

## **INNOVATIVE PRODUCTS AND GLOBAL SOURCING**

### **A CASE STUDY OF MICROMAX INFORMATICS LTD.**

**Ajay Kr. Singh\***

**T**HE story of Micromax is a success story of first generation entrepreneurs in India. The position it commands today is because of the vision and articulation of the promoters of the Company. The company was originally a distributor of computer hardwares in 1991. In 1998, three more people Sumit Arora, Rahul Sharma, and Vikas Jain joined Micromax as co-founders. The company branched out from a mere distributor to a marketer of telecommunication equipment. It was in 2008 that Micromax ventured into the mobile handset market. The brand wanted to create a base before taking on the large players. So they ventured into those spaces which were earlier thought to be futile, i.e., they tried to build their brand from the rural areas. It was a brave decision and therefore, had to be followed up to create sync. So the research was done about the need, utility, and expense of keeping a mobile handset by the rural folks. The biggest challenge and thereby an opportunity which was sensed by the Company was the insight that most of the rural households do not get enough electricity to recharge phones on a daily basis. Micromax launched its first phone in the rural market with a very unique USP- 30 days battery standby time. Hence a phone with a 30 day battery standby would be a worthwhile differentiation. The first product was a big success as Micromax X1i priced at Rs 2150 was lapped up by rural market. The product was a success because it was able to feel the nerve of rural India. It was cheap, affordable, and catered to the needs of the rural folks. (Maxi, 2010)

The company does have many firsts to its credit when it comes to the mobile handset market. For instance, Handsets with 30-day battery backup, handsets with Dual SIM/ Dual Standby, QWERTY keypad handsets, dual reception mode handsets, universal remote control mobile phones etc - that too at a very low price point.

Its gaming phone, Gamolution has caught the fancy of youngsters. This phone works like wireless wi-fi which works on motion sensor technology and can convert PC/Laptop in gaming device. Then it came up with MTV music phone MTV X360 with Yamaha amplifiers targeted at music loving youth (The Next SEO, 2012).

### **Local vs. Global Market: Financial Performance and Market Share of MIL**

MIL is a typical case of global sourcing of products. MIL has presence in nine countries though the main focus is India presently. The financial performance of the company is quite impressive as shown in table given below. Also, the market share of Micromax is increasing each year leading the company to be at the 3<sup>rd</sup> position in the industry.

---

\* Associate Professor, Department of Commerce, Faculty of Commerce and Business, Delhi School of Economics, University of Delhi, Delhi, India.

(Rs. in crores)

For the Period Ending 31 <sup>st</sup> march	2008	2009	2010	2011
Operating Income	127	344	1566	2299
Total Capital Employed	30	61	210	381
Operating Income Growth Rate (in percentage)	–	271%	455%	147%
Market Share (in percentage)	0.59%	4.8%	6.24%	8%

(Source: CARE Ratings, 2011, 2012 & IDC, 2010).

Hence, it can be concluded that financial performance and market share indicators are sufficient evidence of the success of MIL.

### Strategies of MIL

- Continue to build “Micromax” as an innovation focused brand.
- Continue to expand Micromax product portfolio and invest in product development.
- Expand distribution network and after sales service networks.
- Target high growth avenues for the mobile handset business.
- Developing subscription based applications for providing value added services.
- Pursue strategic acquisitions and investments in India and abroad.
- Establish own manufacturing facility of Micromax in India.

India traditionally has been follower in technology instead of having great focus in R & D leading to innovative products. The entrepreneurs of 21<sup>st</sup> century will have to focus on innovation as a strategy only then they can create their niche.

### Conclusion

The key success factors were not the same in 20<sup>th</sup> century. Further, the strategies also have changed in the 21<sup>st</sup> Century. Global sourcing and innovation were not the key to success factors in the 20<sup>th</sup> Century.

### Questions

1. If you were the CEO of Micromax then what strategy would you adopt to become number one in terms of market share.
2. Is it advisable to continue with global sourcing or the company should go for its own manufacturing facility in India?
3. Should the company diversify into other product categories?

### References

- CARE Ratings (2011), Micromax Informatics Limited, Dated February 4, 2011, Accessed on January 21, 2013, <http://www.careratings.com/Portals/0/CareAdmin/CompanyFiles/RR/MICROMAX%20INFORMATICS%20LIMITED-02042011.pdf>.
- CARE Ratings (2012), Micromax Informatics Limited, Dated April 13, 2012, Accessed on January 21, 2013, <http://www.careratings.com/Portals/0/CareAdmin/CompanyFiles/RR/MICROMAX%20INFORMATICS%20LIMITED-04132012.pdf>.
- Maxi-Online (2010), Micromax – The Story, Marketing Association of XLRI Dated October 2, 2010, Accessed on February 12, 2013, <http://maxionline.wordpress.com/2010/10/02/micromax-the-story/>.
- The Next SEO (2012), The Micromax success story, Dated October 3, 2012, Accessed on February 12, 2013, <http://www.thenextseo.companyin/interview/micromax-success-story/1693.html>