A STUDY ON SMARTPHONE INDUSTRY AND THEIR EFFECTS ON INDIAN MARKET

AN OVER VIEW

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ABSTRACT

The term ‘Smartphone’, refers to a multimedia phone handset, which is a multifunctional electronic device that has features ranging from Camera, Audio-Video Playback, Web browsing to a high-density screen display along with several other multimedia options. As per Businessdictionary.com, Smartphone is a mobile phone which includes functions similar to those found on personal computers. Smartphone provides a one-stop solution for mobile calls, email sending, and Internet access. Smartphone is compact in size and often only slightly bigger than standard mobile telephones. A Smartphone is actually a mobile phone, based on an Operating System, which possess all the major functions of a Computer, like web browsing, emailing, video and voice chatting, audio-video playback, and others. A few years back, a Smartphone was a PDA (personal digital assistant) having the calling features like a mobile phone. But nowadays, the mobile phones possess the functionality of added media players, compact digital camera, GPS etc. Today, almost all the Smartphone’s has a high-density screen resolution allowing the handset to display almost all the websites in their standard formats as they appear on the computer screens. Nowadays most of the websites are launching their mobile versions as well, and several applications which can be run on the Smartphone OS directly. For better connectivity, hi-speed data is also made available through WI-Fi, 3G and 4G data connections. In the past 2-4 years, the rapid development of mobile – applications has caused a birth of the new mobile applications market, allowing a lot of trade to happen through mobile platform as well, which has been a major reason for people to adopt the Smartphone.

Introduction:

From being a gadget of luxury and sophistication, the Smartphone has gone on to become a broad-based phenomenon in the Indian mobile phone market. The numbers speak for themselves. Today, there are more than 27 million Smartphone users in urban India, which constitutes 9 percent of all mobile users in urban India. The numbers are higher in the large metros of the four million plus population with one Smartphone user among ten mobile users. Interestingly, even in smaller cities with a population of one lakh to ten lakh, the figure stands at an impressive 6 percent. These are the findings of the study “Smartphone Incidence in Urban India” conducted by Nielsen Infortome Mobile Insights, amongst over 10,000 respondents in towns with one lakh plus population. With a base of 27 million users (and growing), insights into how consumers across cities and towns are using their Smartphones will go a long way in helping manufacturers, marketers and advertisers make strategic decisions. No longer can marketers (across the board) ignore the potential of this medium. Based on a panel of Smartphone users, Nielsen
Informate reports that 87 percent use it for running online searches followed by 80 percent for social networking. While 72 percent smartphone users are chatting and using webmail, 59 percent stream video and use their devices for maps and navigation. Banking & finance, travel & shopping accounts for 30 percent of the usage. Accessing mobile television on a Smartphone is also an increasing trend in urban India - 25 percent use their phones for this purpose. The major players in Smartphone manufacturing in India are: Apple, Samsung, HTC, Blackberry, MicroMax, Sony and Nokia.

Literature Review:

The research aims at finding the factors that majorly influence the buying decision of a customer while choosing a Smartphone. By reading the relevant literature, various factors have been found, based on which the consumer chooses the Smartphone. The previous researches provide a range of variables which affect the purchase decision, combining several dominant such variables, certain major factors can be drawn out. In the first quarter of 2012, Smartphone sales accounted for 34% of total mobile phone sales (Gartner.com, 2012). It is predicted that Smartphone sales will approach one billion units in 2015 (IDC.com, 2011). The Smartphone has revolutionized the way we do thing, the role Smartphone play in today’s society in phenomenal. Today’s Smartphone is taking the role of the computer, making it possible to do a lot with this small hand held device. It has a broad use such as sharing information, paying for products, browsing and shopping. Virtually every activity today has a Smartphone application for it (Mackenzie, 2006). According to Cassavoy (2012), Smartphone can be defined to be a device that enables the user to make telephone calls and at the same time has some features that allow the user to do some activities that in the past was not possible unless using a computer or a personal digital assistant (PDA), such as sending and receiving e-mails, amending an office document etc. Nowadays brand plays a very vital role in consumer buying decision. While consumers usually go for a familiar brand, but the concept of brand transcend has emerged beyond a trademark or name. The concept of brand encompasses much more than a trademark. Based on the various journals, researches and articles; several dominant factors influencing a consumer purchase decision towards Smartphone can be drafted out. The variables under investigation in this study include product features, brand name, price and social influences. A. Product Features: A feature is an attribute of a product that to meet with the satisfaction level of consumers’ needs and wants through the owning of the product, usage, and utilization of a product (Kotler et.al. 2007). B. Price: Nagle and Holden (2002) stated that price can play a role as a monetary value whereby the consumers to trade it with the services or products that were being sold by the sellers. Price will always be the key concern of consumers’ before making any purchasing decision.

Mobile phones In India:

The first set of cellular licenses was awarded to the private sector in 1994, permitting the launching of mobile phones in the metropolitan cities of Delhi, Mumbai, Kolkata and Chennai. The second set of licenses were given out in 1995 to operate in the 19 telecommunication circles (Fraunholz&Unnithan, 2006). When mobile services were introduced in the country, the whole country was divided into 23 circles, which were classified in Metros, A, B or C (Telecom Regulatory Authority of India, 2007-8). While Mumbai, which is in the Metro circle, was one of the first cities to have mobile services in the country, Kanpur, located in the state of Uttar Pradesh (East), falls in Circle B and received mobile phones later (www.upe.bsnl.co.in). Initially due to high costs, mobile subscriptions were very few and the service was mainly adopted by business executives and professionals. However, in January 2000, the government introduced a new policy called NTP99, which replaced the high-cost, fixed licensing regime with a lower cost licensing structure (Fraunholz&Unnithan, 2006). The new policy led to a drop of over 90% in cellular tariff rates. The lowering of costs, which encouraged price wars among the cellular operators, led to a massive boom in the mobile phone subscription levels (Fraunholz&Unnithan, 2006). Additionally, the availability of cheap handsets and the launch of mobile value-added services (MVAS) have added to heavy adoption and use of mobile phones. In order to make up for low revenues due to the flexible cost-structure, mobile service providers launched a host of mobile value-added services (MVAS) such as short messaging services (SMS), ringtones and wallpapers. The MVAS in India has been divided into three different categories – Entertainment VAS, Info VAS and M-Commerce VAS (Internet and Mobile Association of India, 2008). The Entertainment VAS includes jokes, Bollywood ringtones, games, dating and chatting services. Info VAS includes services that provide useful information, for example, information about movie tickets and news. The M-Commerce VAS services involved financial transaction using the mobile phone, for example, mobile payments (buying movie tickets using mobile phones). The MVAS usually use the short messaging services (SMS) or text messaging platform. The MVAS such as text messages, multi-media messages (MMS), Entertainment VAS and Info VAS are highly popular among young people and
present another critical factor in the growth of mobile communications in India (Fraunholz & Unnithan, 2004). In India, the mobile service providers mainly offer two types of technology: (1) global satellite management (GSM) and (2) code division multiple access (CDMA).

**Young adults:**
Young adults in this study refers to individuals, who are in the age-group of 18-25 years. Developmental psychologists define this life-stage of individuals as a transitory period between adolescence and adulthood (Arnett, 2000). Arnett (2000) suggested that in contemporary western societies, the stage of adolescence is prolonged as most individuals do not fulfill the criteria required to achieve adulthood such as marriage, financial independence and completion of education. Therefore, this period allows young people to prolong their identity explorations, especially in the areas of love, work and worldview. Therefore, Arnett (2000) suggested that young people continue their search for personal identity, friendships, romantic partners and struggle for independence in order to assume adult roles and responsibilities by the end of their 20s (Schwartz, Cote & Arnett, 2005). In this study, it is assumed that young people in the ages of 18-25 years, who have not achieved an adult status because they are still continuing their education, are not married and have not achieved financial independence, will use mobile phones for some of these development-related needs. Typically, by the age of 18, individuals make an important transition from school to college life in most countries. However, the exact age of this transition may vary. While in western countries, young adults leave home and start their college life on college campuses, in India majority of young adults continue to live with their parents unless they go out of town for their studies. While in countries such as United States, young people live on college campuses they are fairly independent from parents, whereas in India, since young adults continue to live with their parents, there is more interference 10 from parents in the life choices they make. For example, the prevalent cultural norm of arranged marriages in India shows that parents choose a marriage partner for their children. Further, in traditional Indian culture it is not considered appropriate for young males and females to socialize with each other, also dating and flirting is not considered appropriate. However, in the recent past, due to modernization these cultural rules are changing, this change is uneven across country.

**Factors Influencing The Acceptance Of Smartphones:**
Smartphones have recently dominated the mobile phone market. Cellular phones have been transformed from conventional make/receive call devices to highly interactive multimedia systems, providing Wi-Fi (Wireless Fidelity) internet connection/access. Smartphones are intended to satisfy users through a variety of advanced technological characteristics and functionalities (Ling et al., 2006; Chen et al., 2010). By taking into account that smartphones present some common features with conventional mobile phones, characteristics such as the phone style, physical design, colour and size can contribute positively to the customer satisfaction (Chang et al., 2009). Additional embedded features, such as power-efficient microprocessors, modern operating systems and extra available memory, increase more the smartphones’ capabilities and support more their popularity. By considering the provided functionalities, smartphones offer 3G (third-generation) and broadband access to Internet services, web browsing services, e-mail access, connection to social networks and videostreaming. Users may have access not only to MP3 player and gaming but also to additional helpful/enjoyable functions, such as watching TV, access in maps (through a Global Positioning System-GPS) and internet banking. Contemporary mobile phones also include Personal Information Management (PIM) applications, such as phonebooks, appointment books, notepads and calculators (Park and Lee, 2011; Heo et al., 2009). Generally, this diversity of characteristics/functionalities positively impacts the user satisfaction that can be attributed to issues like perceived convenience, usability, efficiency and security (Kim et al., 2004; Park and Chen 2007). Factors such as the ability to perform remote control of everyday things, independence of time and place and fast communication, influence the user preferences (Rodriguez-Repiso et al., 2007a). Effective service support and help-desk services have also positive impact on customer satisfaction (Kim et al., 2004). However, offered functionalities are often in conflict with cost and difficulty/complexity issues concerning the device usage. On one hand, smartphones, by offering functionalities similar to a personal computer, become complex and “learning consuming” devices and, consequently, novice technology users may be discouraged from using these devices (Chang et al., 2009). In many cases, smartphone users are stressed as they confront usability problems and difficulties to learn how to use the phone features and applications. On the other hand, smartphone devices are more expensive compared to conventional mobile phones. A potential buyer should balance the cost of purchasing the device with the level of offered characteristics/functionalities. Consequently, smartphone providers should decide and offer a proper pricing scheme that has to be reasonable, according to the provided functionality and services (Kim et al., 2004). Furthermore, smartphones are energy “hungry” devices and users tend to prefer models characterized by...
efficient battery functionality (Chang et al., 2009). Contemporary mobile phones are thus powerful software intensive technological products which present a significant market potential. However, to meet high expectations of current or potential customers, many issues have to be considered as well as possible trade-offs between them (Kim et al., 2004). Research studies on cellular phones including smartphones can be classified according to their target purpose into three broad categories (Park and Lee, 2011): i) research on identifying the success factors and explaining the adoption of mobile phones (Ling et al. 2006), mainly though the use of the Technology Acceptance Model (Kwon and Chidambaram, 2000; Kim, 2011; ), ii) research on investigating dependencies and “addiction” of users to mobile phone usage (Kawasaki, 2006) and iii) research on identifying the factors which make the phone applications (and, in particular, mobile gaming) more appealing to users (Licoppe and Inada, 2006).

Impact of Smartphones on Indian market:

“A 10% increase in mobile and broadband penetration increases the per capita GDP by 0.81% and 1.38% respectively in the developing countries.” - World Bank.

Smartphone has created new dimensions for business in Indian market. It is not only the Smartphone sellers enjoying the business but it also created a new area for mobile application developing companies in India, Internet services provider and other sectors of life to utilize the Smartphone to gain competitive advantages. There has been an extreme growth in broadband and Internet service providers business in past few years and one of the main reasons for this drastic increase in their business is the ever increasing use of Smartphone’s and growth of Smartphone and mobile applications. In a very small duration a huge number of Smartphone have been sold that provided an opportunity to businesses to invest in mobile application development and allowed to introduce new business dimensions in market space. As it is easy to change settings and make customizations on Smartphone, therefore there are several programs for Smartphone’s from different sellers including Blackberry, Android, iPhone and Microsoft etc. Mobile Application Market is another business sector introduced by Smartphone’s. Different mobile operating system vendors have their own mobile application technology hence having a different market for Mobile Applications. Smartphone’s also impacted advertising business sector as well. Advertising is an old concept but the features of Smartphone have made it more effective and no doubt it is an additional positive impact of mobile application for business. Mobile application publisher, distributor and service provider are getting large revenue by providing ads as a part of mobile application. There are some negative impacts of smartphones. The major impact of Smartphone is on PC market. According to a survey by Compete, a web analytics firm, a large number of people almost up to 65% are using their smart phones to read news feeds, post status updates, read & reply to messages and post photos. This shows that now people are leaving PCs and moving towards Smartphone’s. Studies have investigated the demographic characteristics of smartphone users which are 53%. They are more likely to have a smartphone than females which is only 47% (Entner, 2010). The smartphone user tends to be younger than the general cell phone audience. Smartphone features like, text to speech, GPS and social Websites are helping people to easily remain integrated with society. Using these services and many more features, People can easily communicate to their needs, seek assistance from others and remain connected to society.

Market challenges Indian smartphone market is an emerging market:

There are many smartphone companies that are targeting India as their market. Some of the major international companies are Samsung, Apple, Sony, Nokia, Motorola, LG etc. the market share of international brand are decreasing as local brands like Micromax and Karbonn are launching smartphone with android operating systems and large screen at very low price compare to the international brands. For example, Canvas 4 by Micromax is a smartphone with android 4.3, quad-core processor and has 13MP camera with a 5 inch screen; it was launched at in India below INR 19000 as the smartphones with same features in international brand like Samsung, Apple or Sony is around INR 40000. The sales of local brands are increasing as Micromax market share was 5.6% in 2012 and in 2013 it was 22.7% (Times, 2014).

References