

Overview mobile phone industry india marketing essay



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The mobile services were commercially launched in India in August 1995. In the initial 5-6 years the mobile phone companies had to see a bad time as there were not many people comfortable in using mobile phones due to expensive mobiles and sky high calling rates. Owning a mobile in the beginning of the launch of the mobile phones used to be a luxury in the Indian market. In the initial days of the launching of the mobile phones in India in the mid 90's, the grey market summed up to 80 per cent of the mobile phone sales due to major difference in the cost of legally and illegally imported mobile phones.

Noticing this huge loss to the mobile phone manufacturers, the Indian government slashed the duties on importing mobile phones, and on the other hand the mobile phone companies also gradually decreased the prices of the mobile phones so as the customers may start buying mobile phones from genuine showrooms. As of today the grey market is hardly left with any percentage.

When mobile phones were launched in India, the market had a dominance of US based Motorola, Sweden based Ericsson and Finland based Nokia. Over the years the story has changed to a great extent. Today players like Samsung, LG, Haier, Carbon, Apple, Virgin, HTC, Reliance etc have joined the race too. Other than these branded phones, there is also a lot of competition from unbranded Chinese made phones. These phones have almost all the features of that of any branded mobile phone, but are less than half the cost. These are special picks of lower level income people.

PORTER'S 5 FORCE MODEL

By critically analysing Porters 5 force model, that how all the 5 forces affect the mobile industry in India, and by identifying the strength and direction of all the forces, we can quickly assess the strength of the position and the ability to make sustainable profit in throughout the industry

The diagram below will give a fair idea of the model

1). Competitive rivalry within the industry: High

The competition among the various mobile phone companies is very high in the Indian markets. In the year 2009, the growth of the industry was only 7 per cent approximately, compared to 12 per cent in 2008. The major key players are limited, namely Nokia, Samsung and Sony so the situation is concentrated and balanced. The day to day technology change and the immense competition results in almost similar kind of mobiles being offered by all the companies. The margins are a mere 4% due to which there is a cut throat competition among the players in the industry. There is a lot of pressure from second hand sales of mobiles which makes it even worse.

2). Bargaining power of the customers: High

Customers have comparative information about all the mobile handsets in terms of price and features in the market and a buyer would always demand a greater variety at lower prices. There is a very meagre degree of differentiation in similar generation handsets and a new technology introduced is quickly adapted by all the mobile manufacturers. The buyer knows that there is hardly any switching cost in jumping from one brand of

mobile to the other, so they dominate the mobile companies and are more powerful than them.

3). Bargaining power of suppliers: Moderate

For an industry like mobile industry, there are a large number of suppliers for non critical components. For components of critical category, suppliers work closely with the mobile companies, as they involve joint development of speciality inputs and subsystems. Hence mobile companies can switch suppliers for the non critical components, but they generally stick to the suppliers who supply critical components to them. But as on the history says, the suppliers do not pose any serious threat of forward integration even though they are outsourced.

4). Threats from substitute products and services: Low

There seems to be a very limited threat from the substitutes. The latest 3rd generation mobiles are coming fully equipped with such applications that one had never thought. Gone are the days when the mobile phones were used for calling and texting. In this latest era of technology, they are coming with a camera of 14 mega pixels, equivalent to that of a latest digital camers. One can get to know the ways and routes in any part of the world using GPS. One can have a complete music library, like that of an I-pod. Internet is accessible at a snap of the hand. Being fully loaded with all the features that anyone ever thought a phone can have, I think instead of having threats from the substitutes, the latest mobile phones themselves are becoming a threat for their substitutes.

5). Threats of new entrants: Low

All of us now know the extent of competition among the mobile manufacturers in India. The technology and designs of few big companies are well protected by patents. So in this case the chances of entrance of a new player in the Indian market are not feasible at all. The brand identity is one of the major reasons why people buy fancy mobile handsets. The existing established players have created a powerful brand identity over a period of time which is not easy to be tampered. In a business like mobile phone manufacturing, one needs large capital commitments for research and development and technological development. If in spite of that if there is a new entrance, the existing mobile companies have the financial clout to deter them.

PESTEL ANALYSIS

1). Political Factors:

In the case of the mobile industry, as the markets are deregulated, both operators as well as manufacturers are free to act independently of government intervention.

In countries like India and China where partial regulations exist, government intervention does exist. The export import policies, government budgets and Foreign direct investment regulations play a major role in this.

2). Economic Factors:

India, as all of us know has one of the most powerful economies in the world. If the economy is rising, people earn more. Earning more means more

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disposable income. Out of a survey done by Nokia, India is the biggest revenue generator for them in terms of expensive phones. High spending capacity enables customers to be more selective with their choice of mobile phones, looking to more other factors rather than just messaging and calling from the mobile.

3). Social Factors:

A mobile phone is the best medium of interaction. People use mobiles not only to maintain social relationship but also for work and business purposes. The rise of this information society has made telecommunications increasingly more important to consumers, both in terms of work and leisure. Users are more aware of mobile handset choice and advancements due to increase availability of information.

4). Technological Factors:

Technology is the most important factor in the mobile industry. It is supposedly the backbone of the industry. All the advancement in the field of mobile industry depends on the technological innovations. There have been many global advancements in technology such as WAP, GSM, GPRS, GPS, 3G, EDGE etc. The Asian markets are more technologically advanced than their European counterparts. The new technology is well used and appreciated here.

5). Environmental Factors:

This is one of the biggest threat to the mobile industry at present. The mobile handsets that we use are suppose to emit some harmful waves which

can actually cause a threat to the health of the individual. These waves can harm the eardrums to an extent of getting deaf.

A second environmental issue is the used and discarded mobile are thrown away which are non bio-degradable and hence are responsible of creating lot of pollution.

6). Legal Factors:

As discussed above, there are a lot of mobile players in India. Technology and designs are copied as soon as they are released. It is very difficult to get the mobile phones designs patented. Due to this technology infringement, a lot of legal issues are caused.

DRIVERS OF CHANGE

Increase in disposable income and spending capacity:

India is one of the most growing economies of the world. People are earning more and henceforth their capacity to spend is also increasing. With huge amounts of disposable income, people would want to shift to buying expensive gadgets like mobile phones.

With the capacity to spend, they will have more options to decide and buy the latest generations high technology phones. In this case the mobile market is certainly going to flourish.

Technological Advancement:

Technology is the biggest supporter to the mobile phone industry. The technological advancement have been such that a latest generation mobile phone comes equipped with such features that no one had ever thought that

a mobile phone can have. Whether it be a camera, fully accessible browser, navigation system etc.

With such technology in a mobile phone, people in India would want to buy such phones which will take the place of other gadgets. People would prefer buying a mobile phone fully loaded than buying two or three different gadgets.

Growth in population:

India as of now is the second most populated country in the world. It also therefore has the second maximum population of youth between the age of 18 - 28. The new technology and latest gadgets target market this age group only.

The youth within this age bracket would be more aware and willing to buy mobiles and would want to stick to the latest technology. Increase in the population in times to come will hence lead to more and more mobile phones being used in India.

INDUSTRY LIFE CYCLE MODEL

The mobile phone industry in India is in its maturity life cycle stage, where nearly all potential customers are already users of the industry's product. This stage comes after the growth stage. Once the industry reaches this stage then the further growth and profitability of the industry purely depends upon its capability of attracting new customers.

Technology is not the only thing required to attract new customers. The other important factors that are required by the mobile phone company to do are:

Innovative styling of the phone. The physical appearance plays a very vital role in the customers decision to buy the phone. The applications that are inside are only known once the customer starts using the mobile phone.

Service provided by the mobile phone company. Giving the best possible phones on a lower comparative rates will lure the customers to buy more phones.

The after sales service also is a very important factor to keep the customer loyal to a particular brand of phone. The customer would always buy and recommend to buy phones from a store or a company which gives the best after sales service as well.