

A STUDY ON URBAN AND RURAL MOBILE PHONE MARKET IN INDIA

AR.ANNADURAI¹ & S.PRASAD²

Doctoral Research Scholar, Department of International Business & Commerce, Alagappa University,
Karaikudi, Tamilnadu, India

Assistant Professor, Department of International Business & Commerce, Alagappa University,
Karaikudi, Tamilnadu, India

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

MOBILE PHONE MARKET

Forever the mobile telephone services were launched in India, the domestic market was ruled by the Nokia mobile phones. Though Motorola, Samsung, Sony Ericsson and LG had also entered the Indian market but they failed to compete with Nokia as for as the price range and quality was concerned. Nokia phones are more easy to use as compared to the cell phones of other companies.

Now some Indian companies have also launched their phone sets in the market that are very cheap compared to Nokia and other cell phone companies. There are almost equal as for as quality is concerned. Thus Nokia’s market has

dipped manifolds in India but it is still ruling the Indian cell phone market. MicroMax, Karbonn, Lava etc are some of the Indian cell phone producing companies that are competing with the global giants.

MAJOR PLAYERS

Nokia

Nokia had ruled the Indian cell phone market in the starting years when mobile telephony services were launched in India. Nokia is still ruling the Indian market as it has launched a variety of handsets keeping in view the lowest level Indian society to the business class. Its cheapest mobile phone costs only 1099 rupees. Phones with multimedia features are very popular among the students and the youth.

Nokia handsets are very popular these days as they have almost all the key features that are deserved by its young Indian customers like Wi-Fi, Bluetooth etc., Nokia handsets are repairable and have a good resale market and value. What status Honda has in the motorbike market and Maruti has in the car market Nokia has the same status in the Mobile phone Market. Nokia has its stores and care centres almost all over India from where the customers can buy their favourite handsets.

Sony Ericsson

Sony Ericsson is famous for their clear sound quality, multimedia features and clear picturing qualities. Sony Ericsson mobile phones are available in the Indian market in the 1500-42000 rupees price range. Customers can choose the phone according to their budget and lifestyle Some Indian companies have also entered the market and they have given a big blow to their foreigner competitors' market. Micromax, Karbonn and Lava etc are preferred because of their price range and additional multimedia features. It is a proven fact that people change their mobile phone set every year. So we can say that the average life of a mobile phone set it just one year. This is the only reason that Indian is showing a lot of interest in mobile phones.

Samsung

It is among some of those cell phone companies that are gaining their ground in the Indian cell phone market. Samsung has launched its 85 cell phone models keeping in view the Indian social economy. The cheapest Samsung handset cost almost 1300 rupees while Samsung Giorgio Armani B7620 (Bronze) is the costliest handset as its cost is near about 38 thousand rupees in the Indian market. Samsung's 'dual sim' and 'touch screen' models are very popular. With their superior sound quality and design qualities Samsung mobile phones liked most by the middle and upper-middle class society. But Samsung has not succeeded to gain its ground in the poor sections. Samsung Corby, champ models are very popular these days.

LG

LG become popular because of their superior sound quality. LG phones can be divided into three categories, Bar phone, Flip phone and Slide phone according to mobile phone body. LG mobile phones with camera, MP3 player, FM Radio and Bluetooth features are a little cheap than the Nokia products as for as the price range is concerned.

GSM VS CDMA

GSM stands for Global System for Mobile Communications. Today, almost 80% of mobile phone users around the world use GSM technology for their mobile telephony, and managed by the GSM Association (GSMA). Every service provider has their own network over the GSM network, and this is what their subscribers connect to during their calls. GSM cell phones use SIM cards. GSM technology is also known as the 2G network.

CDMA stands for Code Division Multiple Access technology. CDMA cell phones are directly linked to the carrier.

According to the survey conducted to the average urban Indian users (No=5775)

| COMPANY | GSM | CDMA | GSM+CDMA |
|---------------|--------|--------|----------|
| NOKIA | 62.60% | 24.30% | 53.70% |
| LG | 4.40% | 47.60% | 14.40% |
| SAMSUNG | 9.00% | 11.20% | 9.50% |
| SONY ERICSSON | 8.90% | -- | 6.80% |

According to the survey conducted to the people, they highly recommended the product of their usage.

| MODEL | LIKELY TO RECOMMENDED |
|---------------|-----------------------|
| NOKIA | 68.60% |
| LG | 57.60% |
| SAMSUNG | 55.70% |
| SONY ERICSSON | 65.30% |

SMART PHONE MARKET

As per the latest data from IDC,

| Vendor | Units Shipped (2010) | Units Shipped (2011) |
|---------|----------------------|----------------------|
| Nokia | 67.7 | 100.3 |
| Apple | 25.1 | 47.5 |
| Samsung | 5.5 | 23 |
| Others | 31.6 | 61.5 |

From the above table, we know that Nokia - #1 smart phone seller.

MULTIMEDIA: MOBILE INTERNET

Desktop Internet has a limited reach in India (the best-case number is 70 million users) and Mobile Internet has shown immense potential in the country, especially with the rise of Mobile only Internet generation, i.e. those whose primary device to access Internet is mobile.

Opera Software and On Device Research recently conducted a device agnostic survey and here are few interesting insights

- 49% of people, who are using the mobile Internet either never, or infrequently, use the desktop Internet.

- India has emerged as the 2nd largest base of mobile only Internet generation after South Africa.
- For 41% Indians, mobile phone is the only possible way to access Internet.
- Mobile Internet users are heavily male dominated.
- Mobile Internet users are also dominated by young people with 94% aged between 13 and 35.
- It is convenient, cheaper and easy to access anywhere.

MARKET SHARE OF COMPANIES

| COMPANY | HANDSET MARKET SHARE (2011) |
|---------------|-----------------------------|
| NOKIA | 59.50% |
| LG | 10% |
| SONY ERICSSON | 8.10% |
| SAMSUNG | 7% |

Survey Report

According to Gartner Incorporation, Mobile device sales in India reached 138.6 million in 2011, an increase of 18.5 percent over 2010 sales of 117 million units.

According to Digit's 'Icons of Trust' survey, Nokia, Sony Ericsson and Samsung are the top three companies was most trusted brand in the mobile phones segment.

INDIAN CELLULAR MARKET

The Indian cellular market is very dynamic. New carriers and many new local mobile device manufacturers have entered this already crowded mobile device market. This intense competition has led to very low call rates and low-cost devices from multiple manufacturers in the market. This market was previously dominated by just a few vendors such as Nokia, Motorola, Reliance and Vodafone.

Price remains the main criteria when buying any consumer electronic device in India, including a mobile device. Carrier strategies, lower tariffs and/or third-generation (3G) data plans will continue to shape the mobile device market in India.

India, contributing approximately 10 percent of worldwide sales, is an important market for manufacturers with aspirations to grow their global market share.

The entry of Indian mobile handset players focusing on low-end, value conscious consumers has intensified competition in the Indian mobile device market. A large volume of mobile device sales in India come from the low-end device segment. The average selling price (ASP) of a mobile device is approximately \$52, with 85 percent of devices sold costing below \$100.

Cellular phone penetration in India stood at 45 percent in 2010, and the market is entering into a second phase of growth, with replacement sales increasing from 45 percent in 2010 to 50 percent of total sales in 2011.

MARKET LEADER

- Nokia is the undisputed leader of the Indian mobile phone sector, with 54% of total volume sales in 2009. Nokia benefits from a strong brand image and a reputation for high quality products. According to industry sources, Nokia has the distinct advantage of having the strongest retail network, with a presence in almost 90% of retail outlets selling mobile phones.
- With the launch of low-priced mobile phones it becomes more affordable for Indian consumers.
- However, with the entrance of new companies, such as Micromax, G'five and Karbonn in the mobile phone business, the share of Nokia has dropped significantly, from 60% in 2009 & 2010.
- Nokia mobiles in India offer the best battery life which gives advantage over other brands available in the market. Nokia is well known and established brand in mobiles phones and really close to our hearts.
- The Nokia mobiles prices well suits to the pockets of Indian consumers. There are many other mobile brands available in the Indian market but there is none who can compete with the brand name of Nokia mobiles in India.

LATEST MOBILE PHONES IN INDIA

No one yet knew that the device that was termed as an opulence widget for business class will develop a strong hold over Indian mobile phones market. Yes, mobile phones have become a dominant means of communication in the country because of the flexibility and convenience they offer. You can now connect with your family members, colleagues or even clients instantly. Initially tagged as a lifestyle product, the mobile phone has now become a necessity. As far as Indian market is concerned, you will find ample range of latest mobile phones to meet your feature specifics and individual requirements. Youths are the most targeted and potential buyers in this vast industry. Mobile companies know that the gadget is more of a style statement to them, therefore launch sleek, touch screen mobiles in trendy designs and colours. Introduced merely as a voice transmitting device, the mobile phone has now transformed into communication device comprising of MP3 player, high pixel camera, Bluetooth, 3D gaming, GPRS and many other high-tech features. The rapidly increasing space for mobiles in the mobile market of India has made the competition tougher for the cell phones companies. If we study the market share, Nokia is still ahead of other companies like Sony Ericsson, LG or Motorola. The brands like HTC and Apple have targeted a niche market segment only. Because the mobile phones users are increasing at an impressive rate, the competition between mobile phones stores has also become tough. Cheap mobile phones call rates and excellent CDMA services are also twisting the market a bit. Whatever the reason be, there is a cut throat competition and the numbers of competitors is increasing rapidly. The growth rate of 8.12% in the mobile phones sector between the years 2008-2011 boasts of the impressive hold of cell phones. It is expected that more than 6 hundred million people will have mobile phones in India by 2013. If we see the global trends, there is still a lot of scope for development and innovations in the Indian mobile phones market. The network coverage is becoming better and innovation is still being done, which is paving way for more advanced, latest, appealing, improved and of course cheap mobile phones in the coming years 2013.

CONCLUSIONS

The Indian cell phone market mainly depend upon the price, features, stability and stylish. Most of the Indians are middle income groups and below poverty line. As a developing economy, India is a most suitable place for investment. Strong marketing strategies, established retail outlets, customer satisfaction are the tools to succeed in any market. Understanding the consumer is paramount to achieving preeminent market leadership.

REFERENCES

1. <http://www.hindustantimes.com/technology/Market-Updates/Nokia-No-1-in-Indian-mobile-market/SP-Article1-819639.aspx>
2. <http://www.pluggd.in/india-mobile-phone-market-research-nokia-dominates-gsm-market-lg-leads-cdma-297/>
3. <http://timesofindia.indiatimes.com/tech/news/hardware/Samsung-eyes-top-slot-in-Indian-mobilemarket/articleshow/12390123.cms>
4. <http://indiatelecomnews.com/?p=1907>
5. <http://www.rncos.com/Report/IM567.html>
6. <http://www.mobilephonesinstore.com/>
7. <http://buggingweb.com/2012/01/the-mobile-market-in-india-2011-2012/>
8. <http://emergic.org/2009/10/05/indias-mobile-market-3/>