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What happened to Indian smartphone Manufacturing companies (Micromax, Lava, and Karbonn), A detailed case study

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Abstract

Indian Telecom industry is growing at a rapid rate. India is currently the second largest market for telecommunication and has a subscriber base of 1.20 Billion and its growing strongly. Indian mobile market isahead of the US with over 400 million smartphone users whereas China leads in terms of the number of users. Due to above facts there is a strong market for mobile companies in India. There is cut throat competitions among mobile companies, there are Indian companies and foreign companies competing to capture the market. There was a time when Indian mobile manufacturing companies had a good share in the Indian market but with changes in technology some have Indian companies have lost the market. This case study will analyze the reasons for failure of Indian mobile manufacturing companies

Introduction to the case study

India, a growing market for Telecom companies, Telecom companies are adding new subscribers on a per hour basis. Due to low tariff rate the mobile usages has gone up in recent years. Mobile sales has also increased in recent years. As per counterpoint research, about 33% of phones sold are in Rs. 11,000 to Rs. 18,000 price range, and is the fastest growing segment.In the Q3 shipments have grown by 24% over Q2 and in comparison to the same period last year the shipments are up by 5%.The Indian mobile market is growing rapidly and thanks to huge online discounts and aggressive launches the brands are able to sell huge volumes. There was a time when Indian mobile manufactures were the king of the market in India and had a market share of 54 % in the Indian market in the year 2015. But this changed rapidly and market was captured by Chinese smartphone manufacturers

Booming period of Indian smartphone companies (Micromax, Lava, and Karbonn),

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During 2015-2016 period Indian Mobile manufacturing companies were on a growing stage. In the year 2015 android smartphones were in demand. Indian smart phone users were new to Android technology and it was easy to use compared with other technologies. Indian smart phone users wanted to use android technology without spending too much, this demand was captured by many Indian companies like Micromax, Intex, and Lava by introducing cheaper entry level Android smartphones with less features in to the market. With aggressive marketing and by providing good after sale services, Indian mobile manufacturing companies were able to capture 54 percent of Indian market.

Growth reasons

a) Manufacturing of Cheap rate android smart phones
b) Brought mobile phone from Chinese ODMS (Original Design Manufacturer) this led to introduction of new cheap model phone to market with less time compared to Samsung and other foreign manufactures

With all the above advantages Indian Mobile Manufactures were able rule the market till 2016

Why Indian Mobile Companies failed?

In the Year 2017 Indian smart phone manufacturing companies share started to decline due to strong competitionfrom Chinese mobile manufacturers. After years of continued growth, China's smartphone market was getting saturated, making it difficult for Huawei, Gionee, Xiaomi and other local companies to maintain growth, due to this Chinese mobile companies started to enter into Indian market seeing the growth of the Indian market.

<u>Reasons for failure on Indian mobile Manufacturing Companies</u>

a) Lack of original design for Smartphone

    Indian companies failed due to lack of original designs for their smartphones as all the phone looked alike and these phone were manufactured by Chinese ODMS (Original Design Manufacturer)

b) Chinese ODMS (Original Design Manufacturer) bringing their own smartphone into the Indian market

    Chinese ODMS (Original Design Manufacturer) started to enter into the Indian market with cheap phone with lot of features which affected the sales of Indian smartphones.

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c) Launch of Xiaomi Mi3 a major turning point for Indian Brands

Xiaomi a Chinese manufacture launched Mi 3 into Indian market which was a huge hit because it had many features with cheap rate.

d) Aggressive marketing, better logistic services and selling mobiles online

Chinese mobile companies started to do aggressive marketing as compared to India companies. They had better logistic connection as mobile reached to customers at a faster rate. Chinese companies targeted Flipkart and Amazon to sell their mobiles and they sold their mobile online at very cheaper rates. These all strategies by Chinese Mobile companies helped them to gain good market share in India.

e) Lack of Government support

Government did not support these companies, if Government had supported these companies, these companies should have manufactured mobiles of their own and should have ruled the Indian market.

Current Scenario

Current scenario for Indian mobile manufactures is very bad, in the first Quarter of 2019, the market share of XIAOMI was 28 % with all other brands are going down. Samsung, Vivo, Oppo are fighting in the market for their share and Indian Manufacturing companies are nowhere near the race

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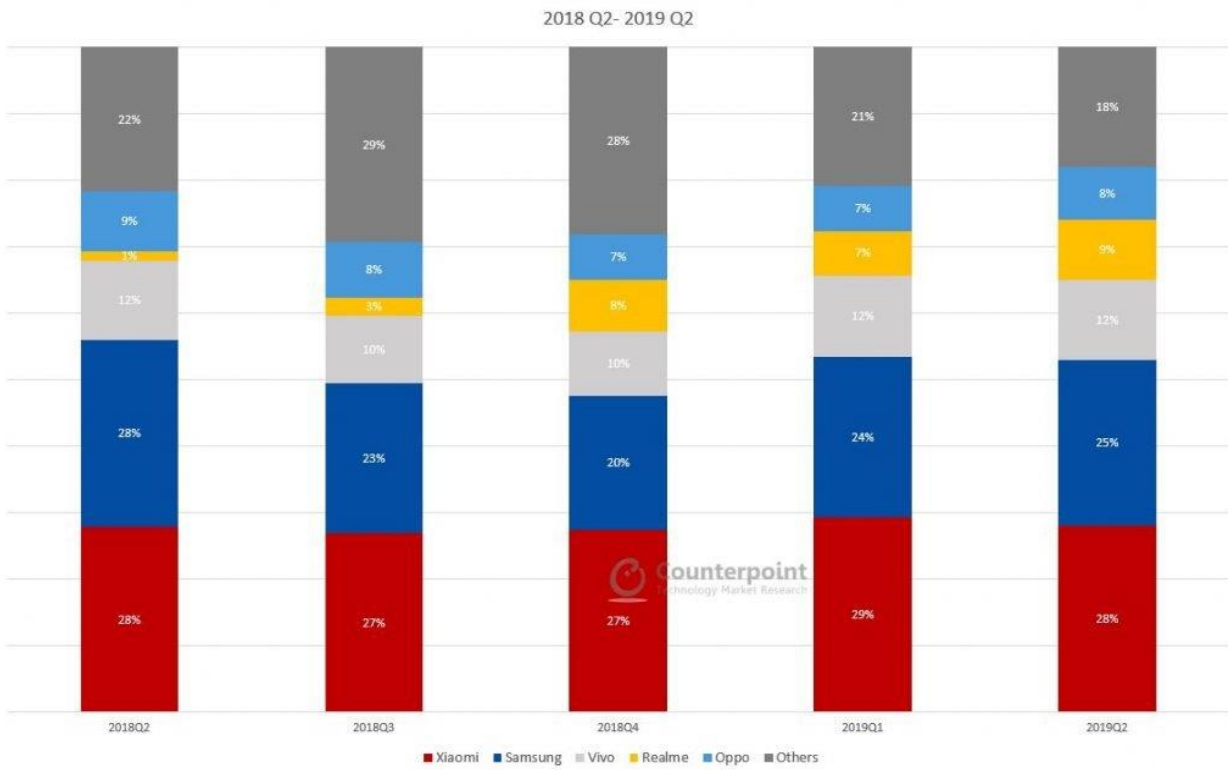

India Smartphone Shipments Market Share (%)	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2
Xiaomi	28%	27%	27%	29%	28%
Samsung	28%	23%	20%	24%	25%
Vivo	12%	10%	10%	12%	12%
Realme	1%	3%	8%	7%	9%
Oppo	9%	8%	7%	7%	8%
Others	22%	29%	28%	21%	18%

Conclusion

There was a time when Indian mobile companies where top in the Indian Mobile market. They had ruled the Indian Market for a year and over but due to financial limitations and strong competition these companies lost all their market share.

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