Chapter 7

CASE DEVELOPMENT AND COMPARATIVE STUDY

7.1 Introduction
7.2 Case Development
  7.2.1 Nokia
  7.2.2 Samsung
  7.2.3 L.G.
  7.2.4 Micromax
7.3 Comparative Study
7.4 Chapter Summary
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CASE DEVELOPMENT AND COMPARATIVE STUDY

7.1 Introduction

In this chapter, case studies have been developed for each of the mobile handset manufacturers selected for the present study. The case studies focus upon the inception, growth and development of each of the players. The data used for the development of the cases is mostly secondary in nature and have been sourced mainly from the websites of the respective companies. Substantial data have been collected from different websites and online journals too.

Comparative analysis on various factors and parameters has been done using quantitative data from the questionnaire. The results have been depicted graphically and presented in a tabular form as well for ease of understanding.

7.2 Case Development

The case studies developed for the top four mobile handset manufacturers in India viz. Nokia, Samsung, L.G. and Micromax are presented in this section.

7.2.1 Nokia

Established in the year 1861, Nokia Corporation is a Finnish multinational communications corporation having its headquarters in Keilaniemi, Espoo, a city neighbouring Finland’s capital Helsinki (www.nokia.com).

Nokia's history dates back to 1865 when mining engineer Fredrik Idestam established a groundwood pulp mill on the banks of the Tammerkoski rapids in the town of Tampere, in southwestern Finland in Russian Empire and started manufacturing paper (www.nokia.com).

In 1868, Idestam built a second mill near the town of Nokia, fifteen kilometres west of Tampere by the Nokianvirta river, which had better resources for hydro-electric power production. In 1871, Idestam, with the help of his close friend statesman Leo
Mechelin, renamed and transformed his firm into a share company, thereby founding the Nokia Company, the name it is still known by today (www.kansallisbiografia.fi).

The company is engaged in the manufacturing of mobile devices and in converging internet and communications industries, with over 132,000 employees in 120 countries, sales in more than 150 countries and global annual revenue of over €42 billion and operating profit of €2 billion as of 2010 (ncomprod.nokia.com) It is the world's largest manufacturer of mobile phones with worldwide market share at 23% in the second quarter of 2011 (www.gartner.com). Nokia's estimated share of the converged mobile device market was 31% in the fourth quarter, compared with 38% in the third quarter 2010. Nokia manufactures mobile devices for every major market segment and protocol, including GSM, CDMA, and W-CDMA (UMTS). Nokia offers Internet services such as applications, games, music, maps, media and messaging through its Ovi platform. Nokia is also engaged in providing free digital map information and navigation services through its wholly owned subsidiary Navteq (press.nokia.com).

Nokia entered into a joint venture with Siemens, Nokia Siemens Networks, to produce telecommunications network equipment, services and solutions (www.nokiasiemensnetworks.com). Nokia has sites for research and development, manufacture and sales in many countries. As of December 2010, Nokia had R&D presence in 16 countries and employed 35,870 people in research and development, representing close to 27% of the group's total workforce (ncomprod.nokia.com). The Nokia Research Centre, founded in 1986, is Nokia's industrial research unit consisting of about 500 researchers, engineers and scientists (research.nokia.com). Nokia has research sites in seven countries namely Finland, China, India, Kenya, Switzerland, the United Kingdom and the United States. The company has nine manufacturing facilities located at Salo, Finland; Manaus, Brazil; Cluj, Romania; Beijing and Dongguan, China; Komárom, Hungary; Chennai, India; Reynosa, Mexico; and Masan, South Korea (research.nokia.com). Nokia's industrial design department is headquartered in Soho in London, UK with significant satellite offices in Helsinki, Finland and Calabasas, California in the US.
Nokia is a public limited-liability company listed on the Helsinki, Frankfurt, and New York stock exchanges (www.nasdaqomx.com). Nokia plays a very large role in the economy of Finland; it is by far the largest Finnish company, accounting for about a third of the market capitalization of the Helsinki Stock Exchange (OMX Helsinki) as of 2007, a unique situation for an industrialised country (www.nasdaqomx.com). It is an important employer in Finland and several small companies have grown into large ones as its partners and subcontractors (www.etla.fi). In 2009, Nokia contributed 1.6% to Finland's GDP, and accounted for about 16% of Finland's exports in 2006 (www.etla.fi).

The Nokia brand has been valued at $25 billion and the company is listed as the 14th most valuable global brand in the Interbrand/Business Week Best Global Brands list of 2011 (www.interbrand.com). As of 2011, it is the 14th ranked brand corporation in Europe (www.icon-net.com), the 8th most admirable Network and Other Communications Equipment company worldwide in Fortune's World's Most Admired Companies list of 2011 and the world's 143rd largest company in terms of revenue in Fortune Global 500 list of 2011 (www.money.cnn.com). In the global smartphone rivalry, Nokia held the third place in second quarter of 2011, trailing behind Samsung and Apple (www.thenextweb.com).

On 11 February 2011, Nokia announced a partnership with Microsoft where all future Nokia smartphones will be powered by the Windows Phone 7 operating system. On 26 October 2011, Nokia unveiled its first WP 7.5 powered handsets Lumia 710 and 800 (www.bbc.co.uk).

**Entry in the Indian Market**

Nokia entered the Indian market in the year 1995. Since then, it has proven itself as one of the most recognised brands in the telecom sector. Since its entry into the Indian market, Nokia has remained the market leader.

Nokia had a market share of 56.2% in 2008-09* which fell to 52.2% in 2009-10.* The company is rapidly losing ground to other major players and now has a market share of around 39% only.* (*Voice & Data Journal) With the advent of android phones,
Nokia has lagged behind in this sector and other mobile manufacturers have increased their market shares.

The trend in mobile telephony has changed drastically during recent years and the customer has become more demanding. Recently, there has been a huge demand for smartphones in the market and Nokia has failed to meet those requirements. Sales of smartphones, which currently account for six percent of the overall handset shipments, is tipped to surge in India—the fastest-expanding market for wireless services-driven by the growth of internet among the country’s 1.2 billion people (www.marketwatch.com). Further, there are other smartphones in the Indian markets such as HTC, Blackberry, Apple, Samsung, Micromax, L.G., etc. Apple’s i-phone and Samsung’s Galaxy series have captured the android phone market and are offering best of services which Nokia has so far been unable to provide. Nokia has just now launched its smartphones, Lumia 710 and Lumia 800, using Microsoft Corporation’s Windows operating system while other players have already made their stand strong enough to counter Nokia’s new products.

Distribution Strategies

Nokia has a strong distribution network that has helped market its products to the customers in an effective and efficient manner.

For Nokia, India was an ideal mobile communications market. Because of high population, high demand for handsets, limited reach of landlines in several parts of the country, and low penetration level made it a major mobile destination.

Nokia has nine production facilities located at different regions across the globe. In India, Nokia has a production facility at Chennai set up in the year 2006. It is not only Nokia’s one of the biggest facilities but is also big on sustainability. In 2010 it received the Golden Peacock Award for its high standards of environment management and it is highly active in the community with projects ranging from a local library programme to village regeneration projects (www.nokia.com)

In India, Nokia has more than 2.5 lakh retail outlets and approximately 750 support centres across more than 400 cities and towns (www.voicendata.ciol.com).
To market its products, in 2009, Nokia piloted a scheme in two Indian states where it sold handsets on a weekly instalment of 100 rupees over 25 weeks. Nokia planned to rollout the microfinance offer in 12 Indian states (www.cellbharat.com).

Nokia, which has a target of connecting one billion people via mobile internet, says a third of it would come from India. Its new focus is on innovation to put its growth back on track. According to CEO of Nokia, “80% of mobile growth will come from countries such as India, Russia, Brazil and Indonesia. Out of these, India is the fastest growing market.” India was one of the five markets where the company introduced low cost mobiles (www.articles.timesofindia.indiatimes.com).

In June 2011, Nokia entered the dual SIM segment with the launch of Asha phones. This move has been made in order to re-capture the market lost due to the launch of low cost dual SIM mobile phones by other mobile firms.

Nokia plans to introduce both feature phones and smartphones with better and improved variants. According to its MD, “India is a hypercompetitive market in all segments. There will be lots of players always but our focus will be on scale and innovation.”

In the current market scenario, there are a number of smartphones being added almost every month. Nokia needs to counter these threats from smartphone giants as well as the new entrants in the market so as to remain at the top.

### 7.2.2 Samsung

Samsung Group is a South Korean multinational conglomerate corporation headquartered in Samsung Town, Seoul, South Korea. It comprises numerous international affiliated businesses, most of them united under the Samsung brand (www.samsung.com).

Notable Samsung Group’s industrial subsidiaries include Samsung Electronics, the world's largest information technology company measured on the basis of 2010 revenues (www.ft.com), Samsung Heavy Industries, the world's second-largest shipbuilder measured by 2010 revenues (www.bloomberg.com), and Samsung Engineering and Samsung C&T, respectively the world's 35\textsuperscript{th} and 72\textsuperscript{nd} largest
construction companies (enr.construction.com). Other notable subsidiaries include Samsung Life Insurance, the world's 14th-largest insurance company (money.cnn.com), Samsung Securities, Samsung SDS, Samsung Everland, the oldest theme park in South Korea (www.forbes.com), Cheil Worldwide, the world's 19th largest advertising agency in terms of 2010 revenues (investing.businessweek.com) and Shilla Hotel.

In 1938, Lee Byung-chull (1910–1987) of a large landowning family in the Uiryeong county came to the nearby Daegu city and founded Samsung Sanghoe, a small trading company with forty employees located in Su-dong (www.samsung.com). It dealt in groceries produced in and around the city and produced noodles itself. The company prospered and Lee moved its head office to Seoul in 1947. When the Korean War broke out, however, he was forced to leave Seoul and started a sugar refinery in Busan as a name of Cheil Jedang. After the war, in 1954, Lee founded Cheil Mojik and built the plant in Chimsan-dong, Daegu. It was the largest woollen mill ever in the country and the company took on an aspect of a major company.

In the late 1960s, Samsung Group entered into the electronics industry. It formed several electronics-related divisions, such as Samsung Electronics Devices Co., Samsung Electro-Mechanics Co., Samsung Corning Co., and Samsung Semiconductor & Telecommunications Co., and made the facility in Suwon (www.samsung.com). Its first product was a black-and-white television set. In 1980, the company acquired Hanguk Jeonja Tongsin in Gumi, and started to build telecommunication devices. Its early products were switchboards. The facility was developed into the telephone and fax manufacturing systems and became the centre of Samsung's mobile phone manufacturing. They have produced over 800 million mobile phones to date. The company grouped them together under Samsung Electronics Co., Ltd. in the 1980s.

**Entry into Telecommunications Market**

Samsung Telecommunications is one of five business units within Samsung Electronics, belonging to the Samsung Group, and consists of the Mobile Communications Division, Telecommunication Systems Division, Computer Division, MP3 Business Team, Mobile Solution Centre and Telecommunication R&D
Centre. Telecommunication Business produces a full spectrum of products from mobiles and other mobile devices such as MP3 players and laptop computers to telecommunication network infrastructure. Headquarters is located in Suwon, South Korea.

In 2007, Samsung Telecommunication business reported over 40% growth and became the second largest mobile device manufacturer in the world (www.mobile.engadget.com). Its market share was 14% in Q4 2007, growing up from 11.3% in Q4 2006 (www.knowyourmobile.com). At the end of November 2011, Samsung sold more than 300 million mobile devices and set still in second after Nokia with 300.6 million mobile devices sold in the first three quarter of 2011 (www.paidcontent.com).

In 1977 Samsung Electronics launched the Telecommunication Network business, and in 1983 it initiated its mobile telecommunications business with the hope that this would become the company's future growth engine. In 1986, Samsung was able to release its first built-in car phone, the SC-100, but it was a failure due to the poor quality. After 2 years of R&D, Samsung developed its first mobile phone (or "hand phone" in Korea), the SH-100 in 1988. It was the first mobile phone to be designed and manufactured in Korea. But the perception of mobile devices was very low and although Samsung introduced new models every year, each model sold only one or two thousand units.

In order to achieve new dimensions, Samsung executives pointed out every problem the company had and emphasised that Samsung needed a turnaround and declared a new management initiative “Samsung New Management.” The “New Management” reached to the mobile phone business as well, and the group’s Chairman Lee gave the division an ultimatum: “Produce mobile phones comparable to that of Motorola by 1994, or Samsung would disengage itself from the mobile phone business.”

In November 1993, the development team finally unveiled a new model, the SH-700. This model was quite remarkable. It weighed less than any other company's models, the design was compact, and its quality was substantially improved over previous models. Each product manufactured was tested piece-by-piece to assure perfect
quality. Phones with any kind of defect were burned openly for all employees to see. (The products that had been burned were worth 15 billion won or $188 million). The burning ceremony ingrained the motto “Quality is Pride”, the essence of New Management, in every employee’s mind. In October 1994, the SH-770 was introduced under the brand name “Anycall.” It was a result of the marketing team’s effort at brand-building. The model was an upgraded version of the SH-700, with a few changes in design and improvements in product quality. Samsung expected that branding would change customers’ perception of Samsung’s mobile phone and build up their trust. Aggressive marketing campaigns started as well. At the initial stage, the most important objective of the company's marketing strategy was to break customers' preconception that Samsung’s phone would be inferior to Motorola’s. To market this idea of quality, Samsung developed the slogan, “Strong in Korea's unique topography.” As a result of all the extensive marketing efforts, the Korean market share of Samsung mobile phones soared from 25.8 percent in October 1994, to 51.5 percent in August 1995. In the same period, Motorola’s market share dropped from 52.5 percent to 42.1 percent (www.voicendat.ciol.com).

**Entry in the Indian Market**

In December 1995, Samsung Electronics entered the Indian market. Headquartered in New Delhi, Samsung India has widespread network of sales offices all over the country.

The Samsung’s manufacturing unit for Colour Televisions, Mobile phones, Refrigerators and Washing Machines is located at Noida, near Delhi. Samsung’s 'Made in India' products like Colour Televisions, Mobile phones and Refrigerators are being exported to Middle East, CIS and SAARC countries from its Noida manufacturing complex. In November 2007, Samsung commenced the manufacture of Colour televisions and LCD televisions at its state-of-the-art manufacturing facility at Sriperumbudur, Tamil Nadu. The Company is also manufacturing fully automatic front loading washing machines at its Sriperumbudur facility (www.samsung.com).

Samsung India is the hub for Samsung's South West Asia Regional operations. The South West Asia Headquarters, under the leadership of Mr. Jung Soo Shin, President & CEO, looks after the Samsung business in Nepal, Sri Lanka, Bangladesh, Maldives
and Bhutan besides India. Samsung India which commenced its operations in India in December 1995 enjoys a sales turnover of over US$ 1bn in just a decade of operations in the country (www.time4education.com).

According to Mr. Shin, the company expects revenue from India to double to $10 billion by 2014, driven mainly by the mobile devices and flat-panel television businesses and the company plans to invest more than $70 million over the next three years to expand an existing factory in the southern Indian state of Tamil Nadu at Sriperumbudur.

The company's thrust on Product Innovation and R&D have given the company a competitive edge in the marketplace. Samsung has two Software development centres - Samsung India Software Centre (SISC) and Samsung India Software Operations unit (SISO) at Noida and Bangalore respectively (www.samsung.com).

While the Samsung India Software Centre is developing software solutions in Samsung's global software requirements for hi-end televisions like Plasma and LCD TVs and Digital Media Products, SISO is working on major projects for Samsung Electronics in the area of telecom: wireless terminals and infrastructure, Networking, SoC (System on Chip) Digital Printing and other multimedia/digital media as well as application software. In addition to working on global R&D projects, SISO is also helping Samsung India's Mobile business by focusing on product customisation for the Indian market. Samsung India currently employs around 2000 employees across its R&D Centres at Noida and Bangalore.

Samsung India is also carrying out Hardware R&D at its Noida R&D Centre. The focus of the R&D Centre is to customise both Consumer Electronics and Home Appliance products to better meet the needs of Indian consumers. From Flat televisions with 'Easy View' technology, Frost free refrigerators with Stabiliser free operations to Semi automatic washing machines with Silver Nano technology, the Samsung R&D Centres in India are helping the company to continuously innovate and introduce products customised for the Indian market (www.samsung.com).

The company entered this market with its focus mainly on colour televisions. Later, with the growth and advancement in the electronics sector, the company diversified
its offerings to colour monitors, home appliances, mobile phones, etc. The firm established itself in the electronics market with new and innovative products but it lagged in the mobile phone market with Nokia leading all the way. The break came when Reliance Infocom entered into an exclusive agreement with Samsung and L.G. to manufacture mobile handsets for them at a very affordable price. This helped the firm to start establishing itself in the Indian market previously dominated by Nokia (www.crpsouth.org).

Even though Nokia is still the leader in the Indian Mobile phone market, Samsung is fast catching up and is a big threat to Nokia’s dominance. The Korean mobile phone giant is quickly growing its market share during the last few years. It reported a revenue growth of 21.7% during last year as against Nokia’s flat revenue growth. Nokia’s revenue during 2011 was Rs. 12929 cr. against Rs. 12900 cr. during the previous year.

The firm saw tremendous growth in sales of its mobile handsets with new and improved technology. Since 2009, the company has seen a boost as a result of introduction of touch screen and android based smartphones in line with Apple Inc.’s i-phone, HTC and Blackberry devices. Samsung’s sales have shot up and the firm has got a significant increase in its market share in the cellphone sector.

With the launch of Galaxy series handholds, the company is giving market leader Nokia, a run for its money. The company recently launched Galaxy Note with superb features and advanced applications, which is becoming a hit amongst the youth and the office goers alike.

With the kind of pace and growth the company is following, it is surely going to overtake the market leaders to grab the top spot in the Indian mobile phone market.

7.2.3 L.G.

LG Corporation is the second-largest South Korean conglomerate company (www.forbes.com) and is headquartered in the LG Twin Towers in Yeouido-dong, Yeongdeungpo-gu, Seoul (www.lg.com).
LG produces electronics, chemicals, and telecommunications products and operates subsidiaries like LG Electronics, LG Display, LG Telecom and LG Chem in over 80 countries.


Goldstar produced South Korea's first radio. Many consumer electronics were sold under the brand name GoldStar, while some other household products were sold under the brand name of Lucky. The Lucky brand was famous for its line of hygiene products such as soaps and HiTi laundry detergents, but most associated with its Lucky and Perioe toothpaste.

In 1995, to better compete in the Western market, the Lucky-Goldstar was renamed “L.G.”, the abbreviation of “Lucky-Goldstar”. More recently, the company associates the letters L.G. with the company tagline “Life's Good”. This tagline came from Australia, where many of the products are tested first by LG. Since 2009, LG also owns the domain name LG.com (www.vb.com). In 1996 L.G. formed a joint venture with IBM. This joint venture was later terminated (www.news.cnet.com).

**LG Electronics**

LG Electronics is a global electronics and telecommunications company headquartered in Yeouido, Seoul, South Korea. The company operates its business through five divisions: mobile communications, home entertainment, home appliance, air conditioning and business solution. LG Electronics is the world's second-largest manufacturer of television sets (www.displaysearch.com) and third-largest producer of mobile phones in the world (www.bloomberg.com). The company has 75 subsidiaries worldwide that design and manufacture televisions, home appliances, and telecommunications devices. LG Electronics owns Zenith Electronics and controls 37.91 percent of LG Display (www.lgsolutions.com). Its mobile communications
division provides mobile communication terminals, personal computers and communication devices. The home entertainment division offers liquid crystal display (LCD) televisions (TVs), plasma display panel (PDP) TVs, PDP modules, and audio, video and storage devices. The home appliance division provides refrigerators, washing machines, microwave ovens, cleaners, compressors, motors and others. The air conditioning division provides air conditioners and solar cells. Its business solution division provides integrated solutions of hardware, software, network, contents and systems.

The company was originally established in 1958 as GoldStar, producing radios, TVs, refrigerators, washing machines, and air conditioners (www.lg.com). In January 2009 LG was able to buy the domain name LG.com, for a price reportedly to be more than $100 million, placing it among the companies who own their two letter brand's domain name (www.vb.com).

In 1994 GoldStar gained sponsorship from the 3DO Company to make the first 3DO Interactive Multiplayer. In 1995, GoldStar was renamed LG Electronics, and acquired Zenith Electronics of the United States. LG Solar Energy is a subsidiary formed in 2007 to allow LG Chemicals to supply poly-silicon to LG Electronics for production of solar cells. In 2008, LG took its first dive into the solar-panel manufacturing pool, as it announced a preliminary deal to form a joint venture with Conergy. Under the deal, set to be completed by year's end, LG would acquire a 75 percent stake in Conergy's Frankfurt solar-panel plant (www.lg.com).

Mobile Communications

LG Electronics is the world's third largest handset maker behind leader Nokia, and Samsung. LG said it expects a significant increase in mobile phone sales this year 2010, while 20 new smartphones present and aims to become one of the leading manufacturers in the sector by 2012.

The Korean company is expected to sell an estimated 140 million phones in 2010, said Skott Ahn, CEO of mobile phone unit. Ahn said LG Electronics reported a global market share in double digits in 2009 for the first time, despite a 5% contraction in the global market.
In the 3rd quarter of 2010, L.G.'s market share of the global mobile phone market had dropped to 6.6% as compared to 10.3% in third quarter of 2009 (www.lgcorp.com). Overall, LG sold 116.7 million mobile phones in 2010, corresponding to a market share of 8.4% (www.lg.com).

L.G. mobile devices are made for GSM networks as well as for CDMA networks worldwide. LG phones are available also in unlocked versions that can be used on any GSM network worldwide and not just for a specific carrier's network (www.marketwatch.com).

Entry in the Indian Market

L.G. Electronics set up its base in India in January, 1997. Its corporate office is located at Greater Noida, U.P., India. There are more than 3000 employees working for the group. L.G. set up its state-of-the-art manufacturing facility at Greater Noida in 1998 with an investment of Rs. 500 crores. In 2004, it set up its Greenfield manufacturing unit in Pune, Maharashtra with an investment of Rs. 900 Crores. Both the Indian manufacturing units have been designed with the latest technologies at par with international standards and are one of the most eco-friendly units amongst all L.G. manufacturing plants in the world (www.lg.com).

L.G. Soft India, the innovation wing of L.G. Electronics in Bangalore is its largest R&D centre outside Korea. It focuses on niche technology areas such as mobile application development, digital video broadcast and biometrics software and support. Motivated by a passion for technology, a strong work culture and loyalty to the organisation, the company is determined to see L.G. become one of the top three brands globally.

Starting 1998, L.G. has targeted broad, price conscious consumers who wanted the white goods but were turned off by the relatively high price of products offered by the competitors. L.G. started off by offering them the value proposition in terms of quality yet affordability. It also rolled out one of the biggest distribution networks in consumer goods industry in India which helped it to reach to deeper markets and gave it ability to understand the nuances of broader consumer market. Backed with this
market information, it designed and sold products with localised features and also heavily advertised in its advertising campaigns.

With its focus on wide distribution and marketing support, the company has been able to craft out in ten years, a premium brand positioning in the Indian market and is one of the most preferred brands in the market today.

**Entry into Indian Mobile Phone Market**

LG Electonics India Ltd. (LGEIL) started its operations in India in May, 1997. In India for more than a decade now, it is the market leader in consumer durables, and a leading technology innovator in the information technology and mobile communications business. Acknowledged as one of the most formidable brands, it is the recognized trendsetter for the consumer durable industry in India with the fastest ever nationwide reach, latest global technology and product innovation. LGEIL has an impressive portfolio of Home Appliances, Consumer Durables, Digital Display products, GSM mobile phones and IT products (www.lg.com).

The firm produced mobile phones for the Indian markets but could not be successful because of the high price of the handsets. The customers were not very much willing to purchase costly handsets when Nokia had already established well in the market.

The firm then started off by offering customers the value proposition in terms of quality yet affordability. It also rolled out one of the biggest distribution networks in consumer goods industry in India which helped it to reach out to the deeper markets and ability to understand the nuances of broader consumer market. Backed with this market information, it designed and sold products with localised features and heavily advertised in its marketing campaigns.

The major breakthrough came in 2004 when Reliance Communications entered into an exclusive contract with L.G. and Samsung to manufacture affordable mobile handsets for it (www.cprsouth.com). The customers started to rely on handsets produced by L.G. and the brand was soon able to penetrate into the communications sector quite successfully. L.G. soon captured third place in the mobile market lagging behind Nokia and Samsung. The brand continued to grow at a steady pace until 2008.
when other small mobile handset manufacturers entered this sector. Further, with the advancement in technology, the demand for smartphones and other android based handsets in the market grew rapidly. These factors affected the handset sales of L.G. as it could not cater to these demands of the customers. Moreover, other brands such as Samsung and Micromax introduced a series of smartphones that provided superb mobile telephony options to the customers. L.G. started late in introducing such communication solutions and therefore, lost a major share in the market. The company is now targeting customers by introducing android based phones such as the Optimus series and a few other smartphones. The company plans to further enhance its handset reach in the years to come.

7.2.4 Micromax

Micromax is a telecommunications company based in Gurgaon, Haryana, India. It is a manufacturer of wireless telephones. Micromax has 23 domestic offices across the country and international offices in Hong Kong, Bangladesh, Nepal, Sri-Lanka, Maldives, UAE, Kingdom of Saudi Arabia, Kuwait, Qatar, Oman, Afghanistan and Brazil (www.khaleejtimes.com).

Micromax Mobile’s strategy focuses on innovating, designing and using the latest technologies to develop products at affordable prices. Its products include long battery phones, 3G phones, dual GSM capability, QWERTY phones and gaming phones (www.micromaxinfo.com).

Micromax made its debut in 1991, but it has only become well-known in the past few years. The company entered the Indian cell phone handset market in March 2008. Within six months, it had won a market share of 0.59%.

Micromax in its website claims it was the “fastest growing among India’s top five mobile brands during the twelve month period ended March 31, 2010”.

Micromax’s product portfolio embraces more than 60 models today, ranging from feature rich, dual-SIM phones to QWERTY, touch-enabled smart-feature phones and 3G Android Smartphones. The company also lays special focus on the products to
enhance the customer’s overall experience with the device. Most of its products come with innovative packaging and bundled accessories.

Globally, Micromax caters to a varied target audience having their focus mainly on the youth. Its overseas product portfolio is tailor-made to suit the needs and aspirations of its growing consumer base in the international markets.

Micromax is the largest Indian domestic mobile handsets company in terms of units shipped during the quarter ended March 31, 2010 and the third largest mobile handset seller in India as at March 31, 2010. Presently, the company has less than 500 employees.

Micromax has made the handsets available through all leading outlets across the country, reaching out to the market with 150% mobile penetration and has its stores located in Croma stores, Planet M, e Zone, Reliance Webworld, Univercell. The Mobile Store, etc. (www.micromaxinfo.com)

Micromax Informatics Limited has announced its foray into Maldivian telecom space through an exclusive partnership with Sense Wood Maldives (Pvt) Ltd.

The company entered the Brazilian market in August, 2011. With initial investments of around BRL 20 million, the company is all set to take on its Brazilian competitors. Present in many countries across the globe, the Indian mobile manufacturer brings models targeting the youth, focusing on key features such as dual SIM, multimedia and 12 days marathon battery products.

Very recently, the company became the 12th largest handset manufacturer in the world, with one per cent share globally. Micromax, according to Global Handset Vendor Market share report from Strategy Analytics, is now larger than global Japanese handset makers like Sharp and NEC. It has even moved ahead of Lenovo and is closing the gap with Sony Ericsson globally. Strategy Analytics tracks the world’s 30 largest handset vendors on a quarterly basis (www.business-standard.com).
The Indian brand is reaching out to the global frontiers with innovative products that challenge the status quo that innovation comes with a price. With an in-depth understanding of rapidly changing consumer preferences coupled with the use of advanced technologies, Micromax has been able to differentiate itself from the competitors through innovation and design.

Though Micromax sold its first mobile phone just three years ago, it appears confident it can pull off a coup - it already has a 6.5 per cent market share (Voice & Data Journal, 2010-11). It has roped in actor Akshay Kumar as its brand ambassador, sports a new tagline of "boring is out" and is looking at innovative means to grab market share. One of these, for instance, is a mobile phone that also doubles up as a remote control for your air-conditioner, TV set or DVD player, perhaps even all three.

There have been innovative co-branding deals with MTV which have helped give the brand a huge push in the youth market. Phones with Swarovsky crystals on each key have also been introduced for those looking for low-price chic.

Since its entry into the Indian mobile phone market in March 2008, the company has seen a rise in market share. Micromax is now the largest Indian domestic mobile handsets company, in terms of units shipped during the quarter ended March 31, 2010 and the third largest mobile handset seller in India as at March 31, 2010. On March 31, 2010 the company registered the market share of 6.24% for that quarter, which grew from 0.59% in September 2008. Micromax became the fastest-growing mobile brand in India for the fiscal year 2009–2010. Handset sales have grown by 123.48% from 1.15 million units in the quarter ended June 30, 2009 to 2.57 million units in the quarter ended March 31, 2010 (www.micromaxinfo.com).

Rahul Sharma, one of the four co-founders of the company and its COO says, "We have a 40-people team that work on all sorts of crazy ideas that we suggest. The latest that our R&D team has managed is phones that can also be used as a remote control for consumer durables in a household, say a TV, an AC or a DVD player. We are also seeing an increasing preference, among the youth, for mobile devices that provide single-click access to popular social networking sites like Facebook and Twitter.”
Growth as a Major Mobile Handset Seller

Micromax started off quite well and within a few months, it had captured a considerable market share. People who want to buy a mobile phone worth Rs. 2,000 don't usually ask for brands, they want value for money. So, instead of trying to get more sales by cutting prices, it sold handsets that came with a 30-day battery back-up - this was an important advantage in rural areas where charging a mobile phone was a problem. The company also sold dual-SIM phones that made more sense for Tier-2 or Tier-3 markets where customers own several SIMs. Of all the models that it has in the market right now, most of them are dual-SIM handsets. It is this kind of ground-level innovation that has led to Micromax selling about 1 million handsets every month. The company expects the number to grow further with new handsets that it plans to launch soon (www.business-standard.com).

The firm entered into an exclusive partnership with Israeli based company Modu Limited to launch the co-branded and customized modu T phone in India.

The innovative feature phones from Micromax have already changed the game in the industry. In the next 2 years, as India gears up become the largest mobile market, Micromax aims to double its reach as well and strengthen its distribution network. Leading this vision will be Khaja Muzaffarullah, Head of sales for feature phone division, as he leverages his expertise on emerging markets. Khaja Muzaffarullah, was earlier with Sony Ericsson at a leadership position. Commenting on his new role, Muzaffarullah said, “The channels partners are a key to our business model and form the backbone of our strong presence in the country. We would be strengthening our distribution across the country and work towards creating a robust network that brings us closer to the customer (www.micromaxinfo.com).

Micromax has already established its leadership in the feature phone market in India and as India witnesses adoption of android, Micromax aims to build a strong portfolio of smartphones for the discerning Indian consumers.

Says Deepak Mehrotra, CEO, Micromax Informatics Ltd, “These are exciting times not only for the brand but for the industry as a whole. We are witnessing technology advancements every day and that further excites us at Micromax. The Indian mobile
industry is growing at a rate of 12% and we would like to capture this opportunity and drive the next phase of growth for the brand. We would further leverage brand’s success in this high potential Indian market and build new capabilities”.

To attain positioning and to enhance brand visibility in the territory, Micromax aims to undertake a 360 degree branding exercise and focus will be on activities like, store branding, merchandisers in key retails and channel marketing.

With a great portfolio, strong branding, marketing actions and a great distribution network, the company hopes to create a strong brand recall amongst the consumers. It plans to launch more advanced smart phones, Androids, music oriented phones and many other products that focus on innovation and design and plans to take on the rural markets as well with an aggressive marketing strategy (www.micromaxinfo.com).

The company, with such a determined team and excellent distribution strategies, is sure to take on its competitors head-on and has a great potential to rise to next level of technological advancement and brand equity.

7.3 Comparative Study

Data collected through questionnaire has been used to perform quantitative analysis in order to compare the distribution strategies of the handset manufacturers.

Pie-charts have drawn to represent the percentage of conformity of each of the players with regard to different aspects of distribution strategies.

Further, in order to comparatively analyse the distribution strategies of top four mobile handset manufacturers in India, a comparative matrix is developed.

The matrix shows the level of implementation/adoptions of some pre-defined parameters/factors of distribution strategies. The degree of implementation is represented on a three level continuum, i.e. High, Medium and Low. High level of implementation represents more than seventy percent affirmative responses. Medium level of implementation represents affirmative responses in the range of fifty percent to seventy percent, whereas affirmative responses below fifty percent represent a low level of implementation.
Figure 7.1: Help in Storage of Inventory

Summary: The above figures depict the percentage of supply chain members associated with each brand getting help from other members of the supply chain with regard to storage of inventory in the warehouse.

Seventy-eight percent of the members associated with Nokia receive help from other supply chain members in this regard.
Figure 7.2: Use of Electronic Order Forms

Summary: The above figures illustrate the percentage of supply chain members associated with each brand making use of electronic order forms for placing the orders.

Members associated with Nokia and Micromax make the maximum use of the technology with forty-four percent of their members utilising the method.
Figure 7.3: Use of GPS/GIS

Summary: The above shown figures represent the percentage of respondents (supply chain members) associated with each brand making use of GPS and GIS for tracking and locating the consignments.

Members linked to Nokia utilise this service the most with thirty-three percent of its members making use of the facility.
Figure 7.4: Extensive Use of Warehouse

**Summary:** The above figures provide an illustrative view of the percentage of supply chain members associated with each brand making use of warehouses for the storage of inventory.

Seventy-three percent of the members associated with Samsung make extensive use of warehouses for the storage of inventory.
Summary: Above figures depict the percentage of members associated with each brand making use of different modes of transport for the delivery of mobile handsets.

Forty-nine percent of the members associated with Micromax make use of road as well as railway for the delivery purposes.
Figure 7.6: Survey for Customers’ Buying Behaviour

Summary: The above figures show the percentage of respondents associated with each brand conducting surveys for understanding the buying behaviour of the customers.

Members associated with L.G. stress most upon this aspect with sixty-seven percent of its respondents conducting surveys.
Summary: The above figures provide an illustrative view of the percentage of supply chain members associated with each brand taking feedback from customers for enhancing the supply chain efficiency. Members associated with L.G. stress most upon this aspect with fifty-seven percent of its supply chain members taking feedbacks from their customers.
Figure 7.8: Type of Feedback

Summary: The above figures illustrate the percentage of supply chain members associated with each brand making use of different methods for getting customer feedback.

Fifty percent of the respondents associated with Micromax personally interview their customers for getting their feedback.
Figure 7.9: Use of Data from Research Institutes

**Summary:** The above figures illustrate the percentage of supply chain members associated with each brand making use of the data made available by various institutes and research organisations.

Thirty-five percent of the members associated with Samsung make use of the data provided by such institutes.
Figure 7.10: Use of E-mail/Internet

Summary: The above figures represent the percentage of supply chain members making use of internet/e-mail to communicate with other channel partners.

Members associated with Samsung make the maximum use of this technology with eighty-five percent of the respondents answering in affirmative.
Figure 7.11: Feedback from Channel Members

Summary: The above figures depict the percentage of supply chain members seeking regular feedback from other members of the supply chain.

Ninety-five percent of the members associated with L.G. pay importance to this aspect by seeking regular feedback from other channel partners.
Figure 7.12: Use of Third Parties for Data Collection

Summary: The above figures illustrate the percentage of supply chain members associated with each brand making use of third parties/independent agencies to gather information from the market and making it available to other channel partners.

Samsung's supply chain members make the maximum use of this method with seventy-three percent of its members responding in affirmative.
Figure 7.13: Mode of Money Transfer

**Summary:** The above figures depict the percentage of supply chain members associated with each handset brand with regard to mode of money transfer.

Forty-four percent of the members associated with Micromax make payments by cash to other supply chain members.
Figure 7.14: Repayment Period

Summary: The above figures represent the percentage of respondents associated with each handset brand with regard to repayment period of credit.

Fifty percent of the respondents associated with Nokia have a credit repayment period between three to six months.
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<th>Factor</th>
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<td>Nokia</td>
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<td>Assistance in Management of</td>
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Table 7.1: Comparative Matrix

7.4 Chapter Summary
In this chapter, case studies focussing on various aspects with regard to each handset manufacturer were developed. Comparative study with respect to different facets of distribution was also presented. Moreover, a comparative matrix for analysing the distribution strategies adopted by the manufacturers on a comparative scale was developed.