit picture: Of the vendors tracked, Apple obtained 73% of operating profits, Samsung 26% and ETC 1%. The " share of profit" picture is potentially misleading because it could imply that the profits available are a constant. They're not. The absolute profits picture below shows how the industry actually expanded available profits by quite a lot. Seen this way, the story isn't so much that Apple " took the profits from the incumbents".

Rather, it's that Apple created a vast new pool of profits. And one need not look far to find out where they came from. THE LOW END DISRUPTION Simultaneous with this shift, came an explosion of growth in unbranded phones. As Apple led and most brands followed the new market, the old market followed a different path of providing the customers with cheap but better phones. Like in case of Monika, it tried but its becoming difficult for them to survive. Of the market. Note that although this " feature phone" segment is not growing, it is still a large market (250 million units a quarter).

The entrants in this market are many and are offering illegal products, and thus prefers to serve the underdeveloped countries. This is a consequence of feature phones reaching the point of being " good enough". The feature set and quality are adequate for voice, text, games and even media playback and are priced at $30 or less. The crisis for the incumbents comes from not only being unable to shift to the new market as fast as needed but also from not having cash flows from a low end that was thought to be sustaining.