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Dynamics of Mobile Phone Markets in India: Some Issues and Reflections.

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ABSTRACT

This study attempts to bring various market dynamics that are involved in marketing, market expansion and competitiveness of cell phone producing companies in Indian mobile phone markets and also tries to examine the issues related to changing dominance of cell phone companies through exploratory method of research. It is clear from the analysis that purchasing decisions are influenced by mobile specifications and after sale services which can be consistent with various segments of price and income criteria. India can be a predominant market place until her annual population growth rate falls below one percent and this will probably take another 50 to 60 years down the line and therefore, firms can plan their long term business strategy in the mobile market.

Keywords: Market Dynamics, Buying Decisions, Exploratory Analysis, Market Segments.

I. Introduction

Tele-communication industry has witnessed wide spectrum of development and growth owning to the phenomenal growth of communication technologies including revolution in the satellite communication networks. The sweeping changes that have taken place across the globe in space science, particularly in the western world, have made it possible to adopt very quick and easy transfer of technologies related to communication network through foreign direct investments and operations of multinational companies. The entire tele-communication industry was dominated by government monopoly, which was considered to be inevitable for the strong growth of the sector until beginning of the nineties, but the scenario started changing at the onset of liberalization. The globalization and privatization significantly altered and complimented this process to have strong impact not only on the growth of the economy but also on the socio-cultural life of the people in India. The continuous and persistent flow of foreign direct investment, participation of foreign companies, fundamental shift in the government policies and economic openness contributed to the large production and markets for mobile phones in India. Today, production of mobile phones and mobile phone services account for sizable proportion in manufacturing and service sector growth and have been contributing in generating employment opportunities and attracting new investment opportunities. It has been observed that the mobile phone services and related forward and

backward linkages generate 4.1% of gross domestic product, 7% of foreign investment, and create 10 million jobs (Mehta 2017).

This study attempts to bring various market dynamics that are involved in marketing, market expansion and competitiveness of cell phone producing companies and also tries to examine the issues related to changing dominance of cell phone companies through information obtained from various sources such as reports and data set that are available as on today. This would automatically exclude the associated dynamics of examining the markets for mobile network services and, the market behavior of service providers and subsequently pricing policies. Markets for mobile cell phones in present circumstances are more complex and there exist an intense and cut throat competition in terms of capturing market share and attaining dominant positions. Market dynamics in analytical perspective are closely approaching towards pure competition in terms of buyers' decisions that are motivated by few sellers who are probably not collusive but have intense reactions in terms of marketing and business policies. The markets are propelled, prima facie, by huge advertisement campaign and price war. Therefore, probably, market could be identified as pure oligopoly. The issue is not to dwell analytically into details of the kinds of markets that mobile phones belong to, but to throw some light on the scenario and the circumstances with which we can visualize some empirical facts on the theme. This paper deals specifically into markets for mobile cell phones and dynamics of consumer behavior in terms of generating demand including the fundamental issues concerning mobile markets through exploratory analysis.

The subsequent analysis is organized as follows. While section II deals with global and Indian scenario and perspective on markets for mobile service, section III analyses methodology and data employed in the study. Section IV talks about fundamental issues concerning to the very dynamics of the mobile markets. Section V gives some comprehensive review that is essential to the fundamental exploratory analysis and concluding remarks are presented in section VI.

II. Background

Markets for mobile phones play a significant role in terms of new business and expansion of the existing ones and also for varieties of companies that are interested in profits both at national and international levels. Mobile phone markets are very wide and diversified which essentially, among other factors, depend on the population and class and group of population mix. According to the United Nations population division, the world's population will raise 11.2 billion by the end of 2100 from the present level of 7.6 billion. At least one billion will be added to the existing population by 2030. It has also been forecasted that more than 50% of the raise in population by the end of 2050 can be accounted for growth in population of nine countries led by India and followed by Nigeria, Democratic Republic of Congo, Pakistan, Ethiopia, Tanzania, The USA, Uganda and Indonesia. The population growth forecasting and projections depend on the realistic assumptions and estimates regarding the key variables such as fertility rate, mortality rates, healthcare scenario, economic growth, etc. Though population projection is a very difficult exercise, the United Nations claims that the revised estimates are thoroughly scrutinized and final estimates are subjected to a better methodological analysis.

It is important to note that the population momentum over projected period is essentially pushed by the faster growth rate of population and also by the phenomenal increase in the absolute level of population from forthcoming demographic situations in India. This faster growth rate will

include sizable number of youthful population which probably can be termed as that population that is below 40 years. Therefore, it is important to note and to understand the kind and the size of the markets that will be available for mobile companies. Even if one goes by rough estimates, the future expansion of mobile markets could be three to five times if one places the analysis purely on population growth vis a vis competition and national income growth. It is not an exaggeration to point out that maximum potential of expanding market size by all players is only possible in India as compared to other countries.

Various dynamics in the markets and market structure for mobile phones are more complex than they look at superficial level. Essentially, the demand for mobile phones is composed of the real income of the consumers, prices, prices of substitutes and complements, advertisements, taste and preferences for various attributes of the mobiles, availability of credits, etc. We explore available information to examine various factors that are responsible for demand and buying decisions.

III. Methodology and data

This modest attempt follows an exploratory analysis and method while judiciously combining the quantitative frameworks that are necessarily required to support logic and description. Ratio analysis and percentages are used to describe the exploratory framework. Most of the data and information required are collected from the report on population growth, United Nations and also annual and quarterly reports from Telecom Regulatory Authority of India (TRAI). The information is also collected from statista.com and various issues of Economic Times including The Press Trust of India. Though logical exploration on dynamics of markets for mobiles is the key investigation, the study supplements good amount of quantitative information in terms of ratios to demonstrate various inferential issues.

IV. Fundamental issues

The study focuses on key issues which are main challenges for mobile phone producing companies in the present circumstances, although the under current in the market has been changing over time, a very few attempts have been made to explore the market analysis and therefore the concentration is given here on sales, market share, consumer preferences and rural and urban demand backgrounds. In what follows, we present some of the important issues in the light of present available information which are based on some statistical inputs for above stated variables pertaining to market analysis.

1. Sales and market share

Overall sales of mobile phones which consists of both feature phones and smart phones has grown phenomenally over a period of last 15 years. It has been fully recognized that India is one of the fastest growing and world's largest smart phone market with sales in the mature market such as U.S. and Europe on declining trend. It has also been observed that the overall absolute and percentage levels of sales have considerably increased for smart phones while that of feature phones have declined significantly.

Table 1: market share of smart phones in India (percentages)

Brands	Years			
	2014	2015	2016	2017
Samsung	24.4	21.2	24.8	26
Micromax	18.3	16.7	11.9	5
Karbonn	11.6	10.1	-	-
Intex	2.9	7.3	-	-
Lenovo	1.6	3.4	8.8	8
Xiaomi	-	-	8.9	13
Oppo	-	-	7.1	10
Vivo	-	-	6.6	12
Others	41.2	41.3	31.9	26

Source: E-marketer, Statista and The Economic Times (various issues)

1. For the year 2016, the information on Motorola is also included.
2. Last column is pertaining to only first quarter of 2017.
3. For certain brands, the percentage share is included in the last row named others.

According to The Press Trust of India, April 2017, smart phone markets grew 15 percent as against the overall growth rate of mobile phones at around 12% and thereby top 5 brands putting approximately 70% of the total segment of the markets. The Samsung continued to be a market leader with 26 percentage of share, followed by Xiaomi (13 percent), Oppo (10 percent), vivo (12 percent) and others accounting for approximately 26 percent during the first quarter of 2017. It is important to note that category mentioned as "others" includes cross section of brands including the brands against which the dash is marked for specific years in the table. It is equally important to note that some degree of fall in the market share for Samsung during the year 2015 is being recaptured in the subsequent years. Certain brands of smart phones have moved out of the Indian market and some companies such as Karbonn and Intex have lost their market share significantly and the same has been included in the category of others for the years 2016 and 2017 in the table no. 1. For the year 2014 and 2015, market shares of Xiaomi, Oppo and Vivo are included in the category of others, while actually these brands have captured considerable market share recently.

2. Income and geographical distributions

Market dynamics are quite often propelled and moderated by income of the consumers. In fact, most of the policy decisions pertaining to marketing, sales, advertisement, pricing, etc depend on the deeper understanding of various segments of consumers in terms of income group. According to various reports that are available at public domain[1], the usage of smart phone by different income groups might bring out some analytical picture which can be important and critical for firm level policy making[2]. It is observed that almost 65 percent of people use smart phones under the category of no income earners and low income groups for various purposes such as calling, surfing, messaging and for using various applications. It is also further noted that the usage and people owning smart

phone have increased to approximately 85 to 95 percentages as compared to lower income group and however the multiplicity of uses, purpose of smart phone purchasing, kind of network services that are opted and the average number of people using single phone at family level vary across the different income groups[3]. Penetration of the smart phones into cross section area of the market suggests that the percentage of penetration is very high for the age group below 35 years (penetration rate of 65 percentage) and also for higher income group which is estimated to be around five lakhs and above in terms of annual income (penetration rate of 90 percent).

One can also look at the usage and purchasing decisions of smart phones across rural and urban category. It is important to make it clear that varieties of purposes for which smart phones are purchased drastically vary between rural and urban segments. One purpose of calling and messaging seems to be common between the two categories. Although the information about the hardware and software aspects of mobiles and technical differences in the network services provided are not clearly understood in the rural area as compared to urban counterpart, the sale of low segment and mid segment smart phones is increasing in rural areas. It is quite often found that the percentage of single users is very high in urban areas and multiple users are relatively large in rural areas and thereby making the difference in number of users per phone quite wider between urban and rural areas.

3. Social and cultural issues

The demand for and consumption of smart phones in cross section segments of the markets are partly influenced by various social and cultural dimensions that prevail in that region. Social factors such as the religion and beliefs, lifestyle, buying preferences, gender issues, population growth, family size and structure, education level, attitude towards imported phones and services etc predominantly prevail in the mobile phone markets in India and significantly affect the decisions of the manufacturers regarding innovations and product developments. According to the fourth National Family Health Survey (NFHS), 2016, less than 46 percent of women in India own and use a mobile phone. The considerable potential that is available, where 64 percent of the women do not possess mobile, throws greater opportunity for expanding the mobile markets. Probably, multiple use of single mobile, lack of knowledge of the usage, household income, communication priorities, social misconception regarding the usage of mobile by women[4], etc have limited the mobile markets on gender issues.

Another critical issue that influences the buying behavior of the consumer is the existence of Veblen and bandwagon effects in terms of fashion and trend on the demand for smart phone than simply as a communication device that enables the day to day functioning of professional and social engagements. The companies, therefore, have to keep evolving and developing newer and innovated models of smart phones that could be discriminated in terms of colours, features and designs for enabling to retain and expand market share and sales.

V. Postprandium

This study brings out various issues that are reported across gender and geographical classification in terms of mobile markets particularly on sales and market share without deeply going into empirical analysis and our exploratory analysis is based on the facts and information which are obtained from reliable sources. There are some critical observations that can be organized in the

following manner given the fact that the study is limited only to descriptive and logical perspectives based on exploratory method and does not go into details of any qualitative or quantitative framework composed of surveys.

Firstly, there is an intense competition in the market to capture the existing consumers and also to expand the base by including new consumer markets as there is a good amount of potential in the Indian mobile market. Approximately 30 percent of the total population in India at working age group, which can be termed as labour market participation rate, is not captured in the mobile market. Secondly, there has been a good deal of divide between rural and urban categories in the mobile market at least in terms of total sales and the type of smart phones that are demanded based on the technical specifications. There is a great potential to expand markets when the market dynamics on rural-urban classification are addressed properly. Lastly, there has been a sizable shift in consumer mobility across products and brands owning to considerable choices that are available in the market and after sales services.

The launching of a new mobile phone is invariably carried out after studying psychological and economic aspects of demand and also putting good amount of resources in research and development of products. This process takes into account various information pertaining to the larger limitations of existing mobiles of a particular company and also the possible greater drawbacks in the products of competitors and their reactions. Though there are scattered surveys on this issue, this study would like to place that the factors such as the type of operating system, after sales services, attitude of the companies to retain the consumers, design and colors, durability and comparative features play significant role in the mobility of the customer from one brand to another brand and from one model to another model within the same brand.

The above issues are exploratory details on market dynamics which are not properly unfolded in the empirical literature.

VI. Conclusion

An attempt made here to explore critical but fundamental issues related to mobile markets is not exhaustive but brings out some meaningful understanding about the current scenario in the mobile markets. It is apparent and clear that there exists a considerable scope for expanding the market size and also for entry of new firms provided that the business policy of the firms addresses the cross section segments of demand for mobile including purchasing decisions of buyers. It is clear that purchasing decisions are influenced by mobile specifications and after sale services which can be consistent with various segments of price and income criteria. India can be a predominant market place until her annual population growth rate falls below one percent and this will probably take another 50 to 60 years down the line and therefore, firms can plan their long term business strategy in the mobile market.

Notes:

1. For more analytical details and information, refer to various reports and dataset available at Statista.com.
2. This particularly refers to marketing and sales policies.
3. More detailed analysis can be had from various reports at dazeinfo.com.

4. There are some evidences which suggest that the usage of mobile phone by younger women might lead to unwanted social association, create destabilizing matrimonial relations and may undermine the social desirability which is a preconceived notion by prejudicial section of the population.

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