The wireless revolution in the Indian telecom industry resulted in the emergence of several home-bred handset companies. The frontrunner amongst them has been Micromax Informatics, which entered the Indian mobile handset space in 2008 and has witnessed significant growth while competing with various global brands operating in the country. Riding on the increased smartphone adoption by Indian consumers, Micromax has been able to beat foreign majors such as Nokia, Sony and BlackBerry in terms of smartphone market share within five years. As per International Data Corporation (IDC), the company had a 22 per cent market share in the Indian smartphone market in the second quarter of 2013, second only to Samsung, which had a market share of 26 per cent.

The company's strategy of delivering "value-for-money" and its focus on "consumer insight" has been the key driving forces behind its success. Micromax's first phone that provided a 30-day battery standby time and was priced at around Rs 2,000 became a rage in Indian rural markets during 2008. The momentum has continued over the years and in fact, launch of the Canvas Series and phablets (devices with a screen size of 5 inches and above) have helped Micromax register significant revenues and moved up the pecking order in the Indian smartphone market. Further, aggressive advertising campaigns have helped the company in establishing its brand value and attracting users.

The company has focused on tapping first-time smartphone users – most of which comprise the youth from non-urban markets and want to upgrade to a smartphone but at an affordable price. India continues to be a price- sensitive market, and Micromax, with its smartphone portfolio spanning a price range of about Rs 6,000 to Rs 14,000, appeals more to the middle class, which often cannot afford global branded devices priced between Rs 19,000 and Rs 40,000. Local brands offer almost the same specifications and contemporary design as their global counterparts but at almost half the price due to a difference in the brand of components such as chipsets used or compromises on certain features, etc. Short time-to-market is another advantage that companies like Micromax can leverage. Unlike their global peers, they do not undertake in-house research and development or industrial/software designing, which is mostly undertaken by their contracted China-based original equipment manufacturers. As a result, they can come up with new models within four to six months vis-à-vis the global brands that have a turnaround time of 9-18 months.

Micromax currently sells about 2.5 million units (including feature phones, smartphones and tablets) on a monthly basis. Of these, smartphones sales stand at about 70,000-80,000 units per month. The company registered sales of about Rs 31.68 billion in 2012 and claims to have already surpassed this within the first six months of the current fiscal.

New growth frontiers

One of the key tasks at hand for Micromax is to transform the way the brand is being perceived. For several years, the company has purely concentrated on the “affordability” aspect of products and has not enjoyed a very high loyalty among premium users. However, in the recent past, the company’s efforts to dispel the notion of it catering to a particular section of mobile users; and to establish itself as a high-end and global brand have been evident. The company recently signed on an A-listed Hollywood actor as its brand ambassador and plans to spend about Rs 2 billion on advertising over the next year.

Micromax also has a strong product pipeline and plans to launch 20-25 new models across categories. It is likely to introduce long term evolution (LTE)-enabled handsets in the Indian market by December 2013. With the majority of 4G players aiming to launch services next year, the 4G space offers significant opportunity to handset manufacturers. Micromax also plans to introduce its first Windows-based handset in India by mid-2014.

Further, the company is looking to increase its international reach. Having already made its mark in Bangladesh, Sri Lanka and Nepal, where it ranks among the top three handset companies in terms of sales, Micromax is all set to enter the Russian market by December 2013 and Romania by the last quarter of 2013-14. It is also present in Hong Kong, Maldives, UAE, Saudi Arabia, Kuwait, Qatar, Oman, Afghanistan and Brazil and is looking to explore the Pakistan and African markets.

Challenges and the way forward

Currently, the two areas where Micromax lags behind its global peers are after-sales services and the retail network. Moreover, with the emergence of other local brands, the company faces stiff competition in the smartphone space. Karbonn, for instance, is catching up and currently holds the third position in the Indian smartphone market (13 per cent market share), as per the IDC report. Micromax has also been focusing on local manufacturing, but the lack of adequate government support and infrastructure has been a key impediment.

These challenges notwithstanding, Micromax’s performance in the Indian handset market has been commendable so far. Over the next two years, the company is eyeing a 33 per cent share

in the Indian smartphone segment and aims to emerge as the market leader within the next year.

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