

A STUDY ON URBAN AND RURAL MOBILE PHONE MARKET IN INDIA

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ABSTRACT

In 2011, the mobile phone market is probable to observe almost a three-fold increase in the number of participants. This is probable to result in a price war and a consequent squeezing of profit margins. In 2010, the decline in the average selling price (ASP) of mobiles by 11.3 per cent opened up possibilities of market consolidation. The intense competition is also compelling handset manufacturers to enhance the application ecosystem and invent products. While market entrants are likely to be daunted by the sheer numbers in the market, they will identify abundant opportunities in the rural and semi-rural market for the next three to four years. “For the mobile handset market, the rural market offers exciting prospects due to its significant uptake of feature phones,” says the analyst of this research. “The rural and semi-rural markets accounted for 65 per cent of sales for most Indian manufacturers in FY2010.”

In the case of smart phones, most existing global brands are concentrating on building application stores and improving service quality to offer an attractive value proposition and strengthen their market position. Entrants will be particularly focused on branding, as a smart phone is a high-involvement product and the brand is a vital purchase criterion. While smartphone consumers are also price conscious, it will not be possible for manufacturers to subsidize due to the operation of an open market rather than an operator-leveraged distribution model. Moreover, 70 per cent of the Indian population consumes only voice services, and mobile data services have not yet achieved large-scale popularity. However, this is set to change with the reduction of mobile Internet charges by telecom service providers and the introduction of 3G in India. The market is also witnessing the influx of a new class of affordable handsets, which are classified as ‘smartphone-like’ devices, with touch screens and other smartphone features.

KEYWORDS: Mobile Phone, Handset Manufacturers, Smart Phones