Micromax Informatics Ltd: Marketing strategy for emerging markets

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Introduction

The Midas touch – living up to my image!

It was a pleasant autumn afternoon in Gurgaon in 2013, but Joydeep Pal [1] was a harried soul. Sales had been impressive during the traditional festive season of Navratras, Pongal and Durga Puja, in India, with Micromax mobiles and tablets being heavily subscribed as popular corporate gifts, and the production team was still processing the tie-up orders in addition to the retail flare-ups. Diwali, the festival of lights, was round the corner and the burst of sales would continue for another two weeks before hitting a seasonal low, during which the entire team enjoyed their yearly break. Joydeep was the Chief Marketing Manager, CMO at Micromax Informatics, India, and reported directly to the CEO, Mr Dharampal Attri [2], in Gurgaon.

Mr Attri's parting words to Joydeep, before he left for Moscow two days back, had been:

> Let us be clear. Micromax is not content with a number two position, and in this business it does not take long to sink to number 10 if one is not careful, Joy. Sales figures are meant to satisfy the egos and coffers of VP- sales and Business Development, but you and I have to keep the brand alive long after the discount sales are dead, so keep the magic of Micromax alive. The Midas touch [. . .] live up to it.

Joydeep was in a quandary. He had been successful in his marketing campaigns that proved lucrative since he joined Micromax one year previously. He knew he was supposed to be the man with the Midas touch and was pondering this when it suddenly dawned on him: just as the brand was the source of sustenance for his image, there has to be a source of sustenance for the brand itself. It is not just about the success of campaigns or the sales figures, it is about the brand living in the minds of its customers. Joydeep reflected on the famous saying:

> Great products are made in factories, but great brands are built in consumers' minds.

He had to find a way to make the marketing strategy speak for itself. The challenge was – that any breakthrough in marketing strategy was not immediately quantifiable, unlike innovation in products, which is evidently visible and measurable. It is a process improvement at best, in the short, the medium or the long term, as all strategies are. How would he convince Dharampal on the justifiability of the process? Understanding the marketing strategy of a company is a holistic endeavour involving the DNA of the brand and the company and is embedded into the social fabric of the organization or the "soul", as they prefer to call it in India? Joydeep decided to arrange a meeting with his mentors who may have some answers to these questions.

The author would like to acknowledge the contribution of the promoters at Micromax Informatics India for sharing valuable insights into their robust marketing strategy. The case could not have been compiled without their consent and support. Additionally, the author would like to thank Mr Andre Augustine, Manager Corporate Communications at Micromax, who helped in putting all the information together and even co-authored this case study.

Company history, background

Rajesh Aggarwal, the Managing Director, had started Micromax in 1991 distributing IT peripherals and had orchestrated its strategic accomplishments, together with ground-up development, that allowed Micromax to assemble a portfolio among the top-tier handset manufacturers that served consumers across the globe. Rajesh had been instrumental in advocating innovative product strategies, business restructuring and channel management as the building blocks that created a strong base for the organization over the past two decades.

One of Rajesh's neighbours in the Pitampura neighbourhood of West Delhi was Rahul Sharma, the Executive Director and driving force behind Micromax's commendable position in the Indian mobile handset market. Leading the company's Product and Sales strategies, Rahul had 13 years of enriching experience, and the phenomenal growth of Micromax could be attributed to his dynamic leadership. An unparalleled increase in revenue inflow further substantiated the Midas touch that Rahul has brought to the company, and an equally impressive growth of the company highlights the consistency of his leadership. Joydeep felt the pressure of following in Sharma's footsteps in the organization.

At Delhi's Jamia Millia University, Sharma was friends with Mr Sumeet Kumar, his junior. Sumeet has been instrumental in enhancing and heightening the company's technological competence, which has enormously contributed towards Micromax's speedy growth. A diligent and enthusiastic worker, Sumeet's strong conceptual programming knowledge helped in the automation of vital software at Micromax. Always known for his leadership skills, Sumeet has been instrumental in setting up and running the Micromax R&D team in India.

Sumeet had another friend in Mr Vikas Jain. With over 14 years of experience in international business and planning and the information technology sector, Vikas played a crucial role in garnering and accelerating the business dynamics of Micromax. With his unique set of expertise in the 3G business dynamics, coupled with a great sense of innovative business ideas, Vikas had successfully contributed in taking the company to newer markets and helping in its global expansion.

After college, Vikas moved to the USA and joined GE, while Sumeet joined Blue Star and Sharma worked with an auto components company called Bundy Engineering, but in 1999, all three quit their jobs to join Agarwal and set up Micromax Technologies, an IT education company dealing in e-commerce and embedded technologies. The four divided their responsibilities among the functional lines, which have remained the same since the company's inception: Vikas operates as the business director; Rajesh, as the managing director, handling finance; Rahul, as the executive director, overseeing marketing; and Kumar, as the chief technology officer. It is not clear how the equity has been divided among the four, but they all claim that they have shared easy relationships as the original promoters, who started Micromax Informatics Pvt Ltd. The organization is currently headed by CEO, Dharampal Attri, and his team of dedicated professionals, which included Joydeep Pal as the CMO, chief marketing officer.

Theory and practice at Micromax

In August 1997, in the powerless village of Behrampur in West Bengal, Rahul saw an Airtel PCO powered by a truck battery. Every night, the PCO owner would lug the battery 12 km to an adjoining village on his cycle, charge it there overnight and lug it back to Behrampur in the morning. In late 1997, when Micromax decided to diversify from PCO devices into the business of mobile handsets, the PCO owner of Behrampur was the inspiration for its first product (see Exhibits 1-9 for PCO in an Indian village). The company designed a battery that could last for 30 days on a single charge and give 17 hours of talk-time. Micromax commissioned vendors in China and Taiwan to manufacture 10,000 handsets with these battery specifications. The outcome was Xli: priced at only $42, it was an instant hit in rural India, and Micromax's handset business was on its way. In just 30 months, staying with the philosophy of making handsets that addressed specific user needs and affordability, Micromax had come a long way in establishing the handset business (Exhibits 1).

The company's real big break came in 1999, when Nokia signed up Micromax as an all-India distributor for machine-to-machine devices – essentially landlines that were customized to run on a mobile network used by call centres and PCOs. By 2004, Micromax had revenues worth $1.85 million and employed about 80 people. It had installed 10,000 Nokia 32s a year in India, making it the largest Nokia distributor worldwide for these products. Suddenly, however, all this hard work was under threat, as Nokia decided to exit this segment. "As much as we were shocked, we decided to turn this into an opportunity", said Agarwal. So far, they had been customizing a Nokia instrument. Now, they decided to build and sell the whole thing themselves and sell it for 40 per cent less than the Nokia 32. Airtel became their first client. Compared to the 10,000 devices it had previously sold for Nokia in a single year, Micromax was now selling 35,000 of its own within a year. Business peaked in 2007, with sales of over 250,000 devices. Micromax was displaying business ethos that was akin to *jugaad* innovation, a critically acclaimed strategic method in the Indian market and a makeshift approach to developing or delivering new products or services in emerging markets. The word *jugaad* is derived from the Hindi language spoken meaning "to manage" or "to put together" in a frugal manner, under given circumstances or resources. Micromax seemed to have mastered this art of frugal manufacturing and marketing for the Indian market (Source: An article published by *The Economic Times*, Mumbai, on July 14, 2010).

The same year, the mobile revolution took over in India. Overnight, Micromax was again staring at the possibility of extinction, and the leaders of the company once again converted this looming threat into an opportunity and, six months into the revolution, it decidedly hopped on to the mobile bandwagon. But it went about the business differently and stressed on product innovation for the low-end, price-conscious user. The decision to go rural also paid dividends, as the sheer volume of the Indian population took over the low-price challenge.

The mobile phone market in India

When it started its operations in the mobile phone market, Micromax had a huge domestic market that was ready to be exploited. Samsung and Nokia were the strongest players in the Indian market at that time, but Micromax mindfully identified some of the gaps in the "affordable" feature and smartphone segments to tap rural Indian and the middle-class urban market. Their positioning was aimed at those who were looking to upgrade to smartphones, but could only spend less than what was required by the international players. Their formula was simple: offer consumers the handsets they wanted at some of the lowest rates in the market. The initial product launch concentrated on two principal attributes, "dual SIM" and "longer battery life", which made their phones very popular among the Indian masses. In India, most customers wanted two mobile numbers, one for work and one for family, aiming at a dichotomous yet balanced existence, and Micromax responded to this by launching new models quickly at lower price with a quick turnaround. Samsung later adopted this strategy for the Indian and other low-income markets, as it had proven to be hugely successful and allowed them to grow faster and penetrate the price-sensitive Indian market. The core marketing strategy included a sustained marketing campaign, launching smartphones with the latest features at competitive price points, keeping the surprise alive for the Indian audience. Micromax grew its business in a market that was crowded with global brands, including Samsung, Apple, Lenovo and Sony, and homegrown competitors Karbonn and Lava and Chinese entrants such as Xiaomi and Huawei. The significant improvement in Micromax's performance and market share gain can be attributed to the company's "value for money" proposition and by placing its products with specifications similar to that of foreign brands, but at a significantly lower cost. In an interview for Afaqs Mumbai in 2013, shortly after he was appointed CMO, Joydeep remarked on the company's performance saying, "(W)e have always believed in bringing affordable innovation to Indian consumers, which is in sync with their interests and needs, and would continue to do so. We would continue to challenge the notion that great technology comes at a higher price by introducing innovative products that simplify needs of our consumers and wish to grow ahead of the market". This sentiment became the segmentation mantra for the company, and can be seen clearly as the story unfolds in the subsequent case discussion.

The Indian mobile phone market had witnessed explosive growth in the smartphones segment driven by lower-priced models, which was cannibalizing feature phone sales in a hypercompetitive environment. As per the IDC Report 2012, the Indian smartphone market grew by 180 per cent year-over-year, in the fourth quarter of 2012. The homegrown vendors shipped a total of 12.8 million smartphones in 2012, compared to 3.8 million units in the same period of 2011. The 5.0-6.99-inch screen-size smartphones (phablets) continued to show sustained growth in 2012 as well, and the phablet category contributed to 23 per cent in the overall market in terms of volume.

There existed a huge potential for smartphone penetration in India. The growth trend in the smartphone market was mainly due to the urban populace, with a large chunk remaining untapped in the rural markets. The smartphone consumption continued to drive the overall growth numbers for the phone, and this trend in urban and rural consumption was expected to accelerate in the coming years. The smartphone makers were the change agents for this rapid shift of consumer preference towards smartphones from the Qwerty keypads and traditional handheld devices. These manufacturers were instrumental in narrowing the price gap between feature phones and smartphones. As per industry experts, this product category was expected to maintain such elevated levels of growth in the coming years, and an International Data Corporation (IDC) report in 2012 on the Indian smartphone market reported that Samsung maintained its leadership spot with about 33 per cent in terms of market share. Its smartphone shipments grew by close to 36 per cent in 2012. The third quarter saw quite a few new launches across several price points by Samsung – but the low- to mid-tier phones such as Galaxy S Duos and Galaxy Star continued to drive the volumes.

Micromax held on to its second spot with about 13 per cent in terms of market share in 2012 (Source: IDC Asia Pacific Quarterly Mobile Phone Tracker). Some of the top-selling models were the A27 and the A26, in terms of volumes that had a dedicated marketing and advertising push from the brand with continued investments to raise the brand recall. These efforts are expected to bear further fruit in the coming quarters in time for their upcoming launches.

The competitive market position of the leading players in 2012-2013, as per the IDC Asia Pacific Quarterly Mobile Phone Tracker, indicated the following scenario:

- *Karbonn*: The market share for Karbonn in 2012 was close to 8 per cent, and some of the top-selling models for this brand were the A6 and the A50. There has been a significant pick-up for the titanium range of phones, especially S5 and S2.
- *Nokia*: The Lumia range of devices continued to show a growth trajectory in 2012 and garnered close to 8 per cent market share – the trend was expected to continue with greater support from Microsoft in the coming quarters. The third quarter of 2012 saw a few notable launches promised in the Lumia 625 and Lumia 925 range, which were able to generate positive interest from consumers and developers alike.
- *Lava*: Lava made it to the top 10 for the first time in 2012, owing to huge shipments coming in from its XOLO and IRIS range of competitively priced devices. Some of the top selling models for the brand were IRIS 349 and IRIS 402.

- *Apple*: The global leader had a market share of 16 per cent by value, but only 5 per cent by volume, in India. This was characteristic of the premium pricing maintained by this player even in Indian markets.

It can be summarized that Micromax was dominant among the national players in the Indian market, giving international players, such as Samsung or Nokia, a run for their money in the low-to-mid-priced segments.

Targeting the price-sensitive consumer

As was evident, through the Samsung entry and its subsequent leadership position in India, multi-national corporations (MNCs) that focused on target consumers similar to those segments served at home were successful in capturing the host market. This reduced the learning curve in the host country significantly. These companies followed the dual strategy of targeting price-sensitive segments and/or segments that sought functional and reliable brands. Price-sensitive segments existed in abundance in most emerging markets, making them a natural target for the incoming wave of MNCs.

Micromax had devised innovative ways of targeting the price-sensitive consumer in an emerging market such as India and believed there could never be a saturation point, as consumers bought multiple handsets and kept changing and upgrading their handsets. A viable option to keep the price-sensitive Indian consumer hooked onto Micromax was through feature trending, which had already proved successful. The erstwhile CMO, Pratik Seal, once stated in an interview, that the mobile industry today was all about innovation, value additions and entertainment: Merely upgrading a camera from 3 to 5 megapixels is not innovation, innovation is to think outside the box and give the consumers new features. For example, the idea to provide bigger and long-lasting batteries for villages was an instant hit, showing true innovation. According to Joydeep Pal, the present CMO, their strategy had been to identify the target group and then customize the product around them.

Seal, in the CMO Pitch Summit 2010, identified effective segmentation for this product category: “In an emerging market, there are normally three kinds of consumers:

1. First Timers (they buy basic models);
2. Replacementers (value plus); and
3. Upgraders (buying innovative products).

The Micromax vision was to surprise consumers with mobile innovation that are of great value to them, such that each consumer moved up in the value levels from first timers to replacementers to upgraders”. The target and segmentation needs for the Micromax phones were clearly met with this statement from the CMO and were further imbibed by Joydeep thoroughly once he took over the reins from Pratik.

According to Seal, once again, at the CMO Summit in 2010, “The greatest challenge in India, was – creating a brand in a cluttered environment”. Market intelligence showed that the highest penetration in urban mobile market was in SEC A (63 per cent), which is the topmost demographics; followed by SEC B (49 per cent), the middle-class demographics; and, finally, SEC C (40 per cent), the lowermost demographics, such as rickshaw pullers, taxi drivers and delivery boys. In SEC ABC put together, 48 per cent owned cell phones, compared to only 13 per cent in the rural areas. Other demographics suggest that 56 per cent of the total mobile users are below the age of 50, and the mobile penetration among females is increasing as well. Within this segment, it was observed that more than 50 per cent of mobile phone users have migrated to low-priced smartphones, with Indian brand Micromax being one of them. Hence, there existed a huge potential to convert mobile phone users in these segments to smartphone users by Micromax. Then, there existed the opportunity of converting users of other local brands, including Karbonn and Lava, to Micromax. All this promised great segmentation opportunities for this versatile phone maker.

Doing business in emerging markets

While planning its foray into the Russian market, Micromax had assumed a leadership position among top handset makers in Sri Lanka, Bangladesh and Nepal. But the culture and consumer needs in these countries were similar to those in India. Russia was different, and posed a challenge. However, Russia was not the first country Micromax tried to expand into beyond South Asia. The overseas expansion into Nigeria and Brazil in April and May 2010 had not been met with grand success. In the UAE, the handsets were sold through a handful of retail chains, including Carrefour, Axion and Lulu, but were absent from smaller stores. All this compelled Micromax to reconsider its international expansion plans in 2010 itself and using the same strategy in Russia which had proven to be successful in India was considered, but the company started looking at the Indian market closely, which was growing very fast and proving to be profitable. In 2011-2012, the company had restructured the organizational architecture to group the department heads around respective foreign markets for accountability of international ventures. Gradually, the company became fully automated, implementing processes for enterprise resource planning and customer relationship management, and creating verticals for smartphones and feature phones. The company was in a better shape financially, and in a position to assume larger risks. Rahul had commented that, as there was no debt on the balance sheet, they could afford to put more money into overseas expansion. Subsequently, the revenues earned from that location would be reinvested in that region, as the company philosophy stated that the region has to start making money in the second year, or the venture would cease to exist. There was no way the company would take loans from financial institutions for purposes of international expansion or sustenance and had raised funds initially from TA Associates and Sequoia Capital, which together held about 20 per cent of Micromax. The rest was held by the four founders. Jain understood the importance of gaining a double-digit market share in every country to maintain sustainability. "We do not want to be present in a country where we cannot make a difference", he says. Besides Russia and Romania, Micromax planned to enter into two more countries in the same year. There was tough competition from Nokia, Apple and Samsung in its new markets as well as in India, but Rahul was undaunted. He said: "In India, we have challenged all international players [. . .] If we can demonstrate this in India, we can do it in any other country".

Memories: January 2012

Joydeep was reminiscing about his early days at Micromax, when it felt like he had been thrown into the deepest end of the swimming pool with so many things to do. He remembered co-founder Rahul Sharma guiding him as:

> Well, we are looking at three main categories for the umbrella brand such as - smartphones, feature phones and tablets. All other sub-categories are to be phased out at the earliest. The media allocation would be- 50 per cent for smartphones, 30 per cent for feature phones and 20 per cent for tablets. This does seem workable to you, does it not?
>
> Next, you will have to draw insights from the market and make products accordingly. For instance, Micromax already has a rapid turnaround time with its product line [. . .] but, the lifecycle of a handset has reduced to eight or nine – at most 10 – months. People change phones a lot faster now than they did earlier. Also on the cards is the plan to change the way brand Micromax is *perceived.*

"Perceived": The word echoed within Joydeep for a long time, as it planted a seed of change in his mind and changed the way Micromax was perceived by its consumers. It began with the thought that perhaps Micromax was currently viewed as a Chinese trading company selling affordable phones and therefore was a "cheap" brand. But does affordability mean the brand is non-aspirational? To make the brand aspirational, does it need heavy investments in technology, R&D and product innovation the way that Apple and Samsung have? That would mean big investment in a production set-up and a complete change in the company's existence, given that it still was not physically producing phones in India. Hence, product innovation coming from huge investments in production technology and R&D was not the answer to his change. At this juncture, Joydeep had to rely on all the marketing strengths of this company to make the brand aspirational, including changing the so-called DNA (marketing philosophy) of this cheap brand to make it look and feel aspirational. Perhaps, Joydeep was staring at marketing strategy innovation in the face.

Joydeep began to reflect on the marketing philosophy at work in Micromax. Early on, Micromax had decided there was no point in aping the leaders. "We had two options – compete on price or be different, so we decided to be different", Jain had said. In their case, different meant a longer battery life or a phone that had two SIMs. Micromax had even taken the utilitarian philosophy to the mid- and high-end segments, with reasonable degrees of success. But that is where it got tougher, as more features meant more cost and hence higher pricing.

Joydeep pondered: Was it possible to alter perception of the brand with the marketing philosophy remaining intact? How to make the brand aspirational to compete with global players and the market leader without increasing price? Hence, the strategic change will only initiate visible changes to the brand image without altering the DNA of the brand – the core marketing philosophy. This way he could go back to selling the original Micromax whenever he pleased and reap significant benefits from the changed perception in the short run. The CMO with the Midas touch set to work to understand what brand Micromax did differently from others which set them apart in a heavily cluttered and price-sensitive market. A three-pronged strategy seemed to emerge with performance, design and organizational architecture as the key pillars driving the Micromax philosophy, looking at replacing the price, product and place definition in the original marketing mix. It looked as if a new marketing mix strategy had taken the place of the traditional one in a thriving emerging market selling 60 different brands of mobile phones in a year.

Performance at low price?

Popular dictum had it that an emerging market company should deliver at least 50 per cent of the features in its product at 15 per cent of the price charged by the global player to be successful. This in itself was asking for a lot of performance from a local market player. But this parameter had become more like a norm rather than an aspiration at Micromax. In plain language, this is what Micromax had to do to stay in the market (see feature trending in Exhibits 4). There is clear indication that Micromax figured strongly on the performance gap measure with more than 65 per cent of features offered at 15-20 per cent of the price:

> Micromax did well on feature trending and managed to successfully plug the psychographic, demographic profiles as well. The mobile industry respects out of the box thinking to provide consumers new features. For example, the idea to provide a mosquito repellant sonic application in a mobile phone for the rural consumer is true innovation as compared to a camera with multiple photo burst options', said Sharma, ED Micromax Informatics Ltd. (Excerpt of an interview with *Business Today*, leading business magazine in India, on the topic: The enterprise goes global in early 2014).

Joydeep realized that the strategy of identifying the target group and then customizing the product around them seemed to have worked well with the company and the Indian customers, and made this the company's innate positioning strategy.

Further to the issue of sustainability, poor countries were hungrier for next-generation technology than their richer counterparts. For example, electric cars to reduce pollution or eco-friendly gadgets such as solar-powered phones that reduce the need for electricity or battery to charge the phone are more desirable in India or China than they are in the USA. Companies including Micromax addressed these issues better, as they were at the forefront of tackling the same and providing instantaneous solutions. Micromax had started expanding to neighbouring countries such as Sri Lanka, Bangladesh and Nepal and into Middle East, Africa and Latin America (Exhibits 3). Over the next six months, Micromax had plans to launch four handsets a month in these countries and new variants were planned, such as a mosquito-repellent phone, designed to emit frequencies to repel mosquitoes; a phone that doubled up as a computer mouse; and a phone with waterproofing. The product launches and variants planned clearly envisaged a unique value proposition along with utility for its overseas consumers. This had to be covered by high-order competitiveness to keep prices low and salability high in the new markets.

All in all, it was clear that if Micromax was to survive in hypercompetitive environments in and outside India, pricing had to be deliberately low, made possible through feature trending, which allowed this brand to optimize its consumer offering without maximizing it. Hence, performance through feature trending would decide the price.

Product design and development: the many firsts!

Some of the most successfully designed products in previous years had followed the principle quoted by Sharma of working around the target customers. Micromax had a history of firsts and innovations (Exhibits 5 and 6) in product design, if not product technology. There was the Bling range of stylishly designed exclusively for ladies, compact Qwerty pad mobile phones. It was studded with Swarovski crystals defined for the upwardly mobile, chic, smart women in two different forms and designs, complete with designer pouches and colours (see picture inset in Exhibit 7). None of the competitor mobile handset companies had launched something like this in India. With its affordable price range, the Bling range had been a runaway success.

The launch of the Micromax Funbook in 2012 had been a spectacular success too. A tablet with fabulous applications especially focused on enticing kids to use interactive multimedia techniques to learn mathematics or science. The electronic advertisements were geared towards tapping this segment where other brands have not been before. It probably marked the beginning of a long association with the education sector, as there are a whole lot of things students connect to for academic needs, including school attendance, tutorials, submissions and consultations. If the company made headway with the student community, the battle for future market leadership was won. It came in an attractive gift pack which was ideal for corporates during the festive season or bulk purchases.

These variants made it seem that the appearance of the product has perhaps become more important than the product itself, which would mean that the appearance, coupled with the communication blitz, is what generated sales in the Indian market, even though the actual product attributes might be marginally different from the original product. Hence, one could say a cosmetic change or superficial differentiation seemed to work, rather than actual product differentiation. Once again, Micromax seemed to have proven that the brand had to exist in the minds of the customer, irrespective of what you have placed in their hands as a new product from their favourite brand. The company therefore is continuing to work diligently on consumer research to provide the best designs with matching features at reasonable prices. The idea of attribute-based positioning is not new in the marketing strategy, but Micromax seemed to have mastered it better than most of its competitors.

Organization architecture: distributor is a stakeholder too!

It was not enough to innovate product designs and indulge in feature trending, there was also a need for change in the organization architecture when one was selling in an emerging or semi-developed market. The need of the hour was a small entrepreneurial team that focus on incubating business ideas that could be translated into unique products. Micromax deviated from the well-known growth metrics of functional managers as specialists and, at times, even collaborating with outsiders who were providing new business ideas. Micromax was ready to overlook the regular established recruitment norms such as long careers built in large organizations and the leadership here did not run disciplined experiments. If there was an opportunity, it was not restricted to boundaries such as finance for Sharma or technology for Kumar or marketing for Joydeep. The Chairman and MD, Agarwal, though primarily a finance professional, had strong intuitive sense for sourcing, operations and distribution and insisted on agility and flexibility in the organization architecture.

There was strong evidence of cross-functional expertise demonstrated by the promoters of Micromax that were not restricted necessarily to product lines. Instead of manufacturing itself, Micromax sourced its handsets from 12 factories in China, South Korea and Taiwan. It was model-based sourcing: Micromax would come up with an idea and give it to the factory best placed to deliver it. This was different from any handset maker, like Nokia, which would be compelled to stay in-house or go to a vendor-partner, even if another vendor had better capabilities to execute a particular model. Once again, Micromax evinced traces of *jugaad* innovation in its business methodology. Vendor partners or sourcing agents were part of the company's supply chain management and not just its "suppliers". Flexibility in model-based sourcing allowed the company to experiment with new designs in short lead times and surprise the customer with a new launch or feature every quarter, whereas established players such as Nokia or Sony could not experiment radically with their product design and styles, as their production lines were fixed and orders were placed in bulk months in advance. Micromax had essentially introduced the concept of "perishables" in the mobile phone category, just like other fast-moving consumer goods so popular in marketing.

A novel supply chain would naturally acquire an innovative method for physical distribution of the goods sourced or manufactured. Micromax, therefore, looked at distribution in a new way too, standing by its cash-only model. While rivals offered a 60-day credit line, Micromax refused to give credit. "If the distributor did not buy your handsets, there was no pressure on him to sell them", explained Agarwal. This way the distributor became the title holder for the Micromax product, unlike the other brands, where they acted as mere custodians of the branded product. This is how Micromax converted a distributor into a stakeholder. At the same time, Micromax offered to supply distributors regularly to keep inventories down, so distributors did not have to pay out large amounts upfront or have a lot of money committed, so they need not keep huge stocks of Micromax at one go of one variant. "If we stocked up a distributor 1,000 handsets and asked him to sell them over a month, he would worry less about his daily sales", conveyed Agarwal, the promoter, during an interview with the case author. "But if we supplied less, demand from the distributor, would be close to equal or more than supply." This way they could rotate the new models, features and designs much quicker than their rivals, as there would be no old stock with the distributor in his warehouse or go-down. This also eliminated the need to carry forward goods of previous designs or styles into the next quarter. Joydeep understood that product and performance pillars alone were not going to keep the brand alive, and that distributors are the backbone of any marketing company. The marketing department and the CMO realized the importance of the distributors in upholding the prongs of product and performance in the marketing strategy of Micromax Informatics Ltd.

As Joydeep shared, Micromax had 340 super-distributors across India working on this business model. Unlike a Nokia or a Samsung, it did not interact with its 500-plus sub-distributors, neither did it intervene as to how the super-distributors sold or placed the products. As distributors were stakeholders and therefore owners of Micromax products, it was their obligation to sell as many of the products as possible. They offered their super-distributors a 15 per cent margin, which was higher than the industry average of 6-10 per cent. The extra margin was meant to take care of the marketing needs of the distributor. It appeared Agarwal had included the distributor as a stakeholder in their business. Given the industry trend and demand for low-price cost-effective phones, this was the best *jugaad*, or makeshift innovation in marketing strategy one could have possibly ordained.

Some of Micromax's competitors fared poorly in after-sales, addressing a segment that was comfortable with the use-and-throw philosophy of mobile phones. After sales, service was an integral part of the distribution of products. For Micromax, distributors handled the service outlets very effectively, and the extra margin provided to distributors took care of some of the servicing needs too. Rival firms Nokia and Samsung reportedly had 900 and 800 service outlets, respectively, but Micromax had only 500 service outlets, which were meant to grow with the launch of the new Canvas range of mobile phones. Rivals had expressed concern over the quality of the phones sold by Micromax, but the promoters refuted these charges. On product quality, it was confirmed that the plants they were associated with also manufactured handsets for all global majors. Naturally, the manufacturers did not apply different standards while manufacturing for an Indian company, and Joydeep was quick to point out that their phones sold well in rural India, where users demanded longevity, hence good-quality argument was preserved. The promoters were firm believers in the Micromax 360-degree marketing philosophy, which took care of the end-user and the brand from start to finish. The distributor was a stakeholder too and was equally responsible for the brand like the owners of the company.

Joydeep tried to put together the intricacies of the three-pronged strategy used by Micromax successfully so far in all its product launches and campaigns:

1. *Performance*: Here feature trending was the key to success. The product was successful if it could optimize not *maximize* its offering to the consumer at an affordable price.
2. *Design*: There has to be something unique about the product design which will set Micromax apart from its competitors.
4. *Distributor stakeholder*: Treating the distributor as his stakeholder, Micromax inculcated a sense of belonging towards the business, which the competitors could not replicate in the local market.

Keeping the core marketing philosophy intact, Joydeep set to work on his Midas touch to upscale the brand to its rightful position of number one and plan the impending global foray.

Perception: image in minds of the consumer

The initial thought about positioning haunted Joydeep: "Great products are built in factories and great brands in minds of the customer". After understanding the core marketing philosophy at Micromax and the three-pronged marketing strategy at work, it was time to address the image makeover which will, in the CEO's words, "keep the magic of Micromax alive".

Organizations such as Micromax had to survive in the face of tough competition from local and global players simultaneously. Internal challenges came from imitators who simply copied existing technologies and product designs and launched them at the lowest possible prices. These were the typical me-too products which were flooding the tablet and handset market, and the likes of Lava, Karbonn and Akash were doing profitable business in the local market for affordable mobile phones and tablets, including corporate tie-ups for government-funded programs, primary schools and colleges, all of which were a huge market in India. The external challengers were big brands and global players who came with a new technology and new design with adaptive prices. Brands including Apple, Samsung and Sony were a big threat to Micromax in this segment. An enterprising consumer would be willing to pay a little premium for having an attractive product. Micromax aimed to establish a balance between these internal and external challenges.

Therefore, one of the key focus areas for building a strong connection with the end-users was to bring alive brand experiences across multiple touch points backed by an innovative product line up. Micromax believed in bringing alive the most unique experiences to the

Indian youth through brand associations and product innovations. All the initiatives so far had been a reflection of the brand's echo of youth pulse. Joydeep was reminded of his interview with the promoters of Micromax, where he had answered that: "To him Micromax was like a Canvas [. . .] a vast, uncharted expanse, to play with and develop as a brand". He suddenly seemed to have an answer to Samsung, to perception, to DNA and to the marketing philosophy at Micromax. He would launch the new range of premium mobile phones from Micromax under the umbrella name Canvas and there would be an upscale brand ambassador whom nobody would have imagined.

According to the founding philosophy, there were three kinds of consumers: "First Timers, Replacement(er)s and Upgraders". The vision was to surprise consumers with mobile innovation that would be construed as of greater value to them. This would help the company leapfrog the stages from first timers to upgraders. This is how Canvas range of mobiles was born in 2013, with the sign-up of a brand ambassador at a huge cost to the company but not to the consumer. The Canvas range of premium phones were set to compete with Samsung premium Galaxy range in the Indian market but at a price which was lower than Samsung for all the models (Exhibits 9 and 11). The Canvas range of Micromax smartphones were meant for those who could not afford an Apple iPhone or Samsung Galaxy Grand phone but aspired for more than what they could afford. The Canvas buyers were educated, upwardly mobile men and women who preferred the good life, visits to multiplexes and malls and chatting on social media. They wanted to be seen as modern, well-branded office goers. Such a customer while using Canvas should not feel he has compromised on the purchase of his phone by purchasing a Micromax and foregoing a Samsung. It was the cost-sacrifice value creation that the brand had to take care of.

The brand ethos has always been to challenge the status quo that innovations come at a price. Micromax pioneered the art of democratizing technology in India and bringing it to the masses and created products inspired by real people for real people aligned with unique brand properties for people to connect to. The target consumer was youth of this country who always looked for innovations that were affordable and directly addressing their needs, the women and the rural customers who believed in expression of individuality. "Thus our roadmap was to reach the target consumer in time and with exciting products and campaigns so that they were aligned towards Micromax", quoted Jain.

At the same time, the company was set to expand its footprints globally, starting with Russia, and the time was right for change in perception. The hunt began for a new brand ambassador.

Micromax was clearly one of the leading marketers of smartphones in India and the Made in India brand been successful for them and the company came in as a price warrior occupying a prime spot between international players such as Samsung, Nokia, Apple, LG and other Chinese brands. In terms of country of origin preferences, one would agree that India was below American, Korean and European brands but was preferred to the Chinese ones.

As long as Micromax's ambitions were limited to India, they had Indian cricket and Bollywood celebrities like Dhoni, Akshay Kumar and Twinkle Khanna (Exhibit 7) endorse their products, and the use of such celebrities allowed them to rise to the top of the Indian brand space. Outside of India, the company could utilize more credibility with the Made in India brand.

Once again, what Micromax was attempting to do by signing on an international celebrity for endorsements was to gloss over a perception in the minds of the consumer about the brand's Indian roots. It was most unlikely that Micromax would highlight the fact that the brand was Indian. The communication would instead focus on the brand ambassador and the international star.

Joydeep had narrowed his choices down to the *Wolverine* star Hugh Jackman. He was an ideal choice to connect with audiences as the leading name in the entertainment industry in the world (Exhibit 10). Jackman, an Australian star, plugging the phone effusively was the right choice, as his image could be leveraged in most countries out of India. Jackman's signing in would also benefit the brand in India, as his images would make the brand less Indian and more international and move (to some extent) the Indian brand closer to the American, European and Korean competition, and further away from the Chinese.

This was not the first time that a Hollywood star was going to be used in communication in India. Visa did it years ago with Richard Gere, but that campaign ran not only in India but also across the Asia Pacific market. Cricketers including Vivian Richards, Brian Lara, Steve Waugh and Brett Lee have been used to market Indian brands to Indians. But no brand has used an international celebrity in the manner that Micromax was going to do, i.e. to suppress the fact that the brand is from India. If this worked for Micromax, there were many Indian brands with global ambitions that could take a cue from this strategy.

Therefore, the stage was set for the entry of Hugh Jackman, the brand ambassador for Canvas Turbo print and electronic advertisement in January 2013. The concept of having such an expensive and chic personality as the brand ambassador suddenly changed the business for Micromax. The connect was felt with both ends of the demographics: 18-30-year-olds were delighted to connect with Hugh as their brand ambassador, and 30-50-year-olds started responding to a homegrown brand which had performed well and could now afford a big celebrity as its brand ambassador. Everybody was feeling happy for Micromax and for Joydeep that is what mattered most. Price should not be driving his customers to retail stores after this advertisement; rather, a change in brand perception should be the driving force (Exhibit 9). Let aspiration be the reason to own a Micromax mobile phone, so that anyone who could not afford an Apple or Samsung smartphone did not feel they had compromised with a cheap replacement brand.

There was pressure on Joydeep to advertise prices in the Hugh Jackman ads, but he rejected this and put his foot down, saying, "Then what's the difference between us, and Spice Mobile, Karbonn Mobiles or iBall?". If you create fantastic advertising and then put a price at the end of it, you have killed it. I would rather have brand perception drive footfalls.

Conclusion

As per an industry report in 2013, around 60 mobile handsets companies were marketing in India, and it was not easy for all companies to grow at a healthy rate. In addition to tough competition, these companies were not only making profitable business, but also expanding the business base. Companies like Micromax were leaving no stone unturned in the bid to increase their presence across the world. If the analysts were to be believed, the major challenge for these local brands had begun in 2011. They resonated that these companies' performances would be tested over the coming years, as fragile Indian consumers were to sound their verdict on Indian vs global phones. The Samsung, Apple and Nokia of the developed world continued to propose new offerings of seamless technology integrating the smartphone, tablet, TV and a PC experience into one gadget. Can Micromax do to Samsung in India what Samsung did to Apple in the USA? With the new advertising budget lined up for 2013 and Hugh Jackman signed up as the Canvas brand ambassador, Joydeep felt a spring in his steps while walking towards Dharampal's office. Maybe the Micromax magic will steal the show from the global giants as Indian households make history once again with their choice?

Keywords:
Strategic marketing,
Emerging market

Further reading

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Source: Newspaper Article: "Nothing micro about Micromax" By Joji Thomas Philip. Publication: The Economic Times, July 14, 2010. Mumbai. Section Front Page.

Important web links

1. http://tech.firstpost.com/news-analysis/why-micromax-signed-hugh-jackman-as-its-brand-ambassador-215414.html
2. http://businesstoday.intoday.in/story/micromax-plans-in-india-success/1/204523.html
3. http://tech.firstpost.com/news-analysis/from-cheap-brand-to-hugh-jackman-the-unlikely-micromax-story-215542.html
4. www.afaqs.com/news/story/36377_We-will-first-knock-off-every-sub-brand-possible-Micromaxs-Shubhodip-Pal
5. http://lighthouseinsights.in/how-micromax-launched-the-a94-with-micromaxmad-ad-guessing-campaign-on-social.html/

Exhibit 1. The emerging Indian consumer products company

Figure E1

Source: Company reports

Exhibit 2. Top 5 global mobile phone vendors, shipments, market share, Q1 2012 (units in millions)

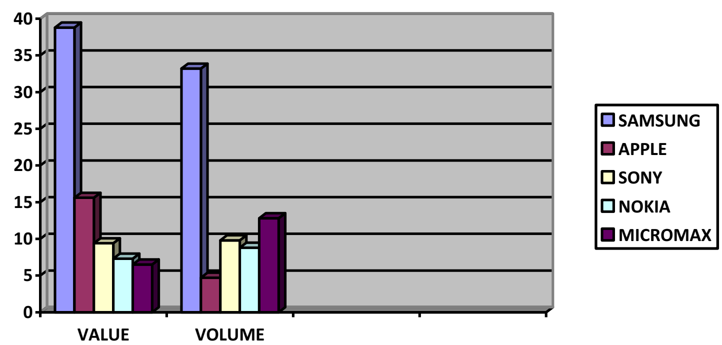
Table EI

Vendor	*1Q 2012 unit shipment*	*1Q 2012 market share (%)*	*1Q 2011 unit shipment*	*1Q 2011 market share (%)*	*Year-over-year change (%)*
Samsung	93.8	23.5	69.3	17.1	35.4
Nokia	82.7	20.8	108.5	26.8	−23.8
Apple	35.1	8.8	18.6	4.6	88.4
ZTE	19.1	4.8	15.0	3.7	27.0
LG Electronics	13.7	3.4	24.5	6.1	−44.1
Others	154	38.7	168.4	41.7	−8.6
Total	398.4	100	404.3	100	−1.5

Note: Vendor shipments are branded shipments and exclude OEM sales for all vendors
Source: IDC worldwide Mobile Phone Tracker May 1, 2012

Exhibit 3. Smart phone market share in India in Q4. 2012 (in per cent terms)

Figure E2



Source: IDC ASIA Mobile Phone Tracker

Exhibit 4

Table EII

Feature	*Trending*	*% Share in terms of total sales*
Connectivity	Wi-Fi	63.2
Display	7''	77.9
OS	Android	91.3
Processor speed	1 GHz	62.8
RAM	512 MB	56.4
Voice calling	No	62.9

Source: Company reports

Exhibit 5. Many first and innovations

Figure E3

Source: Company reports

Exhibit 6

Box 1

30-day battery phones

April 2008: Rs 2,249; Now: Rs 1,999. The X1i, Micromax's first phone, had a battery that could give 17 hours of talk time and go 30 days on a single charge.

Dual-SIM phones.

July 2008: Rs 1,999-12,999. For those who want two numbers but one handset.

Phone-CUM-remote.

May 2010: Rs 2,999. A mobile that can switch TV channels and even change the AC temperature.

Phone-CUM-stereo.

February 2010: Rs 4,999. With 3D surround sound, fed by Yamaha and Wolfson.

Bling.

September 2010: Rs 4,999. Swaroski-embedded ladies phones with QWERTY keypad in fancy ladies cases.

NINJA A50.

April 2012 SmartPhone: Rs 4,999, with talking partner AISHA, Artificial Intelligence Speech Handset Assistant; first Indian phone to imitate Siri of Apple's iPhone 4S.

Funbook September 2012: Rs 7,200, a seven-inch tablet with the applications and features of any globally acclaimed tablet sold in India.

Exhibit 7. Micromax Ezpad and Micromax Bling phones

Figure E4

Exhibit 8. And an expanding global presence

Figure E5

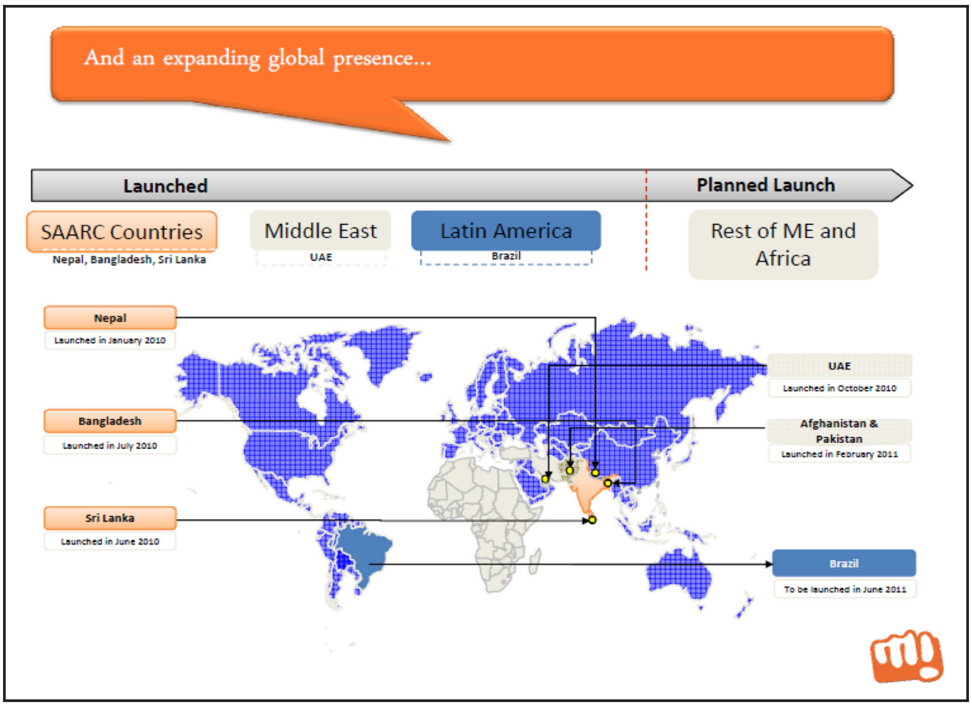


Exhibit 9. Price comparison with market leader Samsung for latest range of Micromax Canvas Phones 2013

Table EIII

Micromax models	*Micromax price (INR)*	*Samsung models*	*Samsung price (INR)*
Superfone Canvas A 100	9,400	Galaxy S3	18,990
Canvas HD A116	6,200	Galaxy Grand DUOS	16,499
Canvas 4	15,490	Galaxy S4	25,500
Canvas Turbo A 250	14,909	Galaxy S4	25,500
A200 Canvas Turbo Mini	10,785	Galaxy Grand	17,899

Source: Company reports and market data from IDC

Exhibit 10. The hyperlink for the electronic media advertisement: http://goo.gl/pGt8O5

Exhibit 11. Features comparison

Table EIV

	Samsung galaxy grand	*Canvas micromax*
General		
Alternate names	GT-I9500	A116
Release date	April 2013	February 2013
Form factor	Touchscreen	Bar
Dimensions (mm)	136.60 × 69.80 × 7.90	144.00 × 74.00 × 10.70
Weight (g)	130.00	156.00
Battery capacity (mAh)	2,600	2,000
Removable battery	Yes	Yes
Bundled accessories		
Colours	Black Mist, White Frost	
SAR value	NA	NA
Display		
Screen size (inches)	5.00	5.00
Touchscreen	Yes	Yes
Touchscreen type	Capacitive	Capacitive
Resolution	1,080 × 1,920 pixels	720 × 1,280 pixels
Pixels per inch (PPI)	441	294
Colours	16M	16 M
Hardware		
Processor	1.6 GHz octa-core	1.2 GHz quad-core
Processor make		MT6589
RAM	2 GB	1 GB
Internal storage	16 GB	4 GB
Expandable storage	Yes	Yes
Expandable storage type	microSD	microSD
Expandable storage up to (GB)	64	32
Camera		
Rear camera	13-megapixel	8-megapixel
Flash	Yes	Yes
Front camera	2-megapixel	2-megapixel
Software		
Operating System	Android 4.2	Android 4.1
Skin		
Java support	Yes	Yes
Browser		HTML
Browser supports Flash	No	No

(*continued*)

Table EIV

	Samsung galaxy grand	Canvas micromax
Connectivity		
Wi-Fi	Yes	Yes
Wi-Fi standards supported	802.11 a/ b/ g/ n/ ac	NA
GPS	Yes	Yes
Bluetooth	Yes, v 4.00	Yes, v 4.00
NFC	Yes	No
Infrared	Yes	No
DLNA	Yes	No
Wi-Fi Direct	Yes	No
MHL Out	Yes	No
kHDMI	No	No
Headphones	3.5 mm	3.5 mm
FM	No	Yes
USB	Micro-USB	Micro-USB
Charging via Micro-USB	Yes	Yes
Proprietary charging connector	No	No
Proprietary data connector	No	No
Number of SIMs	1	2
SIM 1		
SIM Type	Micro-SIM	Regular
GSM/CDMA	GSM	GSM
3G	Yes	Yes
SIM 2		
SIM Type	Regular	Regular
GSM/CDMA		GSM
3G	No	No
Sensors		
Compass/Magnetometer	Yes	No
Proximity sensor	Yes	Yes
Accelerometer	Yes	Yes
Ambient light sensor	Yes	No
Gyroscope	Yes	Yes
Barometer	Yes	No
Temperature sensor	No	No

Source: Company reports

Exhibit 12. *Economic Times* Press Release

Box 2

India's second largest and home-grown smartphone maker Micromax posted a staggering 130 per cent year-on-year jump in turnover for FY14 to Rs 7,141.23 crore, according to the company's 2013-2014 balance sheet filed with the Registrar of Companies. Its net profit for the same period rose almost 50 per cent to touch Rs 284.10 crore.

Through a sustained marketing campaign (Hollywood actor Hugh Jackman is its brand ambassador) and by launching smartphones with the latest features at competitive price points, Micromax has managed to grow its business in a market that is crowded with global brands including Samsung, Apple, Lenovo and Sony; homegrown competitors like Karbonn and Lava; and Chinese entrants like Xiaomi and Huawei.

According to market intelligence firm IDC, Micromax shipped 2.58 crore handsets, including both smartphones and feature phones, during calendar year 2013, up from 2.19 crore handsets during 2012. The company's market share increased to 10 per cent from 6 per cent during the same period.

The Gurgaon-based company grew its market share between January and June 2014 to 13 per cent, by shipping 1.6 crore handsets. Only Samsung sells more smartphones than Micromax in India and, according to IDC, the gap between the two is narrowing. "Micromax's handset volumes have grown significantly during calendar year 2013 from the previous calendar year, and we expect the July-September 2014 quarter performance of the company to be phenomenal," said Karan Thakkar, a senior market analyst at IDC.

While Android-based smartphone makers such as Micromax and Samsung are seeing a surge in demand, the same can't be said of all handset manufactures, especially those operating on platforms other than Android. India is one of the fastest-growing markets for smartphones in the world with a slew of new offerings each year finding favour with the Indian consumers. "Micromax's handset volumes have grown significantly during 2013 from the previous year, and we expect the July-September 2014 quarter performance of the company to be phenomenal," Karan Thakkar, a senior market analyst at IDC said.

The significant improvement in Micromax's performance over the past two years can be attributed to the company's 'value for money' proposition. Placing its products with specifications similar to that of foreign brands but at a significantly lower cost has also helped the company gain market share in the last couple of quarters.

"According to our research, most Indians replace their phones every one to two years and aren't willing to spend Rs 40,000-50,000 on new smartphones," Thakkar said. This gives a huge opportunity to Indian vendors like Micromax, Karbonn, Lava and Chinese vendors like Huawei and Xiaomi, which price their phones competitively while providing same specifications as other foreign brands.

Thakkar also said that a lot of young Indians that were looking to buy smartphones with the latest specifications' were more value conscious than brand conscious.

Commenting on the company's performance, a Micromax spokesperson told FE, "We have always believed in bringing affordable innovation to Indian consumers, which is in sync with their interests and needs, and would continue to do so. We would continue to challenge the notion that great technology comes at a higher price by introducing innovative products that simplify needs of our consumers and wish to grow ahead of the market. Going forward, a large chunk of our efforts will be concentrated on coming up with products and services which act as solutions to the needs of the fast-evolving consumers." Micromax shipped 2.58 crore handsets during calendar year 2013, up from 2.19 crore handsets during 2012 Market share increased to 10 per cent from 6 per cent during the same period. Market share between January & June 2014 rose 13 per cent.

Exhibit 13. Sales data for major players in smartphones in India, in 2012-2013 (lakhs in value)

Table EV

Players	*Q4 2012*	*Q3 2012*	*Q4 2013*	*Q3 2012*
Samsung	39	36	25	23
Micromax	7	6.5	12	10
Karbonn	7	5	7	6
Nokia	7	6	6	5
Apple	16	15	17	16

Source: Company reports

About the author

Soma Arora's research interests include industrial upgradation for Indian companies, internationalization strategies and measurement scales for emerging markets. She has published in several national and international journals, including Edward Elgar Publishing and Taylor and Francis Journals of the Routledge Group. She is a prolific participant at national and international conferences, including Universities in Denmark, Singapore, France and Greece. Soma Arora can be contacted at: sarora98@hotmail.com

Teaching note

Soma Arora

Case summary

It seemed a company with the highest number of product variants would consider product innovation to be its key source of sustenance in a crowded marketplace, especially when local and global competition was launching new products every week. In the case, Micromax, a mobile handset maker from India, tried to drive home the point that sustainability in emerging markets did not lie in inventing a new technology as Apple or Nokia or Sony did, albeit accompanied with a premium price tag. For the emerging markets, it was important to optimize the offering for the consumers. Strategic optimization could result from bridging the gaps in performance, product design and organization design, which came naturally to this marketing-savvy mobile maker. Local players in the foray could make a cost-effective phone too. However, few could position, brand and sell it the way Micromax did. Joydeep Pal, the Head of Marketing at Micromax Informatics Pvt Ltd, India, pondered over the marketing strategy which could pave the way into maintaining the company's national leadership position while creating a roadmap for its global foray. For Micromax, marketing strategy and not product innovation would fulfil the goal of long-term growth in India and overseas markets. Using marketing strategy as a pillar for growth in a technology-intensive product category such as mobile phones and a complex market structure like India was perhaps a new dimension in innovation never seen before.

Target audience

The case can be positioned as an example of an emerging market base company confronting the opportunities and challenges of globalization in the home country. The class discussion should lead to the learning outcomes of marketing strategy lessons in branding for developing country companies and provide alternatives to the usual roadmap for market leadership as suggested by the developed counterparts. The case is meant for courses in marketing strategy, branding and doing business in emerging markets. It can also be used for fundamental course in marketing management or principles of marketing to elucidate topics in segmentation, targeting and positioning.

Assignment questions

Q1. Comment on the dynamics of innovation at Micromax: Does it revolve around a well-built ecosystem fostering the growth and launch of new products or is it an intuitive, natural process where the company acts and reacts successfully to the external environment stimuli?

Q2. How does Micromax go about segmentation, targeting and positioning, in its home market to optimize its consumer offering, as well as establish the brand identity?

Q3. Is Mr Pal, the CMO, justified in promoting Hugh Jackman as the brand ambassador for Canvas range of smartphones? How can the marketing strategy at Micromax propel the brand to a leadership position in India and overseas markets, in 2013 and beyond?

Associated readings

- Govindarajan, V. and Trimble, C. (2012), *Reverse Innovation: Create Far From Home, Win, Everywhere*, Havard Business Review Press.
- Govindarajan, V. and Trimble, C. (2010), *The Other Side of Innovation: Solving the Execution Challenge*, Havard Business Press.
- Aaker, D.A. (1996), Building Strong Brands, *The Free Press*.

Teaching plan overview

The discussion can be organized around three phases of 20 minutes each, within a 75-minute class, which would address the three questions raised by the course instructor with a closing, of 15 minutes, to wrap-up the session.

During the first phase, the instructor would most likely take the discussion towards two competing schools of thought. The first school of thought will focus on: understanding the key policies and features at work in Micromax which seemed to have created a natural environment to accept or reject business opportunities and challenges in the Indian context, rather seamlessly. Here the instructor has to focus on the unique marketing philosophy at work, bereft of a defined structure or process or budget, prevalent in global companies. The marketing philosophy at work seemed to imbibe market changes and challenges. This will call for some examples from the past, Theory and Practice at Micromax. This discussion helps to build the background for devising the strategies required for coping with marketplace challenges in the face of tough internal and external competition. Here students will take up opposing stands – one supporting the existing philosophy, while the second school of thought will propose a more structured and decisive market expansion policies used by multinational companies. Here comparisons might be drawn to market leaders from developed markets such as Apple, Samsung and Nokia capturing the Indian market.

In the next 20 minutes, the instructor will move towards the second question at hand, which is "Segmentation, Targeting and Positioning" at Micromax. The class discussion would begin with deep-rooted understanding of marketing strategy at Micromax. As for segmentation, the former CMO, Pratik Seal had done a fabulous job of segregating the market into three principal types – first timers, replacementers and upgraders. Micromax was targeting customers who would like to be upgraders, and were willing to keep the surprise alive. Instances of positioning were very clear with feature trending and innovative product design such as Bling or the Funbook range of phablets, which met with runaway success. The overall positioning mantra for the company was echoed as "Great products are built in factories and great brands in minds of the customer". This established the brand identity for the company, as Joydeep was keen to change the perception that was the brand. The company was earlier perceived as a value-for-money non-aspirational brand which was doing well with low- to mid-priced segments and the rural population. The change in perception created by using Hugh Jackman as a brand ambassador was vital to reposition the brand as an upmarket aspirational brand in the minds of the consumer. When discussing the positioning and brand identity of the company, the instructor would find it imperative to steer it towards competitive strategy building.

The crux of segmentation, targeting and positioning lies in the competitive strength of the company and the market in which it is operating. The main strength displayed by the company has been in competitive pricing. Its positioning has been successful around two attributes – pricing and design. The price points have always managed to gain market share for Micromax (see Exhibit 9 for pricing competitiveness and Exhibit 11 for comparison in features). Keeping alive the discussion on branding for the third question, the instructor would now turn attention towards the alternative theories to enter emerging markets. These theories would provide further insight into how a company can gain competitiveness in emerging markets such as India, Russia and Brazil. This section would take care of issues including doing business in emerging markets.

One such theory is the concept of the microconsumer. The number of consumers in India typically possessing $1 at their disposal to buy 10 things is very, high at almost half a billion. This is compared to an American consumer having $10 to spend on one thing, and the number of American consumers being as low as quarter of a million for rural and urban markets put together. A rough estimate of the net purchasing power of the microconsumers in India therefore becomes several times higher than the macroconsumers in America. Hence, the basket of products to spend on is different in the USA as compared to India. It is imperative that companies selling to the Indian market keep this fact in mind. Marketers entering emerging markets need to explore the goods which are enticing and essential to microconsumers. Micromax successfully developed products around targeting the microconsumer in the rural and urban populations.

This can be compared to the product offering of Micromax and used to derive conclusions for their successful marketing strategy of "Performance". The students should point out the feature trending (Exhibits 4 and 11), as Micromax has used feature trending very successfully to provide all the popular features in its smartphones and phablets without increasing price.

Performance: Here feature trending was the key to success. The product was successful if it could *optimize* and not *maximize* its offering to the consumer at an affordable price. The first prong of marketing strategy at Micromax is performance-driven products through fulfilling microcustomer needs, where his phone can multitask and do so many things other than a calling device. At the same time, it is offering all the features essential in a competitor's phone.

Simultaneously, other well-established approaches can be discussed in class to strengthen the understanding of strategic innovation. Innovative technology is not always the answer to beating tough market competition. At Micromax, the team does not believe in so-called "product innovation". Product is just a part. Business-model innovation means marketing strategy, branding and distribution are all important factors that lead to brand building. India is a young country and its consumers demand the latest technological gadgets. If a company does not meet demand, the sustenance of that company is limited. The R&D focus in these markets borders on reverse engineering which is conveyed to the target audience through upgradation in brand building.

Source: The concept of microconsumer (Govindarajan, V. and Trimble, C. 2012, Reverse Innovation, Harvard Business Press)

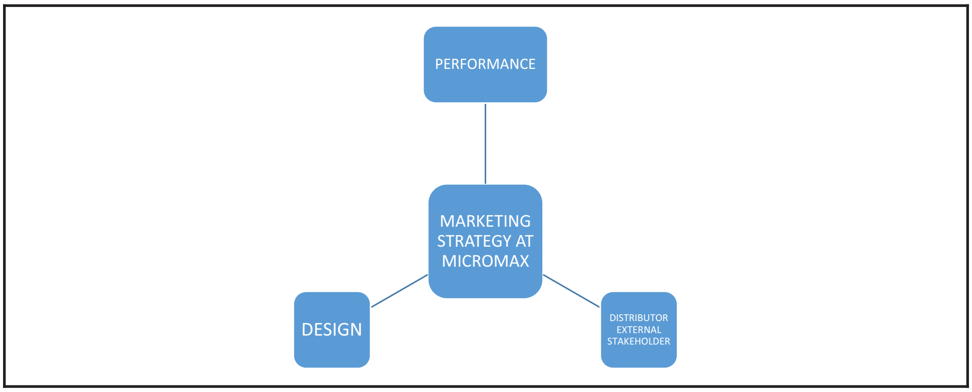
The second theory enabling a company to build territory in an emerging market would encompass, the famous Bottom-of-Pyramid (BOP) approach. A growing number of companies are being drawn to the idea that money can be made by developing and marketing products for those at the bottom of the pyramid. Not only are companies attracted by the prospect of discovering markets with untapped growth potential, but they are also aiming to have an impact, in a society characterized by deep divisions between the haves and the have-nots. However, cost alone is not the most important factor. When creating innovative, new products for markets at the base of the pyramid, it is not just about making consumer products cheaper, it is about coming up with products that actually meet the specific needs at the bottom of the pyramid. It is about providing product and services which have a value for their money. Products with value result out of a deep understanding and research on the needs of the target group (Source: C.K. Prahlad, Harvard Business Press).

The third approach to strategic marketing in emerging markets can be *jugaad* innovation. *Jugaad* innovation is a flexible approach to innovation that is dominant in India. "Jugaad" is a Hindi word that describes an improvised or makeshift solution using scarce resources. It is a way of life in India, where washing machines are used for whipping up yogurt drinks, but it is also an innovation theory that is proving to be increasingly influential in the marketing departments of Western corporations. In a business context, *jugaad* is a "frugal, flexible, and inclusive approach to problem solving and innovation", says Professor Jaideep Prabhu, of Cambridge University's Judge Business School. Pointing at examples like SELCO India, a sustainable energy provider that sells solar panels to a network of small entrepreneurs who in turn use them to charge battery-powered lights rented to households outside the country's electricity grid. "*Jugaad* is a clever, unconventional, quick way to solve a problem", says Wido Menhardt, CEO of the Philips Innovation Center in Bangalore. "It is always out-of-the-box, and it is typically very focused". Menhardt says, "Agile or lean business practices are process frameworks, whereas jugaad is void of process". He argues, "*Jugaad* is a culture, an attitude, an outcome of circumstance, but definitely not something planned. The challenge is to tap into it and channel it". According to Prabhu, lean and agile business practices are internal or supply-side focused; they pursue cost efficiencies or responsiveness as an end goal. "*Jugaad*, in contrast, is primarily external or demand-side focused. It uses cost efficiency as a means to achieve a larger goal of delivering higher value to customers." *Jugaad* innovators strive to create products and services that score high on three attributes increasingly valued by customers: affordability, quality and sustainability. In the given case study, Micromax has evinced several instances of *jugaad* innovation. In the section, Theory and Practice at Micromax, it was highlighted that the company has pulled itself back from the brink of extinction using *jugaad*. Much later, when the company had established itself a leading handset player in the Indian market, there were instances of *jugaad* in its marketing strategy, where Micromax made a stakeholder out of a distributor. This practice was not followed by the industry, even by market leaders such as Samsung or cash-rich MNCs such as Apple or Nokia, who could afford to offer lines of credit to their distributors. Just like model-based sourcing followed by Micromax right in the beginning, distributor as stakeholder was a highly innovative concept with demand-side focus enhancing the affordability, quality and sustainability of their mobile phones. The strength of *jugaad* innovators lies in the ability to get more from less, experiment continually and creatively engage people who are typically left out of the innovation process. The *jugaad* approach stands in marked contrast to the traditional structured approach to innovation – involving large R&D departments, big budgets, planning and control. While this *jugaad* approach to innovation has its advantages, it must be kept in mind that this type of innovation is not about using latest technology.

(*Suggested Reading: Govindarajan, V. and Trimble, C. (2012), Reverse Innovation, Havard Business Press*)

Hence a mobile phone company can use any of these three approaches – microconsumer, BOP and *Jugaad* strategy – to tap an emerging market, as has been seen in the case of Micromax. The marketing strategy used by Micromax has been outlined in Figure 1.

Figure 1 Marketing strategy at Micromax Informatics Ltd.



In the third and last phase of discussion, the focus moves to "perception" and brand image of the company and the launch of Canvas range of phablets in the Indian market. Here, the instructor would need to encourage participation towards the last question, i.e. the current marketing strategy at Micromax with Hugh Jackman as the brand ambassador. The supporting arguments for the *perception* change idea at Micromax through Wolverine star, Hugh Jackman, have to follow the Aaker Brand Identity model.

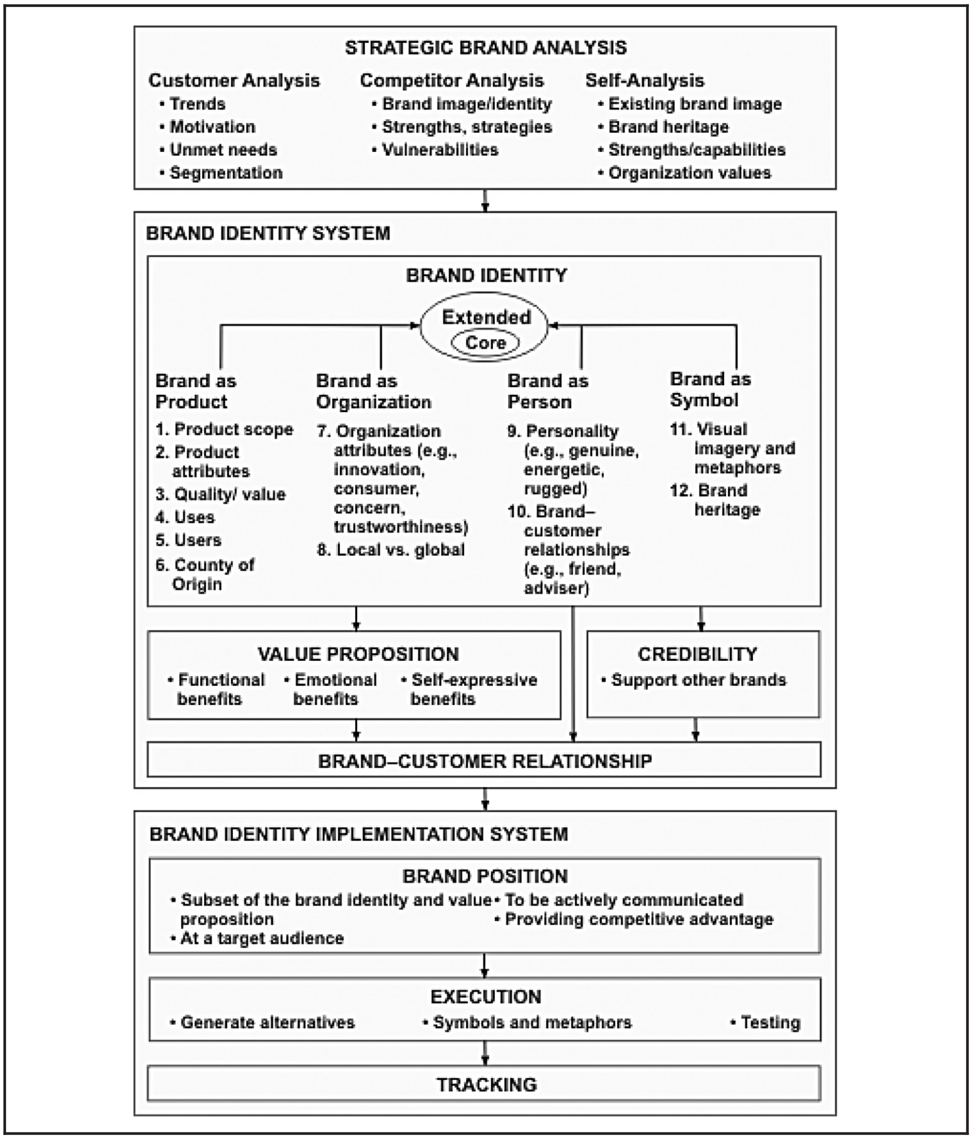
David A. Aaker developed a comprehensive brand identity planning model. At the heart of this model is a fourfold perspective on the concept of a brand. To help ensure that a firm's brand identity has texture and depth, Aaker advises brand strategists to consider the brand as a product, an organization, a person and a symbol. Each perspective is distinct. The purpose of this system is to help brand strategists consider different brand elements and patterns that can help clarify, enrich and differentiate an identity. A more detailed identity will also help guide implementation decisions (Figure 2).

The brand-as-product. A core element of a brand's identity is usually its product thrust, which will affect the type of associations that are desirable and feasible. Attributes directly related to the purchase or use of a product can provide functional benefits and sometimes emotional benefits for customers. A product-related attribute can create a value proposition by offering something extra such as features or services, or by offering something better. Aaker argues, however, that the goal of linking a brand with a product class is not to gain recall of a product class when a brand is mentioned. It is more important, he posits, for customers to remember the brand when there is a need relevant to the product class.

The brand-as-organization. This perspective focuses on attributes of the organization rather than on those of the product or service. Micromax informatics' organizational attributes such as design innovation, a drive for performance and marketplace tactics, discussed earlier in Phase II, are recreated in the choice of the celebrity Hugh Jackman. The star and his movies have been very well-marketed in emerging markets and have done extremely well at the box office too. Hence, he was a familiar hero in the Indian youth segment. It is to be noted that organizational attributes are always more enduring and resistant to competitive claims than product attributes. This is so because product attributes can be easily replicated, especially so in the smartphone and phablet markets. But, organizational attributes cannot be as easily replicated, and this was very true for Micromax. In the third prong of its marketing strategy, Micromax used *distributors* as its key stakeholder and in promotions; Micromax became the first Indian player to use a developed market celebrity in its local advertising campaign. This cemented its quest for style and design in an international format. Micromax had its eyes set on the Russian market for the coming year. It wanted to use the Canvas brand ambassador in its international pursuits, too, which would take care of the global foray.

The brand-as-person. Like a person, a brand can be perceived as having a unique personality. The brand-as-person perspective suggests a brand identity that is richer and more interesting than one based on product attributes. The use of a celebrity like Hugh Jackman can create a stronger brand by: creating a self-expressive benefit that becomes a vehicle for customers to express their own personalities; forming the basis of a relationship between customers and the brand (in the same way human personalities affect

Figure 2 A diagrammatic representation of the model



relationships between people); and helping communicate a product attribute and, thus, contributing to a functional benefit. In the advertisement, the slim-line phone was heavily emphasized and several features were highlighted by the celebrity himself. A video clipping of the advertisement may be used by the instructor at this point to highlight the brand identity viewpoint. This YouTube link can be used by the instructor [http://goo.gl/pGt8O5].

The brand-as-symbol. A strong symbol can provide cohesion and structure to an identity and make it much easier to gain recognition and recall. Its presence can be a key ingredient of brand development and its absence can be a substantial handicap. Elevating symbols to the status of being part of the identity reflects their potential power. The television advertisement posing Hugh Jackman highlighted three types of symbols: visual imagery, metaphors and the star's heritage. Hence, Hugh Jackman became the Canvas symbol.

As suggested by Aaker's elaborate brand taxonomy, brand identity consists of a core identity and an extended identity. The former represents the timeless essence of the brand. It is central to both the meaning and success of the brand, and contains the associations that are most likely to remain constant as the brand encompasses new products and travels to new markets. The extended identity, on the other hand, includes elements that provide texture and completeness. It fills in the picture, adding details that help portray what the brand stands for. A reasonable hypothesis, Aaker states, is that within a product class, a larger extended identity means a stronger brand – one that is more memorable, interesting and connected to customers' lives.

This concept was evident in the new brand positioning of Micromax through the Canvas range of smartphones and phablets. The core identity remained unchanged through the price denomination (Exhibit 9) and the features (Exhibit 11), but the extended identity changed (Exhibits 10). It changed the "perception" of Micromax through Hugh Jackman. Evidently, CMO Pal had achieved what he hoped for in this new campaign [. . .]. "keeping the brand alive in the minds of the customer".

The last 15 minutes of the class should be used for closing the arguments. In conclusion, it is recommended that students/participants suggest financial growth as the true outcome of the Jackman campaign. The financial statements (Exhibits 12, 13 and 2.4) in 2014 show a sharp increase in profits and revenues as compared to 2013. The press release in a leading Indian financial daily also hinted at the successful year ending in 2014 as compared to 2013, which should be kept in mind as the cementing marketing strategy of using Hugh Jackman as the brand ambassador for perception change. The final answer lies in the insight that perhaps, through Jackman, Micromax had finally improved the brand image and added a new prong to its marketing strategy. Earlier Micromax had no evidence of marketing investment in international celebrity, but the new CMO with the Midas touch had introduced endorsements as a tool to survive in the modern, cluttered environment. The company has to learn from its experiences in the home market to be successful abroad. The sign-off to the case will be how success of emerging market companies in emerging markets can be replicated in other emerging markets like Russia, which is the company's latest global foray.

Abstract

Title – *Micromax Informatics Ltd: Marketing strategy for emerging markets.*

Subject area – *Marketing strategy, strategic innovation.*

Study level/applicability – *Strategic brand management or marketing strategy courses at MBA level.*

Case overview – *It seemed likely that a company with the highest number of product variants would consider product innovation to be its key source of sustenance in a crowded marketplace. Especially so, when the local and global competition was hotting up to a new launch every week. In the case of Micromax, a mobile handset maker from India tried to drive home the point that sustainability in emerging markets did not lie in inventing a new technology like Apple or Nokia or Sony did, albeit accompanied with a premium price tag. For the emerging markets, it was important to optimize the offering for the consumers. Strategic optimization could result from bridging the gaps in performance, infrastructure and organization design, which came naturally to this marketing-savvy mobile maker. Any company could make a cost-effective phone, but few could position, brand and sell it the way Micromax did. Shubhodip Pal, Head of Marketing at Micromax Informatics Pvt Ltd, India, pondered the marketing strategy which could pave the way into maintaining the company's national leadership position while creating a roadmap for its global foray. For Micromax, marketing strategy innovation, and not product innovation, would fulfil the goal of long-term growth in India and overseas markets.*

Expected learning outcomes – *The students studying this case are expected to learn: marketing strategy in emerging markets such as India, marketing strategy as the critical success factor for upcoming Indian companies rather than product innovation and doing business in emerging markets.*

Supplementary materials – *Teaching Notes are available for educators only. Please contact your library to gain login details or email support@emeraldinsight.com to request teaching notes.*

Subject code – *CSS 8: Marketing and CSS 11: Strategy.*