

Micromax case study

Business



Inbound Logistics and Operations MicroVAX uses the concept of model based sourcing wherein it identifies Tier I manufacturers to work on its own specifications and innovations. One of its manufacturing partners, Foxing worked with Apple. Another manufacturer BODY was partner of Monika.

By staying away from Tier II and Tier III manufacturers, MicroVAX has been able to ensure high quality chipsets and components for its products.

MicroVAX treats its Chinese manufacturing partners Tinny-and-Longer as its own extensions.

Such tightly coupled partnership enables MicroVAX to have a highly responsive supply chain, which can react even faster than Monika or Samsung, which have vertically integrated systems. In the month of July 2014, India imported MicroVAX shipments worth USD 51 from China. Such high volume orders allow MicroVAX to negotiate better-cost terms with its partners and thus capture a substantial value.

Starting from 2014, MicroVAX has adopted a mix-and-match strategy. It is getting some products manufactured in China and other countries where it has tie-ups with manufacturers.

But at the same time, it is also starting a new manufacturing facility in India, where it will assemble different components, sourced from abroad. Initially the manufacturing in India will only comprise of assembling due to lack of a robust ecosystem to provide the different components of the phone. The move to shift the manufacturing to India is mainly because of the increase in import prices in China, dollar fluctuations and the need to be self-sufficient in manufacturing to check supply side uncertainties.

Some of the recent incentives offered by the Indian government also acted as a stimulant Outbound Logistics and Customer Service 1 .

Distribution Management - Distribution network of MicroVAX has 34 super-stockiest, 450 distributors, and 55, 000 retailers in 2012. It has also set up 150 exclusive stores called experience zones. Also, MicroVAX has its products available in all leading mobile stores like The Mobile Store, Carom, Zone, Vicar Sales, Zone and many more. In 2012, It NAS Torment a partners Witt elect operator Laurel to increase the penetration in urban population. 2.

Dealer Management Strategy - Realizing the importance of distribution in a fiercely competitive market, MicroVAX experimented with a new model here. Rural population as a target wasn't helping either which has huge logistical problems. MicroVAX realized the importance of dealers in the consumer good factory where dealers actually push through the sales and have deep bonding with the customers. After analyzing the strategy of other handset manufacturer in dealing their dealer outwork, which were giving margins as low as 1-2%, MicroVAX offered a much higher commission of 5%to those who were willing to stock MicroVAX's products.

This strategy helped it create awareness and also garner a large share in the market in a short span of 3-4 years.

3. Service Center - Customer Relationship - Consumer's view of how good a consumer good company is largely depends on the after sales service. After sales Service is an important way of retaining the customer. It becomes more important in Handsets where frequency of up-gradation is pretty high and consumers switch models frequently. You do not want to lose a

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customer to a different brand when you have a similar upgraded version available with you in your ranks.

To cater the needs of the after sales and service of customers, MicroVAX has set up more than 370 strategically located service centers in India and one each in Nepal, Sardinia and Russia.

Also, MicroVAX has tied up with 5 third party owned, modular service centers which are exclusive to MicroVAX and provide a full range of after sale service. MicroVAX has set up a service factory in Delhi which not only provides a full after sales service but also support the service centers (including third party owned) by applying parts and components and supporting technical teams.

For complaint registration, MicroVAX has toll free numbers. Also it has got product support engineers and provides onsite service in many Indian cities.

4. Faster Replenishment - Unlike others, MicroVAX looked at distribution in completely different way.

It stands by its Cash-only Model. MicroVAX does not give any credit whereas other competitors like Monika and Samsung offer 60 Day Credit line. What MicroVAX did was that they had offered to replenish distributors regularly to keep their inventory low. This way distributors neither had to pay large amounts upfront nor did they have their money locked up.

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Augural says, " If the distributor does not buy our product, there is no pressure on him. If we give a distributor 1000 handsets and ask him to sell

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over a month, he will worry about his daily sales. But if we supply less, demand will be close to equal or more than supply. " SUPPORT ACTIVITIES:

Firm Infrastructure: The corporate office is in Surgeon. The phones are assembled in its factory in Enlarger (Solar), Himalaya Pradesh.

All the parts come from China. MicroVAX's major phones are made by Foxing, the Taiwanese MEMO that does most of its manufacturing in mainland China.

Recently, MicroVAX has started manufacturing handsets in Outranked. The facility is present at Radiography winner It nutcrackers Its Avis Ana delta PC's. Electronic Development: MicroVAX has led the pioneering of mobile technology in India by offering affordable innovations through their products. MicroVAX's first innovation was a handset with 30 days of standby battery life which is crucial in a country like India where power failures are common.

Next there was a dual SIMI phone for callers who like to Juggle the cheapest tariffs.

It was the first to introduce dual-SIMI dual standby handsets, and he first to introduce a handset that could switch between GSM and CDMA networks by detecting the phone position via gravity sensors (Gravity AXIS). Some of the other innovative handsets introduced by MicroVAX include the EX. dual-SIMI phone that came with an inbuilt projector. Innovation, Cost-Effective, Credible and an Insightful R&D, have now become synonymous to MicroVAX in the telecoms vertical. Human Resource Management: The corporate office is in Surgeon.

The new MicroVAX plant in Outranked has 400 workers.

MicroVAX has good strength in R&D of over 300 employees. Legal

Environment: The Company's legal environment is affected by intention laws governed by Competition Commission of India (CLC), Patent laws, Custom laws and income tax laws. In 2013, MicroVAX has been sued by Ericson on charges of patent infringement. The Swedish network equipment maker is seeking RSI. 100 core in damages.

The company also claims that it has been negotiating with MicroVAX for about three years now and has finally moved the Delhi High Court to seek legal remedy.

External Environmental scanning: Cell phone market is highly competitive in India with over 50 local and international companies fighting for the pie.

Major competitors of MicroVAX are listed below: Samsung - It remains formidable number one in Indian mobile phone market with 19% share in overall Indian mobile market and 38% in Smartened market. Carbon - A competing second to MicroVAX with similar products and price points which is having 10% market share in Smartened business, only 6% lower than that of MicroVAX. Monika - With 12% market share, it still have its takers in rural markets and non-smart phone markets.

LAVA - A low cost smart phone provider. It is a major competitor to MicroVAX with 6% overall market share. MicroVAX also entered in partnership with major telecoms players like BOSS, MINT for supply of data card. TA associates had invested \$MOM in MicroVAX in year 2010. Internal

environment scanning: MicroVAX has been able to expand its market presence rapidly from 2008 onwards, after its foray into mobile market.

It has gradually expanded its operations to other electronic consumer goods like LED TV, Tablets, and Data cards.

Many key features of MicroVAX strategy and operating model helped it to attain this feat. The total number of different models that it has in several price categories and its recent foray into other electronic consumer goods, suggest that MicroVAX's core mantra is to be into every electronic device. After looking at its market share, operating model and market position, the SOOT analysis is as follows: Strengths 1 . Low asset business model - MicroVAX has focused its strength on development, designing, marketing and branding of its products.

Other major operations like manufacturing, distribution are outsourced. This had helped the company to scale faster which was very critical factor in rapid expansion period of Indian mobile phone market. 2. Low working capital - As it has outsourced most of its intensive operations, the next big thing is working capital. Success of the company is hinged on TTS ability to maintain low working capital. 3.

Fast and customer oriented product delivery - MicroVAX had focused on local needs of the consumers and especially belonging to rural India.

The ability to understand local markets better and its consumer's purchasing power, gave it an advantage in rapidly scaling up its volumes. 4. Branding and marketing - Unlike its many local peers, it invested extensively in

marketing and branding and thus communicated effectively to mass consumers about its presence. Its popular celebrity endorsement made it a common household name within 2-3 years of start of the business in 2008.

. Right price and right product (An optimum balance) - It tried to focus on basic needs of consumers of all segments.

The strategy to come up with a phone which has all standard features of smart phone apart from very few latest features in high end market. This gave a vast pool of consumers aspiring to upgrade to smart phones but unable to pay the premium for established brands. 6. Wide distribution network - It has presence in over 560 districts and products in almost 125000 retail outlets all over India.

This reach helped it cut across very deep in rural as well as in urban India

Weakness 1. Poor brand image - Despite becoming number second, it still has relatively poor brand image of being a cheap Chinese product.