

# Micro max industry analysis

[Business](#), [Marketing](#)



**Mobile Industry: Overview** The market for mobile phones is increasing at a rapid pace all over the world and emerging country like India is also witnessing a two digit increase in the numbers YoY. It is but natural that many a local and international companies shall be interested in setting their foothold in this lucrative market. Mobile phone industry is further divided as mobile Phone Instrument (Nokia, Samsung, LG, Sony Ericsson, Motorola and other local players like Micromax, Karbon, Spice, etc.) and Mobile Phone Service (Airtel, BSNL, Reliance, TaTa Idea, Hutch and others). Both sectors are witnessing fierce competition in pricing and offering extra features and attractive promotional activities is also common to all players. It is but natural that Mobile phone instrument industry is directly dependent on Mobile Phone Service industry. The more areas covered under the service paradigm more market for various instruments. Mobile Productions and Exports Mobile phone production in India increased to 512 million from a mere 144 million in 2002-03 at a compound annual growth rate (CAGR) of 28. 3 percent. Mobile phone production revenue reaches \$13. 6 billion by 2011 from \$4. 9 billion in 2006, a CAGR of 26. 6 percent. The growth in production is driven mainly by the expanding mobile subscriber base in India and favorable local government policies promoting local electronics manufacturing in India. India is the world's second-largest telecom market after China, with the total wireless subscriber base crossing 850 million at the end of June, 2011. By 2020, the handset demand is projected to reach 350 million a year. At present, Indian mobile handset market is estimated to be in around 130 million handsets per annum. It added that 510 million handsets are estimated to be manufactured in India, during the same year.

In India, handsets are categorized as high, medium, low, and ultra low cost ASP devices. The medium ASP segment is likely to be the fastest growing segment in terms of volume, affordability of feature-rich handsets is also expected to be a key enabler of handset adoption. The government should create a sizeable export promotion fund for the telecom equipment and services export and handset exports from India may be included in bilateral trade agreements with emerging markets in regions such as South Asia, Africa, Latin America, Russia and Eastern Europe. Figure 1: Production and Exports of Mobile phones in India Source: (www. dot. gov. in) Challenges and Options to Create Competitive Advantage in Mobile Phone Industry

Challenges

1. Competition from discounted pricing and falling margins
2. Rivalry among existing players to capture market
3. Growing number of players making value chain modus operandi critical
4. Complexity of change
5. High marketing costs

Options

1. Strict cost controls through the use of more outsourcing options and controlled investment in infrastructure
2. Micro segmentation, increased range of products and focus marketing
3. Innovations of new models in value chain to create competitive advantage
4. Develop positive attitude towards change and restructure business procedures
5. Effective customer relationship management and customer retention

INDUSTRY ANALYSIS Porter's Five Forces

Figure 2: Porter Five Forces Model

1. Threats of New Entrants A first look, any new entrant in this market faces heavy restraints. Capital requirements and technological barriers are very high. The new entrants have to face a lot of obstacle to build their market in India. The well-established big companies like Nokia, Samsung, LG, Motorola, and Micromax have actively taken steps to increase

their market share. It will tough to differentiate mobile phones by the new entrants while keeping a competitive price. As Micromax have a large portfolio of phones from low range i. e. Rs. 1000 to the high range i. e. above Rs. 20000. Micromax has made its reputation as an Indian brand, by offering guaranteed 30 days stand by battery. Micromax has developed a large distribution network and reached to the rural areas of India, which enhance its market share. New entrants have to offer a lot to the distributors and retailers in order to attract them. Barriers to Entry Firms competing in an industry try to develop entry barriers to thwart potential competitors. Nokia, Samsung, Micromax have developed themselves by operating efficiently and effectively, which created significant entry barriers, causing potential competitors to think very carefully about entering the handset market to compete against them. Economies of Sale These are derived from incremental efficiency improvements through operating large plants and systems as a firm grows larger. For e. g. Nokia and Samsung, which are foreign companies to India, have established their plant in various parts of India to manufacture handset in large quantity. Therefore, the cost of producing each unit declines as the quantity of product produced during a given period increases. Product Differentiation Over time, customer may come to believe that a firm's product is unique. This belief can result from the firm's service to the customer, effective market campaign or being the first to market a good or service. If successful with these efforts by new entrants, will generate the type of loyalty. Capital Requirement Competing in handset industry requires a firm to have resources to invest. Capital is needed for inventories, marketing activities and for other critical business

functions. Even though the new entrants come with a new idea, the capital requirement for successful market entry may not be able to pursue the market opportunity. **Switching Costs** Switching costs are the one-time costs customers incur when they buy from a different supplier. If switching cost is too high, a new entrant must offer either a substantially lower price or a much better product to attract buyers. It can be possible like when china mobile enters in the Indian market in 2005, with lot of functionality in handsets and with a lower price, which decreased the share of Nokia, Motorola then. **Government Policy** Through licensing and permit requirements, governments can also control entry into an industry.

Currently, the telecom policy of India is encouraging the companies to enter into the handset market. **Expected Retaliation** Companies seeking to enter an industry also anticipate the reactions of firms in the industry. An expectation of swift and vigorous competitive responses reduces the likelihood of an entry. In handset industry, new entrants are arriving at high rate, which shows the retaliation from the existing companies is not high.

Overall the threat of new entrants is low. **2. Bargaining Power of Supplier** The parts of mobile include chips, battery, screen, plastic cover, speaker etc. The manufactures for the mobile parts are very less and the buyers for these products are large. Currently, the supplier group is dominated by few large companies. The switching cost of the supplier is very less as they can sell their products to other companies like Nokia, Samsung and to the new entrants. The substitutes for the inputs of mobile phone are very low. So the bargaining powers of suppliers are large. Overall the bargaining power of supplier is high. **3. Bargaining Power of Buyer** There are large number of

mobile handset companies are present in the market. Consumers using mobile phones wish to have a good perception over the quality, features and operation of instrument. Most consumers, besides the basic features need an attractive brand name. Brand name helps a consumer to install, recall and differentiate competing products of similar nature. Thus brand image plays a pivotal role in influencing the buying decision. Taking this point, Micromax can face the difficulty from Nokia and Samsung which are present from more than a decade in Indian market. The popular law of demand states that there is an inverse relationship between price and demand for a product. Other things remaining the same, price is an important element in influencing consumer preference. As large number of new entrants like Lava, China Mobile, Maxx etc are coming with low price mobile phones; it will be tough to Micromax to differentiate itself in low price segment. Add-on features like games, camera, FM radio; Music on Mobile, MP3, Net Surfing, etc., are key factors determining the buying pattern of mobile phone, which most of the companies introduce in their handset. So the buyer has a large pool of variety to select the handset. Last but not least the after sale service and response of the sales team contribute their importance in influencing the retention of customer and enhancement of consumer loyalty. As of now the sales after service of Nokia and Samsung are far better than Micromax, so they have to extend their service centre. Overall the bargaining power of buyer is very high. 4. Threat of Rivalry 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 especially 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 like Karbon, Spice, Lava etc have more or less the same market strategy. 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. Numerous or Equally Balanced Competitors Intense rivalries are common in industries with many companies. With multiple competitors, it is common for a few firms to believe they can act without eliciting a response. In handset market, the market is segmented into three parts: low end, medium and high end products. Each of these three segments has different rivalries. For e. g. in low end products, the main competitor for Micromax is china mobiles, lava and Max, while at high end Micromax has to compete with Samsung, Nokia

and Apple. Lack of Differentiation or Low Switching Costs When buyers find a differentiated product that satisfies their needs, they frequently purchase the product loyally over time. Micromax has differentiated itself by introducing a long battery life product and also captures the market, where the power supply is very poor. But in places where power supply is enough, it is facing trouble in making market. It fails to distinguish itself with the big players like Nokia and Samsung. 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 6% is Micromax. (REDIFF, 2012) Figure 3 : Shares in percentage of sales in Units in Jan-Mar 2012 Overall the threat of rivalry is high.

5. Substitute Products Low end mobile phones in India are highly substitutable. With people demanding more and more sophisticated mobile phones, the low end product in the industry are facing threats of substitution. High end mobile phones can also be replaced by the tablet, which can work more than a mobile phone. The increase in disposable income incites the people to move towards more unique product. The mobile phones can get high competition from tablets in near future. Overall the threat from substitute product is low.

COMPETITIVE ANALYSIS Competitors

1. Nokia Low-end Dual SIM phones
2. Lava phones
3. Samsung Guru Series
4. Maxx mobiles
5. Lemon mobiles

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 especially 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. Competitor Analysis Components Figure 4 : Competitor analysis

components Source : (Hitt, Ireland, Hoskisson, & Manikutty, 2012) 1. Future

Objectives Most of the handset companies are concentrating on marketing and by introducing numerous functionalities with a view to survive in the long run. This is evidenced by the introduction of large number of

advertisement, which focused on the number of functionality. Micromax caters to a varied target audience having their focus majorly on the youth.

Our overseas product portfolio is tailor-made to suit the needs and aspirations of our growing consumer base in the international markets. 2.

Current Strategy Micromax strategy is to “ focus on innovative, designing and using the latest technologies to develop products at affordable prices”.

3. Assumptions Micromax is assuming that mobile handset market will grow over the years globally, with an assumption that a handset switching cost is less. They are also targeting youth by assuming that youth will change

handsets due to high disposable income. 4. Capabilities SWOT Analysis

STRENGTH 1. Provide simple functions at much lower costs e. g.- Loud

speakers, wireless FM. 2. Regional languages support, Indian calendars,

Torch 3. Most phones are dual SIM/Triple SIM phones 4. Due to Java support

a lot of basic applications can be run

5. 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.

6. Low cost of production — With its plants located in China, Micromax bears a low cost in production due to availability of labor at cheaper rates.

7. Effective promotion campaigns Micromax has been promoting its products through famous celebrities and has also had tie ups with MTV.

**WEAKNESS**

1. Poor after sales support
2. Many consumers in this group still trust Nokia
3. Build Quality is inferior, Tacky looks, Low resolution and small screens, Higher Radiation levels, Complex
4. User interface for not so tech-savvy consumers, Unreliable

**OPPORTUNITY**

1. Low-end phones market has become very competitive
2. Cut-throat competition has made Dual-SIM phones being available
3. Can be used as simple second phones

**THREAT**

1. Threat from low price well known brands
2. Other lower end phones brands
3. Increasing competition from local and international players —With well established players like Nokia, Samsung, etc Micromax faces a tough competition from these players.

5. Responses Despite all the good tidings, it still comes as a surprise that a new entrant has managed to make such a deep dent in the crowded domestic handset market. Micromax is currently the third-largest GSM vendor in the Indian market, with a share of 8. 1%, perhaps just a few notches behind Samsung who at the second position has 10. 4% control, as per market reports. [Nokia with 52. 7% share is the number 1 vendor].

Micromax has been selling anywhere around a million handsets every month, for the past year, and as company officials state, it has earned about Rs. 15

billion in revenues during the past year. So here's something to digest — going by the numbers, the Indian handset market is estimated to have sold about 130 million handsets units in the last calendar year alone, which implies, that if we were to consider just the sales during the past 12 months, Micromax has a market share of 9.3%, much closer (as compared to the previously stated 8.1%) to the 10.4% share of Samsung.