In the quarter ended December 2014, domestic mobile handset vendor Micromax overtook Samsung for the first time to become India's leading smartphone br-and, accounting for 22 per cent of the total smartphone sales. However, today the company's market share has nearly halved (12.9 per cent for the quarter ended June 2016 as per the International Data Corporation [IDC]) and the company is looking for growth opportunities outside India.

Micromax's downslide in the past two years has been a result of both external and internal factors. The Indian smartphone industry has become hyper-competitive and the Chinese manufacturers to which Micromax was earlier outsourcing production have now gained a significant share in the Indian market with their own brands. As per IDC, Chinese vendors have already captured more than 20 per cent of the smartphone market in 25 Tier II and Tier III Indian cities and are expected to penetrate further as their offline presence increases. Samsung has also introduced more models in the low- and medium-end categories, the segments that have traditionally been Micromax's forte.

Within the company, Micromax has been grappling with a number of management issues. In 2014, its founders brought in outside managers to lead the company at a time when Micromax was challenging Samsung to become the largest mobile phone vendor in India. But conflicts between the founders and the newly hired executives undermined Micromax's attempts to raise funds for expansion. For instance, in May 2015, China-based Alibaba dropped its plan to purchase a 20 per cent stake in Micromax for $1.2 billion, citing a lack of clarity on growth strategies. Micromax, however, reportedly attributed this to a lack of consensus between the two companies on a future roadmap. After Alibaba walked away, Micromax struggled to attract other investors and the lack of fresh funding undermined a proposal by the new executives to develop Micromax's in-house research, design and development operations, which had previously been outsourced to the Chinese manufacturers. The move was intended to help Micromax differentiate itself from generic Android smartphones. Micromax was subsequently forced to scale down the in-house research and development project. Moreover, the company also witnessed the exits of at least five senior executives, including the chief executive officer of the company, since November 2015.

However, in spite of these developments, Micromax remains bullish about building on its success story in the domestic handset industry and taking it to greater heights. To this end, the vendor has taken several significant initiatives in the past few months and has embarked on a journey to re-invent itself.

New strategies

In April 2016, Micromax unveiled a new logo and tagline–“Nuts:Guts:Glory” as part of the Micromax 3.0 strategy for driving future growth. The new tagline sought to convey the company’s intent of taking risks and launching innovative products to regain its position in the market.

The company also announced that it would expand its presence in the consumer electronics market by going beyond handsets, televisions and tablets. Micromax, which was ranked number 10 globally by market research firm Gartner in March 2015, is aiming to achieve a spot amongst the top five global handset brands by 2020.

Further, the company, which until now sold its smartphones via e-commerce platforms such as Amazon India, Snapdeal and Flipkart, launched its own e-commerce platform in April 2016. It, however, announced that it will continue to work with third-party e-commerce firms.

Service offerings to drive future growth

Facing fierce competition from the Chinese players, Micromax is now focusing more on building its services ecosystem, which it expects will contribute the most to the company’s revenues by 2020. To this end, the company, which has introduced a suite of services called “Around” in its YU brand of phones, is now looking to incorporate this in around 80 per cent of Micromax’s handsets, barring a few low-end phones with less storage space.

Further, as part of its strategy to build an integrated mobile ecosystem, Micromax has invested in eight to 10 start-ups over the past two years, including mobile payments firm TranServ that will help the company to launch its own mobile wallet, allowing consumers to buy a wide range of services using its native payments solution. In 2015, Micromax also invested in “Gaana”, an online music streaming service operated by Times Internet, a price comparison platform Scandid and a cloud service provider MiMedia.

The company also acquired digital fitness application HealthifyMe and mobile travel search firm Ixigo. Going forward, Micromax is looking to partner with independent service providers in travel (local cabs, flights, hotels, food) and other categories. Micromax also plans to make more investments in start-ups in the artificial intelligence, healthcare, gaming and entertainment areas.

While currently Micromax is looking to increase its revenues by charging a commission on every transaction that happens through its services platform, eventually it will consider opening the platform to advertisers. Over time, it will also introduce its own content in order to create new revenue streams.

Meanwhile, Micromax, which has been mostly selling Android-based smartphones, is now working to launch its own operating system soon and will embed its services ecosystem in this in-house software.

Southern strategy

Mircromax believes that although its products are competing with the international brands across the country, its real strength is in the Tier II-III markets, especially in the south, which is one of the company's largest markets. The company has a market share of 17 per cent in the south which is higher than the national average. In order to further strengthen its position in this region, Micromax is planning to launch new smartphone models loaded with local content and language.

Meanwhile, with a view to targeting smaller towns and villages, Micromax is planning to soon launch a preloaded Google Duo video mobile phone for Rs 6,500 that will offer video chat options like "Face Time" in Apple's iPhone. This is in line with the company's strategy of focusing on the first time smartphone users and it believes that the simplified video calling feature will encourage rural customers to shift from feature phones to smartphones.

Domestic manufacturing

In line with the government's "Make in India" initiative, Micromax is planning to manufacture all its devices in India by 2017 and is aggressively expanding its production capacity in the country. The company plans to invest Rs 20 billion over the next five to six years to develop manufacturing facilities and establish a mobile phone ecosystem in India.

At present, the company has two functional manufacturing plants in Rudrapur, Uttarakhand and Hyderabad, Telangana. It is planning to add two more facilities in Madhya Pradesh and Rajasthan.

Going forward, Micromax plans to graduate from assembling mobile handsets, tablet devices and LED televisions to manufacturing spares and accessories for its entire range of products, and eventually making high-precision components that go into the devices. The company is also in discussion with makers of accessories such as batteries, chargers and earphones to set up units near Micromax's Hyderabad plant.

International operations

In the next few years, Micromax plans to grow its international presence in markets such as Africa, West Asia and Eastern Europe and Commonwealth of Independent States countries, including Armenia and Kazakhstan. The company, which at present gets around 10 per cent of sales from four countries – Russia, Bangladesh, Nepal and Sri Lanka, is aiming at generating about 50 per cent of revenue from the markets beyond India by 2020.

Outlook

Micromax, which generated around $2 billion in revenues in 2015-16, is expecting to grow by 30-40 per cent in 2016-17. According to the company, it sold close to 36 million devices during the year ended March 2016 and plans to sell close to 50 million phones in the year ending March 2017.

Going forward, it is imperative for Micromax to diversify geographically and streamline its product portfolio in order to chart a high growth path. Diversification should be a key focus area for the company for the next few years, given that it usually releases a huge library of devices in a short span of time with barely distinguishable features. The company needs to take note of the fact that a large portfolio of products is no guarantee of a sales boost. Instead, a broader offering means extra expenses because each model incurs non-recurring engineering costs and inventory costs, and leads to intra-brand cannibalism and customer confusion that often hinder, rather than help, sales. Moreover, to fund its ambitious expansion objectives, Micromax should revive its plans of launching an initial public offering.

About Us We are Hiring Contact Us

Subscribe Privacy Policy Advertise Terms & Conditions

Copyright © 2010, tele.net.in All Rights Reserved