

“Quality and Innovation” or “Guts and Glory” - the success story of Micromax

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Prologue

“When the giants are around, who cares for the lesser knowns”? The customer was telling the showroom salesperson when looking for a mobile phone.

The sales person was inquiring whether the customer who had just then walked into the shop is interested in looking at an array of brands or he has already made up his choice of brand.

On hearing what the customer had said, it was clear to the salesperson that the customer is either going to buy a Samsung or an Apple “iPhone”, which is what most of the customers would buy when looking for high end mobile phones as these two brands have dominated the Indian mobile phone market for several years. Both these brands are of course “the giants”, in the cellphone market in India. Thus the names automatically come to the mind whenever anyone wants to buy a mobile phone in India.

As quoted in <https://www.thehindubusinessline.com/info-tech/samsung-posts-34300-cr-revenue-from-mobile-sales-in-fy18/article23951191.ece>, Sumit Walia, Director, Samsung India, speaking at the launch of four new smartphone models, stated as follows:

“It’s (₹ 34,300 crore) the mobile revenue for us, in India, for the fiscal year ending 2017...last year, we grew at 27 per cent. We are actually growing faster than that. We expect to exceed this number (₹ 34,300 crore revenue), The company has a 40 per cent market share now”.



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Even volume-wise, we are having a 37 per cent market share. With the launch of new models, the company is expecting a gain of close to five per cent market share. All our products that are actually sold in India are made in India. We have a plant here in India in Noida. All our products get produced there. We are trying to double the capacity of what we have right now”, (Walia, 2018).

Samsung has set up three R&D centres, one in Bengaluru and two in Noida, which help to customise the products to suit the Indian market. This clearly indicates the thrust given by the company towards the fast growing market in India.

Apple iPhones have always been a favourite among the Indian buyers particularly for those who would like to acquire the products that project the latest features derived from technological innovations.

Background of the case

According to Statista (2018), the graph depicted in Figure 1 shows the number of mobile phone users in India from 2013 to 2019. The number of mobile phone users in India is expected to rise to 730.7 million, out of which the number of smartphone users is predicted to reach 340 million and could reach almost 468 million by 2021. It is further stated that at the end of 2016, Samsung held the largest share of the smartphone market in India with around 25 percent, followed by Xiaomi and Lenovo.

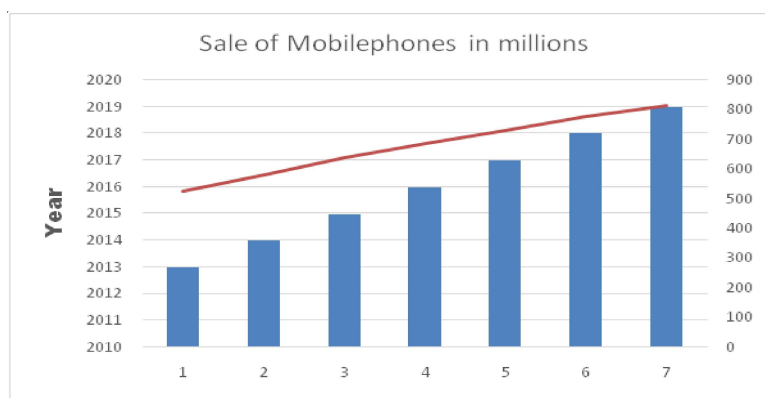


Figure 1. Sale of mobile phones in India. Figures are in millions.

As mentioned in <https://www.counterpointresearch.com/india-smartphone-share/>, Apple had a slow quarter as it underwent changes in its distribution strategy. Further, the Apple company continues to rely on the imports to India, as their domestic assembling plant is yet to pick-up pace in India. It is highlighted that the manufacturers from China have increased their market share and thus are posing a threat to the domestic and foreign players in India. This has also resulted in making the cell phone market quite tough in competition and a multi-player arena.

Well, this is quite often the situation when dominating or aggressive brands create a tough barrier to other brands who would aspire for a space in an already overcrowded market. However, there are instances when a new entrant displays grit and courage and decides to take a plunge into the deep waters with a clearly drawn survival strategy. While the overcrowded markets do pose a serious threat to the entry of new brands, no doubt they also throw open opportunities for those with a sharp vision to penetrate the market and capture a pie. This is what exactly Micromax did and commanded a slot in the overcrowded market not just by grit but by quality and innovation, and today the company is posing a challenge to the market leaders in the mobile phone market in India.

The core issue in this case is to examine the strategies followed by a home grown company which resulted in its success. Further, the case tries to explore the ways and means followed by the company to survive in the market that is witnessing fierce competition that too by the well established brands who are known all over the world. The international companies had all the resources, the most important and the critical success factor being technology. A small company that too started afresh into this field, cannot even think of acquiring such resources and cannot afford to have its own research and development centre. Given these constraints, it is really a success story worth reading about Micromax as it challenged the giants and created its own glorious path to success. This could not have happened without being sensitive to the changes in market dynamics and technology. Micromax understood this and accordingly identified the steps to success.

History of mobile phone market in India

India by its sheer population size is no doubt the darling of any product manufacturer in the fast moving consumer goods segment and in particular the products intended for individual use offer scope for a huge market. In India, the mobile phones are popularly referred to as “mobiles” instead of being called as the “cell phones” as is the practice in several countries. It all started in the early 1990’s, when the costlier and the bulkier box type cellular phones started making an appearance in the Indian market. In those days, the hand phones as some people started calling the mobile phones, were pricey and only few privileged people could afford to use them. The Indian telecom service providers who had then slowly started operating in the mobile phone market found it extremely difficult to operate let alone make profit. Because, the behemoth of the telephone service, which was only through the landline, was the central Government owned and controlled organization namely Bharat Sanchar Nigam Limited (BSNL), which ran a monopoly in those days. The Indian people had very little access to technology oriented service and had to depend on the archaic equipment coupled with poor connectivity thereby affecting the communication process among the people.

So, when the new technology started appearing in the market which was going to alter the way the Indian people would communicate with each other, people were thrilled at the prospect of getting rid of their desktop or fixed position phones. The very thought of making a phone call from anywhere to anywhere while moving, made the people to anxiously wait for the new equipment. At this stage there were several issues that demanded a synchronized system of working from different companies so as to provide a seamless service to the end users. The issues ranged from setting up towers to beam the signals, identifying the equipment providers, the SIM card distributors, and framing the policies regarding the tariff to be charged, the range of services provided, deciding the eligibility condition for the subscribers for going wireless, and of course other issues related to safety and pricing of the handsets. Above all the Indian Government started working on the guidelines for operators to ensure that the new wireless communication doesn’t encourage or provide an opportunity for antisocial activities or any other health related issue due to the radiation effect. However, the commercial operators visualized a big potential for business and profit and this naturally made the global players to start thinking of entering India.

Traditionally in India, the home-grown companies find it very difficult to make an impact and build a brand name. Typically, it is the popular foreign companies like Coca Cola, Harley Davidson, Mercedes Benz, and Toyota, to quote some examples, who start offering their products and quite often succeed in building a big market for themselves in a short span riding on their brand value at their home place. This tendency on the part of the Indian buyers to encourage foreign brands has often been attributed in a lighter way, to the two-centuries long colonial rule and the obsession towards foreign brands. This has been time and again proved right in the country with automobiles being a good example. Once the Indian Government opened the gates of the markets for the foreign products to set up their stalls in the early 1990's in line with the policy of liberalization, privatization, and globalization, popularly referred to as the LPG policy, the market scenario in India went for a complete change.

In several sectors including automobiles, and electronic goods manufacturing, the foreign companies were allowed only as joint ventures with the local companies, for example Hero of India with Honda of Japan. However, it was a straight walk into the country by the foreign companies regarding the mobile phone equipment where no such tie up with a local company was required. This brought the international brands like Sony, Samsung, LG, Motorola, and several others in to the Indian market and the legendary Apple iPhone also entered the fray. While most of these brands were able to generate decent revenue over a period of time, it was the Finnish company Nokia that ruled the mobile phone market for a long time with its basic phone becoming the most popular brand of all time. As the basic phones started giving way to the smart phones and the features phones, the Nokia pedestal started shaking as the company could not cope up with the technological advances that happened in the mobile phone and was thus not able to retain its edge in the market. Consequent to Nokia's acquisition by the Microsoft company, the Nokia mobile phone returned with a new operating system and some better features similar to other models. But the models did not find many buyers and Nokia brand almost vanished from the market. Though Nokia has made a re-entry with advanced features comparable to other brands the success seems to be eluding.

Side by side, the Korean company Samsung started making inroads to the mobile market held by other brands and slowly replaced Nokia to clinch the top position. Compared to Nokia, Samsung had all the technological capabilities with a strong manufacturing base and a bigger

reach out across the country. Soon the market was flooded with Samsung phones which slowly displaced Nokia and other brands too. Another Korean company, LG did try to emulate Samsung but hardly succeeded. It is in this background the success of Micromax needs to be applauded, which according to the market experts is a remarkable success story.

A small company like Micromax when makes an entry into the overcrowded market, it is very difficult to escape the tribulations the earlier entrant companies experienced due to the sheer limitations in investment, technology, and mainly a trustworthy brand name. But, the company achieved the impossible and continues to strengthen its position in the market.

But it is worth looking at the prospects of the growing market of cell phones in India. Analyzing the data presented in the Figure 1, it is observed that a very good linear trend exists between the time period and the demand. Based on this relationship, the forecast for the coming time periods is easy to get as shown in Figure 2.

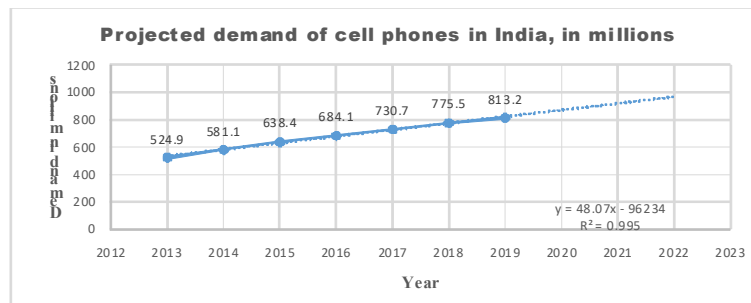


Figure 2. Trend projection forecasting of cell phone demand in India

Going by the trend projection of forecasting, the following forecasting equation is obtained:

$$y = 48.071x - 96234$$

$$R^2 = 0.9955$$

where “y” is the demand for the cell phones, and “x” is the time period in year, and R^2 represents the coefficient of determination and R, the square root of R^2 is the coefficient of correlation. R is 0.99774 and indicates a strong relationship with the time period.

Table 1. Forecast of demand of cell phones in India by trend projection method

Period	Year	Demand for cell phones in millions	
1	2013	524.9	Historical values
2	2014	581.1	
3	2015	638.4	
4	2016	684.1	
5	2017	730.7	
6	2018	775.5	
7	2019	813.2	Forecast values
8	2020	870.5571429	
9	2021	914.7040816	
10	2022	958.783965	
11	2023	1004.95177	
12	2024	1051.317755	

It is easy to make out from the trend projection of forecasting the demand, that in the next four years the demand for cell phones is likely to touch a billion units per year, as displayed in Table 1. This is tempting all the new cell phone manufacturers as well as those who are in the field for strengthening their positions, to increase their production targets to meet the demand. In fact, all the foreign phone makers are excited about the wonderful growth and hence are putting their best efforts including bringing new technology to stay firm and stable in the highly competitive Indian cellphone market.

Challenging the giants - The Micromax Way

Micromax which entered the mobile market in 2008, quickly moved up in capturing the market and in a span of five years the company came to the third position (by volume) in the mobile handset market in India and rose to No. 12 globally. It overtook the veterans Samsung and Apple in the Indian tablet market with a share of 18.4 per cent. The company owes its success to two critical factors because of its sourcing from China, the labor cost advantage and the production flexibility that country offered to enable the desired quantity and quality combinations, (Joseph, 2010).

“The strategy is simple: create high volumes, reach the customer base through effective distribution, give them products that are innovative and cost-effective. Finally, create a strong

brand.” - Rahul Sharma, cofounder, Micromax, in an interview to *The Strategist*, Business Standard, 4 February 2013, (Ojha, 2013). This is how the Micromax company identified the strategy to meet the tough competition. But they also had to follow the usual tactics of building the brand by regular publicity and getting celebrity endorsement.

Several brand surveys for example, India's top 10 mobile phone brands, (2013), about the current mobile phone market scenario have indicated that Micromax has increased its share in the market and has even come closer to the market leader Samsung. It is observed that similar to Samsung, Micromax too has dabbled in the market of other products like laptop, tablet, and air conditioners, but not to the extent of Samsung which has dominated the market.

In 2012, the market leader Samsung announced the launch of Galaxy Note 2, a “phablet”, a hybrid device that combines the phone with a tablet, Kain (2012). The model was launched by the President of Samsung Electronics in Berlin on 29 August 2012. A week before, probably sensing the new arrival in the market, Micromax had released new model Canvas for a direct face off with Samsung. Canvas A 100 was primarily a clone of Notes 2, but with all features like, screen resolution, screen size, number of processors, and the batteries, all being of lesser quality or capacity, with the sole intention of making it cheap, and thus giving the customers a huge price advantage, Rs. 9999 compared to the price of Notes 2 at Rs. 39,900. Given the similarity of features in the two popular models, the price sensitive market welcomed the Canvas A100 phone and in less than three weeks the entire batch of 10,000 phones ordered by Micromax from China was sold out. This indicated to Micromax the next step to be followed to beat the competition. It was straightforward. Offer to Indian customers those features built in major brands but at a lower price taking the advantage of buying from the manufacturers from China, Arakali (2016).

Soon Micromax ordered the next version of Canvas with advanced features and improved the quality but maintaining the same price tag of Rs.9999. This pushed the company's market share substantially and the leading players in the market took serious note of the products from Micromax.

“Our multinational competitors offered one or two smartphone models in every successive screen size—3.5 inch, 4.3 inch, 4.7 inch, 5 inch, etc. It was as though they were checking each [screen size] box with a few models. From a Rs 6,000 Canvas Viva to a Rs 19,000 Canvas 4, we have put a 5-inch smartphone next to each of their boxes. We bet the house on 5-inch smartphones and that market just exploded!” says Rahul Sharma, Dharmakumar (2013).

It was clear that Micromax has arrived in the market, and the market leaders started wondering about the strategy of Micromax. The company which started selling mobile phones in 2008 could rival the big players in about five years.

A spokesperson of Samsung has said “We do not consider Micromax a competitor”.

(Source: <http://www.techtree.com/content/features/2941/micromax-indian-mobile-phone-company.html#sthash.Tbz6R163.dpuf>). An amused Rahul Sharma said, “I think Mahatma Gandhi said it best: ‘First they ignore you, then they ridicule you, then they fight you, and then you win!’”. Yes, Micromax was winning.

Vikas Jain, another co-founder, says, “In most countries where Samsung has a local subsidiary and has been in operation for over 12 months, they are usually number one. If we defeat them in India, this might become the first country where that stops being the rule.”

(Source: http://www.lightreading.in/lightreadingindia/interview/282883/vikas-jain-founder-business-director-micromax?utm_source=reference_article).

Micromax when choosing the vendors from China, made it a point to work with only Tier 1 suppliers, preferably those who were working with big companies like Apple or Sony. The thinking was to get higher quality of components and better quality of work. Though this came at a price, the company did not want to compromise as it had the policy of giving the best to the customers.

The other strategy as quoted by an ex-worker of the company is “affordable innovation”. In a phone, the typical components include the screen, the camera, the chipset and the memory used in the device, all of which play a major role in deciding the quality. But the company did not compromise in offering quality and thus earned the tag of better ROI (Return on Investment) by the customers. Further, the company studied the requirements and

expectations of the customers and offered what the customers are looking for rather giving them the features which they do not want and not want to pay for also.

As stated by Ajay Sharma, the head of Micromax's smartphone business who formerly led HTC India: "If I can make a smartphone that has everything that a competitor offers at double the price, why will consumers not choose it? Our Canvas 4 smartphone costs Rs 18,000, not Rs 45,000."

Celebrity endorsement by film stars and cricketers

Micromax apart from its killer strategies also believed in endorsement by celebrities that included movie films stars and cricket players. For a global advertisement campaign the company hired Mr. Hugh Jackman, a famous movie actor from Australia, that cost the company a massive Rs. 30 crores.

Background of the company

Micromax was incorporated on 29 March 2000 and its registered office is in New Delhi. The company is registered as a manufacturer of electronic products and listed under telecom equipment with the handsets as the main products. At present the Chairman is Mr. Mahendra Swarup and the Managing Director is Mr. Rahul Sharma. The following information is extracted from the company's website www.micromaxinformatics.com:

Micromax Informatics Limited is one of the leading consumer electronics company in India, and the 10th largest mobile phone player in the world. Over the past decade, Micromax has pioneered the democratisation of technology in India - by offering affordable innovations through their product offerings and removing barriers for large scale adoption of advanced technologies. Micromax is currently the 2nd largest smartphone company in India. Micromax is a brand which is close to the heart of the youth, and celebrates the vibrancies of life and empowerment.

Products

Micromax products have become an extension of the Indian youth's lifestyle and dynamism. The company has many firsts to its credit when it comes to the mobile handset market; including the 30-day battery backup, Dual SIM Dual Standby phones, QWERTY keypads, universal remote control mobile phones & first quad-core budget smart phone. The brand's product portfolio embraces more than 60 models today, ranging from feature rich, dual-SIM phones, 3G Android smartphones, tablets, LED televisions and data cards. Micromax sells around 2.3 million Mobility Devices every month, with a presence in more than 560 districts through 1, 25,000 retail outlets in India.

Network & reach

With sales presence across India and global presence in Russia and SAARC markets, the Indian brand is reaching out to the global frontier, with innovative products that challenge the status quo.

Vision

To be amongst the top 5 mobile device brands in the world.

Mission

We will adapt and innovate to provide unique consumer experiences, based on:

- *Strong, engaged customer communities*
- *Insightful analytics*
- *Win-win partnerships*
- *World-class capabilities*

The Micromax company has a distinctive logo as shown in the picture with the three words, Nuts, Guts, and Glory, clearly highlighted in the logo.

Ambitious growth plans and blend of strategies followed by Micromax

Right from the beginning the Micromax company adopted a high growth plan coupled with both evolutionary and disruptive tactics in bringing out the new models. One common design strategy followed by the company is offering rich features to the customers at an affordable



Figure 2: Micromax Logo

price. Even today the company maintains the policy of leveraging the features at a low price. After having consolidated its position in the Indian mobile telecom segment, the company constantly looks for opportunities and diversification as well. This is evident from the time to time announcements made by the key persons of the company in the media clearly expressing their ideas and plans concerning new products and service.

In June 2011, the Micromax launched its first push-email (ezmail) phone Q80 at Rs 4,999. In addition, the handset came with a 3G & Wi-fi enabled device, and offered push-email service that allows users to receive mails instantly. The phone had a dual-SIM facility and was capable of running on both 2G and 3G. The phone also had a music player and came with preloaded applications like Opera Mini, Newshunt, Facebook, and Nimbuzz. This made the phone very attractive to the buyers, *The Economic Times*, (23 September 2016; 30 March 2017)

As stated by the industry experts, the strategy followed by Micromax at different periods can be grouped under three stages:

1. First stage: The company started by picking handsets from China and sold them in India by changing the label and modifying if needed.
2. Second stage: Micromax carried out extensive research to understand the customers' needs and accordingly identified the products and delivered to the market.

3. In the current state, the company is following “mix and match strategy”, under which the products and components are partly sourced from different countries and partly manufactured in India. In addition, the company has always followed a product variety and diversification plan.

Switching to new play grounds

Digital economy and moving towards “cashless society” became an ambitious plan in India and the demonetization process initiated by the Central Government in 2017 gave a big fillip to the e-cash system wherein the payment happens without the hard currency. While the credit or debit card based payments, on-line banking, transfer of funds within and outside the country, all had already established their utility, the demonetization made the process of monetary exchange more inevitable.

For many of the mobile companies and also the finance and banking organizations, moving from e-commerce to m-commerce was another step to simplify the transactions. As payments are the primary source of revenue for the mobile network, the handsets were designed to offer mobile payments to make easy for the customers. Observing the big thrust, the Micromax company tied up with VISA, the merchant establishment and Transerv, a digital payment solutions company, which enabled simple mobile based payment systems through the Udio app, which is a digital wallet developed by the Transerv company.

Micromax co-founder Mr. Vikas Jain told PTI, “Payment is very critical to the overall service strategy for Micromax. Almost all the new smartphone products will have this wallet as natively integrated in them. Existing users of Micromax smartphones will also get this upgrade, as these unique digital solutions are specifically designed to meet the demands of the “mobile-first” Indian consumers. VISA brings together the merchant ecosystem and TranServ takes care of the technical aspect, while Micromax already has strong service ecosystem and user base in place to use this service.”

(Source: <https://economictimes.indiatimes.com/magazines/panache/diwali-bonanza-micromax-to-launch-four-4g-smartphones-with-google-duo/articleshow/54480994.cms>).

Further, the company also planned to launch mobile contactless payments in physical locations through NFC (Near-field communications). Chris Clark, Group Executive (Asia Pacific) at Visa, said “mobile payments are part of the future of payments and their rapid adoption will be instrumental in helping India move towards a cashless society. With India being the world’s fastest-growing smartphone market, we have a significant opportunity to combine the power, reach and security of the Visa network, with the strengths of our partners Micromax and TranServ, to create payment solutions tailored to local market needs”, The Economic Times. (2015).

TranServ co-founder and CEO Anish Williams said “the company is building solutions that will contribute towards a holistic and secure payments ecosystem”. The company decided to move to manufacturing air-conditioners. The company’s Uttarakhand unit has been chosen to manufacture and supply air-conditioners, which are claimed to have advanced features, Singal (2015).

Diversification

Rajesh Agarwal, Co-founder, Micromax Informatics Ltd, stated, “The decision to foray in to newer categories is solely based on our strong positioning in the Indian market and the understanding of consumer demand and need. With our range of products developed especially for Indian conditions, we aim to penetrate the market with a complete range of air conditioners that can improve the quality of life of consumers across the country. With our new range, we are looking at capturing a market share of 5% by the next calendar year. As we further expand with the aim to be a complete consumer electronics brand, we will continue to evolve our technology to offer the best products, services and connected experiences to our customers.”

Earlier too Micromax ventured into the production of Tablets, Televisions, and Personal Computers, although bulk of the revenue came from mobile phones, as the company cleverly started offering low cost and affordable cell phones to the customers. But the company is not able to cut inroads as the markets are already dominated by Indian and foreign brands.

Electric cars are the next big thing to happen in India and the automobile manufacturers in India like Maruti – Suzuki, Tata Motors, and Mahindras, all have announced their mega plans to jump in to the electric transport systems. Interestingly, Micromax has expressed their desire to enter this segment to launch its electric vehicles models and lithium battery categories, Business Today (2018). Having started as a manufacturer of electronic products in India, Micromax has the necessary technology to take up such products but its foray in to the automobile market is not easy to convince the experts.

The company has not disclosed the details about going in to the production of electric vehicles. However, the co-founder Rajesh Agarwal has informed the media that their entry in to the electric vehicles is based on the huge potential the e-two wheelers and e-three wheelers have and hence Micromax would focus on two and three wheelers and not the four wheeler segment as the bigger companies have already set up their plans and units to produce electric cars.

Micromax's plan to enter the e-vehicles' production could have propelled from the fact that the mobile phone market in India continues to witness a huge competition, with many manufacturers trying to push their products in to India. Particularly, the Chinese manufacturers who are already posing a threat in the mobile phone market because of cheaper handsets, might have prompted the Micromax company to be cautious in their traditional field and motivated them to moving in to new products.

Micromax has announced that it will be entering in the refrigerator and washing machine segment in India. The company has revealed that it will launch different models across different segments like air conditioners, washing machines, refrigerators and air coolers soon. (Source: <https://www.themobileindian.com/news/micromax-to-enter-refrigerator-and-washing-machine-segments-in-india-the-mobile-indian-21315>)

The company has confirmed that the products will be available from mid-May in the country. The brand is all set to launch 8 models of refrigerators, 16 models of Washing Machines, 10 models of air conditioners and 8 models of air coolers. It is also aiming to launch semi-automatic washing machines and direct cool refrigerators by March 2018.

Commenting on the launch, Rajesh Agarwal, Co-founder, Micromax Informatics Ltd. said, “Overall India’s Consumer Electronic market is growing at 11-13%. Two years back, we announced our vision to be a leading consumer electronics brand by diversifying the product portfolio and moving into non-mobility segment as well. In the past two years, we have been consistently working towards democratizing technology and bringing best of products at an affordable price point. With our new category and expansion of our existing products, we are working towards becoming a leading consumer electronics brand and are very confident that 2018 will be a landmark year for us in this segment.”

Meanwhile, the company is also planning to bring the first set of Android Oreo (Go Edition) smartphones in India. Micromax will bring the device as a part of Airtel’s ‘MeraPhela Smartphone’ initiative and it will be shipped in the country starting from March 2018. Lava is another brand that will bring Android Go smartphones to the country.

Airtel also revealed that the upcoming devices will come loaded with a host of Airtel apps like MyAirtel App, Airtel TV, and Wynk Music. Additionally, the handsets will also have apps like Google Go, Google Maps Go, Gmail Go, YouTube Go, Google Assistant Go, and Files Go.

Success factors that helped the company

What made Micromax a successful company in a short span of time is answered by closely examining the strategies the company had adopted from the beginning. Notable characteristics are as follows:

- ☐ Volume
- ☐ Variety
- ☐ Low cost models
- ☐ Suppliers who also supplied to competitors
- ☐ Focusing on critical factors (Ex: Battery life)
- ☐ Moving upscale
- ☐ Fast reach

- ☐ Celebrity endorsement (Australian actor)
- ☐ Entering foreign markets
- ☐ Rapid technology adoption
- ☐ Decreasing turn around service times
- ☐ Training and developing more people
- ☐ Opening more service centers

All the listed factors did not happen overnight but over a period of time. Many were based on the feedback from customers and many were self-learnt from the field, particularly watching the big players and grappling with them.

Jolts, setbacks, and controversies

Although enjoying a long successful journey, Micromax is not free from the usual impediments or obstacles which the corporates usually encounter. Micromax has gone through a variety of tough situations that include exit of key persons, litigations, and not to forget the fierce competition from the giants who keenly watch the new entrants and wait for an opportunity to trample them out of the market.

The last two years have seen an uprising in new brands like Xiaomi, Oppo, Vivo, Lenovo, and Gionee, which have entered the Indian market in big numbers. All these brands are from China and have deeply eroded the market share held by the Indian mobile phone manufacturers including Micromax. In fact, Micromax was worst hit with its share moving down from 15 % to 5 % in less than two years. These Chinese brands which have earlier acted as vendors to the Indian manufacturers supplying the parts as well the technology, realized the huge potential offered by the Indian market and have entered directly. Further, the Chinese brands who are catering to the Chinese market, which is four times bigger than the Indian market for mobile phones, are able to offer the phones with advanced features at lower prices. This naturally has made the Indian customers to prefer the Chinese brands and as a result the domestic players have lost the market significantly. Even the market leader Samsung has admitted the damage caused to its market share by the Chinese companies and says that their company is surviving because of latest technology, economy of operations, and of course high volumes.

A popular brand from China, Xiaomi has recognized India as the largest market after China. This company has launched innovative models and strengthened its position. Other Chinese brands, Vivo and Oppo are also leaping aggressively and rapidly capturing the market. Indian companies are not able to match the innovative capacity or the advertisement blitz maintained by the Chinese manufacturers and as result are losing their hold on the market.

“Our strategy has always been a 360-degree integrated marketing approach to connect with the youth, which is our prime focus, across all platforms. In India, cricket and Bollywood are two of the most popular platforms to touch our consumers, especially the youth,” says Will Yang, Brand Director, Oppo India.

Chinese manufacturers have understood the game plan in the Indian market and are able to meet the Indian customers’ requirements in terms of price, new features, and wider assortment of products.

“It will be difficult for Indian vendors to compete directly with China based vendors on marketing budgets. Even at retailers’ level to match the margins and spend on below-the-line activities,” says Jaipal Singh, market analyst, client devices, IDC India.

What needs to be observed here is most of the Indian home grown companies in the beginning were only assembling the components brought from China and released under their own brands. The Chinese vendors who watched the growing market in India quickly realized the opportunity for themselves to enter the market on their own. Incidentally, this is similar to what Samsung did decades ago to the Japanese companies. Samsung was the vendor to Sony in the entertainment electronics and thus Sony had both the cost and technology advantage. Once Samsung learnt the market dynamics, it surged ahead of Sony slicing the Sony’s market share and even became a market leader in several countries including India. It is to be noted that Samsung quickly diversified into other products realizing the threat from Chinese and Korean manufacturers like LG. This tactical move on the part of Samsung whose product line includes televisions, refrigerators, air-conditioners, washing machines and their flagship product mobile phones. Thus Samsung is capable of withstanding the onslaught by the Chinese brands who have encroached the mobile phone market in India.

On June 7, 2017, Samsung announced an expansion at its mobile handset manufacturing facility in Noida costing around Rs. 4,915 crores to double the production capacity to 10 million units every month, or 120 million units annually.

Observing this, Xiaomi has also expanded its production capacity in its Indian plant and plans to capture the ever growing cell phone market in India.

“It is a large growing market which gives everybody scope to grow. Let’s see how it further evolves. We keep track of competition but they do not decide what we do, consumers dictate that,” says Warsi of Samsung.

These developments have shaken the stability of the home grown companies like Micromax, who are now looking for alternate strategies. Because the Chinese companies are too hot to handle in terms of handset prices and secondly have followed an aggressive policy of advertisement in India. Several Chinese companies have resorted to heavy advertisement campaigns and are sponsoring major sports events across the country. Micromax is not in a position to match the aggressive campaigning taken by the Chinese companies nor can afford costly advertising practice. This the company needs to think of maintaining its position in the mobile market and plan to move to other areas where the magnitude of competition is manageable by the company. This perhaps explains why Micromax is now thinking of manufacturing electric vehicles and batteries.

“A market which took three years for the consumers to migrate from 2G to 3G, leapfrogged to 4G in just six months. Hence, we are focused on devices that will enable the next phase of smartphone adoption in the country,” says Shubhodip Pal, Chief Marketing and Commercial Officer, Micromax Informatics.

Indian customers though swayed by the nationalism spirit and thus would remain loyal to the Indian brands has been widely debated in consumer electronics market, and the industry heads opine that ultimately the Indian customers may choose the Indian brands over their Chinese only if there are distinct advantages. Companies like Micromax lack the facilities like R & D, advanced testing centers, and bigger networks in India. This has severely hampered the growth of Indian brands and now the Chinese brands are all set to capture the Indian markets.

Another observation made in the market is the Chinese manufacturers are more inclined to their domestic market as the smart phones are replacing the features phones, and bring better margins. However, the Indian market is still open to both features and smart phones and this could be an advantage to the domestic manufacturers including Micromax. But the caution by the market experts is once the price difference between the two categories of phones diminishes the features phones will automatically exit the market. Until then, there is time for the Indian mobile phone manufacturers to recover their investments.

Indian companies are thus trying to take the advantage. Micromax is offering a sub Rs.5000 phone under its latest Bharat Series-a 4G named Volte smartphone and priced at Rs 3499. Further, in Indian tier 3 cities and rural areas, feature phones have penetrated deeply and connectivity is quite favourable.

Jaipal Singh, market analyst, client devices, IDC India, further comments, “While China based vendors are not focusing on feature phones, it provides an opportunity to Indian vendors to capture lost share in this segment. It will not be an easy task though, as prices of components is continuously increasing and bringing in a quality device will be a challenge”.

In March 2016, the then CEO of Micromax, Mr. Vineet Taneja left the company and there was no succession plan. Taneja had joined Micromax after leaving Samsung Electronics’ Indian business in 2014 when the Micromax company started its international expansion into countries such as Russia. Almost a year before, former Bharti Airtel CEO Sanjay Kapoor had resigned from the post of Chairman of Micromax. These high profile exits did cause a flutter in the organization, and the tenacity of the founders to remain in race, once again came up for serious debate in the industry circle. The main competitors, Lenovo and Motorola

who were in the third position decided to move up in the mobile market after the first two places were taken by Samsung and Micromax.

Diversification and innovation going together

In the year 2016, Micromax announced its intention of manufacturing air-conditioners. Two years earlier the company has moved into the manufacture of color televisions, thereby

ascertaining its capability to move outside the mobile market. The company expressed its intention to produce three split ACs and one Window AC, with a price tag Rs 20,000 to Rs 30,000, and a capacity of 1.5 and 2 tons. Further, the air conditioners are expected to meet the BEE star ratings with a guarantee of 5 years for the compressors and other functional parts. The company planned to capture a 5 percent market share in one calendar's time, breaking into the market of top five players of this segment.

Rajesh Agarwal, Co-founder, Micromax Informatics Ltd. Stated, "The decision to foray in to newer categories is solely based on our strong positioning in the Indian market and the understanding of consumer demand and need. With our range of products developed especially for Indian conditions, we aim to penetrate the market with a complete range of air conditioners that can improve the quality of life of consumers across the country. With our new range, we are looking at capturing a market share of 5% by the next calendar year. As we further expand with the aim to be a complete consumer electronics brand, we will continue to evolve our technology to offer the best products, services and connected experiences to our customers."

In addition, the Micromax company claimed to have included several novel features in their air-conditioners that include Ecco Blu Technology to protect the condenser coil from humidity and moisture, long reach airflow of up to 30 meters, a Volatile Organic Compounds filter for removing chemicals and vapours, dehumidification for removing excess moisture and auto cleaning to eliminate odour and to prevent the formation of harmful micro-organisms by drying the heat exchanger. These features no doubt enhanced the image of the company. The company decided to produce these in their Uttarakhand facility and supported with a broad marketing publicity using all the print, online and TV media. The company also set up dedicated service centers for the new products across the country to provide a good after-sales support to the customers.

Can Micromax succeed amidst the new competition?

What Micromax needs to observe is, not the competition posed by the giants alone but by the new entrants from China who have already established their presence in India. As quoted in

<https://www.livemint.com/Technology/W1a8NWIKkOUIjr29eaaE6I/Xiaomi-leads-smartphone-race-in-India-Samsung-at-second>, in terms of annual market share (the combined shipments for all of 2017), Samsung is still the leading vendor with a market share of 24.7% if we are to consider the numbers for all of 2017's shipments, while Xiaomi is at number two with 20.9% share. Chinese phonemakers strengthened their hold over the market with a combined share of 53%, up from 34% in 2016. The other Chinese companies with the highest annual market share are Vivo, Lenovo and Oppo with 9.4%, 7.8% and 7.5% shares, respectively.

Micromax has time and again proved that it is capable of challenging the giants through volume, variety, technology, diversification, and venturing into new markets. This of course is in alignment with the policy of the company that they are willing to dive to sustain their business. Probably their logo signifies it. But the big question now is, as the markets have changed from one product to another, and the earlier benefits of cost and labor, no longer available, can the company retain its position and still able to pose a challenge to others. Further, the new entrants from China have already eroded the market enjoyed by other companies, and have successfully increased their market share in a short span of time. So how do the Micromax company plan to beat them is a critical question because products by these companies are seen as value for money by the customers.

Appreciating the move to diversify to improve the chances of survival, in particular, the Micromax company's announcement that it would venture into the electric vehicles' market, has already raised a storm. This is because, the electronics company is now trying to polo vault into automobile market. When Micromax started assembling the cell phones it was well accepted the company had already demonstrated its expertise in consumer electronics. But what about the expertise in the electric vehicles, segment? Further, the investment is big and so is the risk. Another critical factor is electric vehicles are not stand alone products but need infrastructural support from private or Government agencies in the form of charging stations. A new set of regulations covering such vital aspects like safety features, causes and prevention of accidents, manufacturing standards, all have to be comprehensively studied and they are yet to be developed. This again is the responsibility of the government and hence would take its own time frame. Given the fact that already some of the existing automobile companies have started efforts in bringing out their electric vehicles makes the

newly chosen field for Miromax a tough nut to crack. But that's we are meant for, could be the response from Rahul Sharma. Will they succeed? Time alone will tell us. But their gut has to be sustained to take them to glory.

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