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Business, Marketing



8/18/2011 Micromax Mobile Submitted to: Dr. Barnabas Submitted By: Ankit Saxena(A-05) Arpana Dalvi(A-06) Munish Nanavati(A-12) Nishal Ferrao(A-16) Rohan Deodhar(A-26) Contents Executive

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..... 20 Executive Summary Micromax has entered into handset market in 2008 and within 3 years it has become the third largest handset manufacturer in India. In this period, it has focused mainly on rural market and has become a leader in the same. Now it wants to expand its presence within India and then on international level. This plan incorporates innovative strategies that will utilize opportunities and address weaknesses as outlined in the Situation Analysis. The plan addresses following marketing challenges:

- To position in the mind of customers as their preferred brand
- To concentrate more on potential urban and youth market
- To make a global presence in the market

Situation Analysis Analyzing current situation through 4C framework: Customers Currently Micromax is dominating the rural market. Initially the marketing strategy of Micromax was to target rural market. They are basically catering to the need of the customers of the rural area. For example the first mobile Micromax introduced in rural area was having the battery backup of 30 days which was catering to the need of the rural market of inconsistent power availability. Competitors Micromax knows that there are many established brands in Mobile Phones' industry like Nokia, Samsung, LG and several other local as well as Chinese manufacturers .

Some major competitors and their strategy and strengths are identified as below:

- NOKIA — Nokia is the leader in the mobile phone industry in India (38% market share). It is dominating the Indian market from years. Recently it is facing problems to retain its growth and sales. But the pioneer is working hard to get out of this. For the same reason Nokia is going to use operating system of software biggie Microsoft. So it is expected that Nokia will try to regain its lost market share.
- SAMSUNG — Samsung has emerged as a

very healthy and prominent competitor in the market. Samsung is backed with the high quality and professional team in the R&D area. Innovative products specially smart phones and Galaxy series from Samsung are ruling in the market. So it is expected that with the increasing demand of mobile phones Samsung will try to retain and increase its market share. ¶,§ APPLE — Apple is one of the most major competitors in this industry. Slick, stylish and innovative phones of Apple are driving crazy to its users. Apple is aggressively entering Indian market with its amazing iPhone series. ¶,§ ¶,§ Other domestic players — Other players like Karbon, Spice, Lava etc have more or less the same market strategy. Chinese manufacturers — Some of the Chinese manufacturers have already entered the Indian market. These manufacturers have priced their mobiles very low. So these manufacturers are expected to grow as with the demand. Various comparative analyses show that the market shares of Nokia fell drastically while that of Samsung rose impressively. Besides Samsung's growth, market also witnessed the growth of the local manufacturers (36% of the market share). The most prominent local manufacturer with a market share of 7% is Micromax. Lava 8% Others 11% Micro max 45% LG 4% Others 22% Spice 16% Karbon 20% Nokia 38% Domestic 20% Samsung 17% Courtesy: IDC report on growth of mobile sales in India, 2011 Figure 1: Market share of various handset manufacturers in India in 2011 So in this emerging and demanding market, still Micromax has a lot to achieve to be a leader in mobile phones' industry. Company It was in 2008 that four friends, Rajesh Agarwal, Sumeet Arora, Rahul Sharma and Vikas Jain, came together and decided to diversify their IT hardware distribution business and start making mobile phones. The move

towards selling handsets was a natural progression. With a Cost Leadership Business strategy Micromax entered into Indian rural market. And within 3 years of operation they have become the 3rd largest selling company in India. Micromax is planning to launch an IPO of 2.15 crore shares to raise around Rs 2260 million. The major part of the money raised will be used in setting a new manufacturing plant in Tamil Nadu and the rest in acquiring additional market share. Context India is the second largest and the fastest growing telecom market in the world in terms of number of wireless connections, according to the Telecom Regulatory Authority of India (the "TRAI"). Currently around 250 million handsets are sold annually. By 2014, it is expected to grow to around 400 million handsets. While wireless penetration in urban areas has increased significantly over the last few years, rural and semi-urban areas continue to be under-penetrated. The medium ASP segment is likely to be the fastest growing with 240 million handsets in 2014 (Source: Analysys Mason) Market opportunities and issues The Indian mobile handset market is expected to grow from a total of 151 million handsets for the twelve month period ended December 31, 2009 to 402 million handsets for the twelve month period ended December 31, 2014. The growth in the Indian mobile handset market is likely to be driven by the replacement handset market rather than new user additions. Within the replacement handset market, the medium ASP device market is likely to grow the fastest. (Source: Analysys Mason) Replacement cycle: The growth in the Indian mobile handset market is likely to be driven by the replacement handset market rather than new user additions. The replacement market is expected to grow from 118 million handsets for the twelve month period

ended December 31, 2010, constituting 62.77% of overall Indian mobile handset market, to 359 million handsets for the twelve month period ended December 31, 2014, constituting 89.30% of overall Indian mobile handset market. 3G business: 3G service is an emerging technology in India. 3G technology provides growth opportunities through multiple avenues including up gradation to 3G compatible mobile handsets and mobile data cards. Value added services: Going forward, the demand for more sophisticated and innovative e-mail and multimedia based services, as well as gaming, music and video related offerings is likely to fuel growth in VAS. We believe the advent of 3G will also add impetus to the growth of the VAS market due to 3G's faster network capabilities.

Indian Mobile Handset Growth Projection by Range of Budget (Handsets in millions)

Budget	2010	2011	2012	2013	2014
High Budget	450	400	350	300	250
Medium Budget	200	150	100	50	0
Low Budget	27	24	21	17	15
Twelve month ended 31 December 2010	95	78	125	92	164
Twelve month ended 31 December 2011	203	242	135	104	121

SWOT Analysis

Strengths: Innovative products and features- Marathon battery mobile phones with a 30-day battery life, phone which is programmable as a universal remote control, gravity phones are some of the features which have increased the popularity of the product. Low cost of production — With its plants located in China, Micromax bears a low cost in production due to availability of labour at cheaper rates. Effective promotion campaigns- Micromax has been promoting its products through famous celebrities and has also had tie ups with MTV.

Weaknesses: Weak brand image in urban areas- Micromax has still

not been able to establish itself well in the urban market as its main concentration had been on the rural population. Perception of low-quality Chinese brand- Micromax has a manufacturing unit set up in china which has strengthened this perception among people. Opportunities: Increase penetration in urban market- Since Micromax has not yet entered this market; it has a very huge opportunity to establish itself in this market. Entry into international markets- Micromax has the potential to make its presence felt on global scale eventually as it establishes itself in the domestic market. Threats: Increasing competition from local and international players- With well established players like Nokia, Samsung, etc Micromax faces a tough competition from these players. Replication of business model by competitors- Micromax's business model has been replicated by many new players which again pose a threat to Micromax. Objectives Present objectives: 1. Focus on urban market specially youth 18-25 years To increase presence in urban market, Micromax is focusing on urban youth of age group 18-25 years. 2. Focus on smart phones As smart phone is going to be the future of mobile market, Micromax has started focusing on smart phones. It has decided to launch more smart phones in the market. For 2012-2013: 1. Focus on urban market at large : On capturing major share of urban youth market, for next two years Micromax needs to focus on urban market at large like seiner citizens, physically handicapped etc. 2. Focus on smart phones as well as tablets : Micromax needs to continue focus on smart phones and launch more products and also it needs to focus on tablet market. For 2014: 1. To start new plant and reach market share of 20% : To increase market share, it is essential to increase production capacity.

Micromax has plans to start a new plant in Tamil Nadu. With the help of this new plant, it will be able to reach a market share of 20%. 2. Focus on international markets : On making strong focus on rural market and urban market in India, Micromax needs to expand to international markets and enter into neighbouring Indian countries, south African countries etc. Market Segmentation Identification of the correct market segment is an important step to enter any market. Micromax X1i Market Segment : Rural Market - Customer Need: Commendable battery back-up and low price. - Corresponding Features : 30 days battery backup and priced at Rs. 2, 150 Micromax GC360 Market Segment : Working Executives/ Professionals - Customer Need: A single phone with Business and Private use with separate numbers and bills. - Major Corresponding Feature : GSM + CDMA Micromax ezpad Market Segment : Texting and Chatting Freak youth - Customer Need : Faster messaging - Major Corresponding Feature : QWERTY keypad Micromax X111 Market Segment : Multimedia Users - Customer Need: Phones with all multimedia features to enjoy music, capturing moments as photos and videos. - Major Corresponding Feature : Various music format support(mp3, wav etc.), Camera with video recording support Micromax Bling 2 Market Segment : Urban Women - Customer Need: Stylish, slick and sensual mobile phones. - Major Corresponding Feature : Sensuous design to attract women(Diamond) Micromax A70 Market Segment : Youth - Customer Need: Compact phones with all latest features. - Major Corresponding Feature : Touch Screen, High resolution Camera, Large data storage capacity, Powered by 3G. Target markets Fashion Savvy Women Youth Professionals Target 1. Targeting women On the occasion of Mother's Day, Micromax announced the

launch of its latest Android phone targeted at women. Micromax has started pre-booking of Bling2, which is 3G and GPS enabled, has features like Swarovski keys, 3 megapixel camera, and 32GB external memory. Bling 2 features Android 2.2, 2.8 inch display, 3MP camera, 32GB microSD card support and WiFi along with the usual GPS, Bluetooth and 3.5 mm headset jack.

2. Target Youth As smart phones are future of telecommunication industry, Micromax has started focusing on it strongly. After the launch of first Android Phone before 3 months ago, Micromax is ready to launch another Android Phone Micromax A70 in India. New Smartphone will run on Android 2.2 Froyo. As the speculation is that Micromax A70 will come at affordable price and with 3G as well. Micromax A70 will come in the market and it will be in the competition with Google Nexus and HTC Desire smart phones. Micromax Android Mobile Micromax A70 will come with the advanced features like 3.2-inch HVGA capacitive touch screen display, 5 megapixel autofocus camera & front is a VGA camera for video call, Wi-Fi.

3. Target Professionals Professionals keep two phones in today's life: - - - One for Professional use One for Personal use Micromax will come up with Dual SIM mobile phones. Micromax has to focus on this target to cater need " A single phone with Business and Private use with separate numbers and bills".

- Besides this, Micromax has to get into the Tablet Market to increase the market share. Marketing Strategy Our marketing strategy is to improve the visibility in the urban markets by improving awareness of customers for our products and also building brand image. Product Strategy On the product side, Micromax has a wide range of phones with different features and thus offering variety to the customers. Micromax has a lot of interesting and

thoughtful products. Micromax has been able to successfully identify the needs of customers and design products appropriately. Micromax believes that consumers in India have unique preferences with respect to mobile handsets such as long battery life, dual GSM capability, low-cost QWERTY phones, universal remote control and gaming phones. Also, the company has invested heavily in the product development as of now to capture market share in urban market it is coming out with new models: Micromax realized that intense competition between telecom service providers forced customers to maintain two connections, and hence it launched a wide range of dual-SIM phones, which forms almost 85% of its product portfolio as compared to market leader Nokia which introduced one only recently. Because people are generally used to carrying two mobiles — one for professional work and other for personal use. So dual sim phones can serve the both the purpose in a single phone. Android based operating system phones are a proving to be a huge success and a craze in youth market and professionals because of its vast applications and new applications which are developed on an everyday basis. And also office documents support, push mail, etc also help in satisfying the needs of professionals in a handy way. So coming out with these phones, we have a huge potential market to work upon. Introduction of Tablets by 2012-13 will again help in serving the advanced technology needs of professional as it is considered to be almost a substitute of laptop with big screen, advanced features, etc. Large buttons based easy to use phones which do not have high features but are useful to serve the elder age segment as they want ease of use and are at a very low price Pricing Strategy: It's at the core of Micromax to serve the customers by

proving them with lower cost, value for money products. Thus Micromax will adopt penetration pricing in the urban market because placing our product at a lower cost will serve our purpose and make the customer rethink before buying other competitors product such as Nokia, Samsung, etc which are at a high price segment. So with a lower price we will be providing with almost same functionality which in turn will help us in gaining a better share in the urban market as they also want lower prices phones with higher functionalities which has been proved by our marketing survey.

Promotion Strategy The motive of our strategy is to increase our visibility in the urban markets. So making people aware about Micromax we will incur high promotional expenses and these will be in terms of: Hoardings and banners outside colleges, in public places, corporate places and malls with latest products and updates. Advertising online which include buying up space in highly browsed sites such as rediff, yahoo, etc. Also, It has planned to be more active online on Facebook, Twitter and other social networking sites as it's a low cost promotion making global presence and tool having international market. It has planned to improve its visibility by blogs sites and also on the sites dedicated to reviews and comments of mobile phones. It is aiming at bundling with telecom providers like Vodafone and Airtel which will serve as a base in building brand image by associating our names with them. They have also aimed at higher advertisements through TV, radios, etc which serve large number of customers. Better after sales service by providing increased warranty on sales of mobile phones from 1 year to 2 years. Currently competitors are providing with only 1 year warranty so this will provide us first mover advantage and also create brand image into the

minds of customers. Sponsoring in the social cause events as customers in urban areas are more aware and inclined towards companies fulfilling social responsibilities and also it will make them aware of us and finally building brand image. Introducing exchange schemes where a buyer can bring in his old mobile phone and get an additional discount of 5% - 10% on new Micromax mobile phones which would help us in gaining market share of our competitors.

Place Strategy We can place our products in some popular mobile phone retail stores such as Sangeetha, The Mobile Store, reliance digital, Croma, etc. We will tie up with local distributors for easy availability for those who don't visit popular retail stores or find it easy to purchase it from nearby stores. We can also sell our phones online by collaborating with Future Bazaar which is an initiative by Big Bazaar, etc.

Distribution strategy Under it we will have two models: Firstly, we have business to consumer (B2C) model which follows this hierarchy: Manufacturer Distributor Dealer Retailer Customer - So under it we will Offer higher margins to dealers upto 15 %, which is higher than the industry average of 6-10% at present - Offering its distributors a higher margin of 5% as compared to 2% of Nokia and others. Improved incentives to dealers and distributors will help us in penetrating deeper into the urban markets. Thus, making it easily available so as wherever a customer goes to buy mobile phone he will also be introduced and offered Micromax phones or he will have a look of it.

Secondly, we have business to business (B2B) model in which we will have corporate selling through corporate tie ups with major corporate and will be providing them at a less than market price as we will be saving on the commission to dealers and distributors. Thus, helping us to reach our target

market of professional. Manufacturer Corporate Selling Customer Acquisition and Retention Providing better after sales services through increased warranty of 2 years, thereby making the customer think of reliability of our product. Exchange offers will also be a major tool for customer retention as the customer will be getting additional discount on the new Micromax phone he buys by exchanging the older one. Thus this will help create a chain of transactions with customers.

Research Methodology The data was collected through both the primary as well as secondary sources. The primary source of the data is the users of various mobile handset users. The sources of secondary data are the websites and company catalogues.

Method of Data Collection

Sources of Data:

a) **Primary Data:** Primary data was collected through direct communication with the respondents. The survey was performed through a structured questionnaire. We approached local people of BSR Mantralya, HSR Layout and Koramangla.

b) **Secondary Data:** The sources of secondary data were the websites of various mobile providers, catalogues of various mobiles, newspapers, magazines etc.

Findings and Analysis

Age group of Respondents

above 45	16%
36-45	19%
26-35	27%
15-25	38%

The survey which was conducted through a structured questionnaire and from the result of the survey we found that the respondents were basically more from the young age group (15-25 years) and the working professionals (26-35 years).

Income Group of Respondents

300000 & above	11%
150000-300000	16%
50000-150000	25%
Less than 50000	48%

Another finding from the survey was that the users of Micromax were basically having lower income (Say less than Rs. 50000 annually). So this showed that the brand has impact because of its low price strategy along with new

features and idea. When we asked people what they think before buying a new phone? Reason to Opt for Micromax Good reputation 14% Features 44% Low price 24% Brand quality 18% The findings from the result of survey were that most of them are looking for good features along with low price. So the survey which was conducted showed us the roadmap to the strategy we are going to focus on. Performance Dashboard Market share: 60% 54% 50% 40% 39% 33% 33% 25% 14% 10% 4% 17% 11% 7% Nokia Samsung Micromax Domestic 30% 20% 10% 0% 2009 From 2009 to 2011 2011 2012-13 Market leader Nokia's share has come down to 39%, Samsung and Micromax shares have increased. From 2011 to 2012-13 For next two years, due to Nokia's brand building exercise its market share will not fall as it fell between 2009-11. Samsung will continue to grow to 25%. Therefore, Micromax's growth will be largely by taking the share of other domestic players in the market.

Production capacity: Micromax's new plant in Tamil Nadu will be functional from the end of year 2012. The amount will be raised through an IPO. With this, the production capacity will increase exponentially after 2012. It's estimated to reach 75 million by 2015. 3000 2500 2000 1500 1000 500 0 2011 2012 2013 2014 500 625 1875 2500 1250 million 2015 Profits: 2000 1500 1000 500 625 1250 1875 500 0 2011 2012 2013 2014 Million With increasing production and sales, the profits are expected to grow upto Rs. 1875 million by 2014.