The state of Indian Smartphone Industry 2020: amid Corona Pandemic

Dr. Vikas Verma  
M.com, Phd, MBA, M.A (English)  
Associate Professor  
Department of Commerce  
S.D. PG Degree College  
Muzaffarnagar  
Email: vikas.verma5555@gmail.com

Jyoti Gaur  
M.com, NET, JRF  
Research Scholar  
Department of Commerce  
S.D. PG Degree College  
Muzaffarnagar  
Email: jyotigaur.14@gmail.com

Abstract:

Human Beings are realizing the potential of a smartphone much more than ever before in the times of global pandemic: Covid 19. While most of the world stays locked behind the doors and fight against the novel coronavirus outbreak, Smartphones are playing a potent role in creating a work-life balance for people. With access to the whole world through smartphones, people are staying connected with each other, even if it is in a virtual mode.

Present study is conducted in realizing the potential of a smartphone and what India Smartphone industry will look like post Covid 19. The study is basically based upon the global downfall of the economy and its direct implications on the Indian Smartphone Industry. It also analyzes Indo-China relations to witness the impact on the leading Chinese smartphone brands operating in India.

Further it unfolds the emerging significance of E-Commerce and its growing relevance amid lockdown and post corona pandemic. Primary data has been collected basis the research from reports, media reports and global agencies.

It has been further structured to analyze the present and the future of India Smartphone industry basis factors such as: E-Commerce, India’s GDP growth, Changing Customer Behaviors
and response of the leading brands in corona pandemic. The recommendations of the family members and the colleagues have played a vital in collaborating the research.

**Objective:**

The objective of the research was to analyze the impact of novel coronavirus outbreak on Indian the smartphone industry. Since, China has been the epicenter of the virus outbreaks and the country has been on the tenterhooks of the nations globally, it was potent to analyze the state of Indo-China relations in these times of uncertainty and its long-lasting post Corona.

**Keywords:** smartphone, covid -19, e commerce

**Introduction:**

As India grapples with a new way of life and the crisis of COVID-19 peaks, most industries are suffering leading to brands bearing the brunt of this pandemic. Lockdown restrictions have kept customers away from brick and mortar retail stores, logistical issues have severely affected the supply chain, non-essential items are removed from e-commerce cart and businesses have come to a stand-still.

And in between all of this, the current crisis is intensifying pressure on marketers who are expected to ride this wave of public health crisis. The most critical question one should be asking as a marketer right now is not ‘How can I sell more?’ Rather, it’s ‘How do we help customers in this time?’. Focusing solely on profits in the current situation will not lead brands anywhere, instead it can work against it. Marketers across industries are trying to redesign their business models and the white goods industry is no exception.

The Covid-19 has led to a paradigm shift in the consumer behaviour, in a sense that the pandemic has changed the way we work, shop and communicate with people more than any other disruption (including technological ones) in the recent past. As the community moves beyond the survival mode, the digital-adoption momentum is likely to carry forward and become permanent. This inflection point will be primarily shaped by two major shifts in consumer behaviour - the reluctance to mingle in crowded public places and higher propensity for digital adoption.

Consumers are likely to opt for online shopping even after the outbreak ends, and this change will be adapted in the white goods industry as well, which has for the longest time been an industry that is heavily dependent on touch and feel of the product.

**India’s current situation vis-à-vis Smartphone Industry:**

With uncertainty looming over the future in the aftermath of the novel coronavirus outbreak, there is widespread speculation in India too on its possible impact on the trade and financial structure. Amidst the growing apprehensions that situation will take much more time to simmer down than expected; one of the biggest pandemics has crippled the global economy and created a sense of fear amongst the people.

Despite taking preventive measures, India has not remained untouched with this global malady. Economists are signaling fears of India’s GDP hitting all-time low and maximum
impact on the oil and gas, automobiles, MSMEs, aviation, agriculture, retail, travel and hospitality sectors. With the number of confirmed cases increasing every single day, India’s worry to ensure proper healthcare seems to become a sad reality.

While the government is taking all necessary initiatives to halt the impact of the virus; corporate institutions are backing the measures taken by the Centre and the States to contain the spread of COVID 19.

Indian smartphone industry has been at the brink of transitioning into an uncertain phase amid the corona pandemic. Citing the smartphone industry is highly dependent upon China in sourcing equipment, business leaders are currently focusing on crisis management and contingency planning, but eventually will seek towards re-imagining the industry altogether.

How will dramatic shifts in the global economy and consumer behaviour in the post-coronavirus world impact the sales of the smartphones and what can be done to rewire the system that is no longer working, still remains a matter of debate. However, the shortage of labour and major production plants being closed owing to the threat of the spreading of virus has intensified problems to a large extent. Also, the dwindling effect on the India economy has further spiked to industrial worries, since the pandemic has adversely impacted the purchasing power of potential customers.

Several small and large brands have crossed the Indian handset market in the past few years. Facing hyper-competition in a fast moving market like India, many brands have faced decline or virtually a exist in the past few years.

The present situation has increased the worries of even some of the established brands in India. The first quarter of the year had seen smartphone makers struggle on account of component supply being disrupted in China following the coronavirus outbreak.

Online sales have taken a major hit as smartphones did not feature in the “essential” category that has been allowed to be delivered by e-commerce route. Once the situation returns to normal, one can expect a strong online activity as these channels will look to wooing buyers with offers.

Another factor that will badly hit the business at large is the customer’s growing insecurity amid and post corona. According to research analyst, not only the prices of the products will touch its peak once the situation simmers down, but also customers’ inclination towards saving money. The present situation has led to several layoffs in some of the most important industries in India. IT, Retail, FMCG, Consumer Electronics, Education, Smartphones among others have witnessed a huge setback with employees either left without job or forced to work at a much lesser salary.

2019 VS 2020: The Rise and Fall of Indian Smartphone Industry

According to the International Data Corporation’s (IDC) Quarterly Mobile Phone Tracker, the India became the second largest smartphone industry in India, only a step behind China. India was also much ahead of the USA. The smartphone market in India saw a positive outlook with 152.5 million units shipped in 2019. Whereas, the overall mobile phone market, with annual shipments of 282.9 million units, declined by (-12.3%) YoY in 2019 due to fewer 4G feature phones. The country also saw a modest growth of 8.0% year-over-year (YoY) in 2019.
A stark difference was also witnessed in online growth model versus the conventional offline channel of purchase. The online exclusive models released by some of the most preferred brands had a huge setback on the offline sales resulting in a meagre 1.6% annual growth in 2019.

2019 also was a relatively good year for the smartphone industry as the average selling price of the products stood at US$163, registering 2.8% YoY growth with the sub-US$200 segment still accounting for 79% of the market.

The ASP for 4Q19 stood at an all-time high of US$172, as shipments in US$200-300 grew by 71.9% YoY on the back of fast selling Galaxy M30s and vivo S1, while strong shipments of the newly launched iPhone 11 series drove the US$700 and above segment.

In the mid-premium (US$300-500) segment in 4Q19, OPPO surpassed OnePlus for the leadership position with a share of 26.8% and 24.4% respectively with the fast-moving Reno 2 series. In the premium (US$500+) segment, Apple reached a record 75.6% market share.

In January 2020, the India smartphone industry surpassed USA for the first time on an annual level. According to the research by Counterpoint, India became the second-largest smartphone market globally reaching 158 million shipments in 2019 with 7% YoY growth. While the smartphone market registered YoY growth, the feature phone market saw a steep decline of around 42% YoY in 2019 and 38% YoY in Q4 2019.

But after February this year, the graph of the growth significantly feel due to a spike in the cases of Coronavirus worldwide. A research done by Counterpoint reveals, due to the strict norms of lockdown and social distancing, shipments from abroad declined significantly in the month of March and April compared to previous year. This led to a steep vacuum in already struggling smartphone industry in India.

The research further notes that India could take a USD 2 billion hit, since the outbreak has been expanding pan-India with the country being in a lockdown. These grim factors have resulted in a decline of 3 per cent in smartphone shipment in 2020 to 153 million units compared to 158 million units last year.

While a year-on-year decline of 27 percent is expected in shipments alone in March, almost 60 percent decline is speculated assuming the lockdown with be lifted on April 4. Many analysts are speculating that the current situation may impact the whole supply chain, channels in term of revenue and sales if the lockdown extends post April 4.

The demand for the smartphone is expected to shift to the next half of the year, citing a decrease in purchasing capacity of the customers. E-Commerce, will certainly play a vital role in strengthening the sales, as brands are expected to woo the customers with attractive offers once the situation comes back to the normal. As far as production is concerned, both domestic and exports will have almost full 20 days of impact.
Exhibit 1: India Smartphone Shipment Market Share CY 2018

SOURCE: International Data Corporation (IDC) Mobile phone tracker
Exhibit 2: India Smartphone Shipment Market Share CY 2019

SOURCE: International Data Corporation (IDC) Mobile phone tracker
SOURCE: International Data Corporation (IDC) Mobile phone tracker
Exhibit 4: Q4 2018

SOURCE: International Data Corporation (IDC) Mobile phone tracker
Conscious Contributions: Smartphone brands’ impressive move to build trust amongst the customers

The pandemic has made the companies realize that the present times are not to garner profits but to build a sustaining trust amongst its customers. While India combats the economic decline due to a huge loss, leading smartphone brands extended a hand of help to the government through conscious contributions.

Several organizations in India are coming together to minimize the impact on public health and to limit disruptions to economy and supply chains. With each passing day, new companies are stepping forward to help in eradicating the effects of novel Coronavirus by adopting various measures.

From supplying medial kits to ensuring food for the marginalized and the poor, India’s corporate sector is taking several measures to fulfill its social obligations towards the society. In fight against the pandemic, several renowned industrialists and entrepreneurs have pledged donations that would be effectively used to fight against the pandemic in the worst-hit areas of the country. At the same time, India is slowly and steadily building sufficient ammunition to fight against the growing impact of the virus and is expanding its operations every single day to support doctors, hospitals and quarantine facilities.
Leading brands have come forward to help the government/s and organizations to support existing healthcare infrastructure, help reinforce it, helping the under-privileged sections of the society, by announcing grants, and/or lending their facilities for the production of essentials etc. Brands are also curating relevant campaigns across owned channels to build awareness, encourage adoption of precautionary measures amongst the larger audience and take significant measures to assist the authorities in controlling and minimizing the impact of the pandemic.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Competitors</th>
<th>CSR Initiatives</th>
<th>Donations to the PM Relief Fund</th>
<th>Links to Stories</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Xiaomi</td>
<td>• Donated <strong>lakhs of N95 masks</strong> to Karnataka, Punjab and Delhi government, and hazardous materials suits to a few government hospitals like AIIMS and St. Johns in the wake of the novel coronavirus outbreak.</td>
<td>INR 15 CR</td>
<td><strong>Financial Express</strong></td>
</tr>
<tr>
<td>2.</td>
<td>LG Electronics</td>
<td>• LG takes up the responsibility in partnership with Akshaya Patra Foundation, to serve meals to effected people across India. LG will be sponsoring over 1 million meals</td>
<td>-</td>
<td><strong>BusinessWorld</strong></td>
</tr>
<tr>
<td>3.</td>
<td>Vivo</td>
<td><em>Released a digital campaign 'Heroes Who Care'' and offers medical support</em> • The film aims to remind people that while most are locked in the safety of their homes, there is a section of society that has undertaken the most daunting of tasks. They are out there, fighting it out every single moment and making sacrifices</td>
<td>-</td>
<td><strong>Livemint</strong></td>
</tr>
</tbody>
</table>
above and beyond the call of duty

• The company showcases the efforts and resilience of healthcare professionals, sending the message that the society should be thankful to them
• Donated over two lakh surgical and N95 masks to support these heroes

4. Samsung India

• Will provide preventive kits to hospitals, which includes a surgeon gown, face mask, gloves, preventive eye wear, hood cap and shoe cover. It will also provide infra-red thermometers and public addressal systems that can be used by the authorities at hospitals and other facilities, along with air purifiers in medical facilities
• Will support local police by providing cooked food packets to local communities around its manufacturing facility.

5. Oppo

| NA | INR 1 CR towards PM and UP Distress Relief Fund | GIZBOT |

The Bull Fight: OnePlus and Apple comes face-to-face in launching new phones amid corona

The leading smartphones giants in India: OnePlus and IPhone took the industry by surprise with the launch of OnePlus 8 series and iPhone SE respectively.

For these brands in the consumer technology space, the mantra ‘Necessity is the mother of all inventions’ has worked out quite well.
 OnePlus 8 Announcement:

OnePlus launched its OnePlus 8 series globally on April 14 through live streaming from their HQ. Several technology experts are calling this series as OnePlus’s brave pivot from its ‘aspirational’ to ‘ambitious’ premium positioning. However, the announcement of the launch date two weeks prior to the actual launch amidst the on-going global pandemic wasn’t received too well with the Indian technology media. While few questioned the necessity of the launch during these troubled times when all other major technology symposiums and events are being cancelled others questioned OnePlus’ business aspirations as no consumer will be able to buy the new device any time soon.

The global launch didn’t reveal the India pricing and availability of the device. It is expected to hit the Indian shores during ‘summer’. It is to be noted that No Indian journalists has received the review devices. However, OnePlus through a tweet has dropped a hint at that the Indian pricing of the phones could be more affordable, as it clarified that the company doesn’t “speak dollar” and that the Indian prices will be coming soon. (The live stream of the event can be watched [here](https://example.com/)

Analysis Of The Launch:

- The launch live stream was crisp and very product centric. OnePlus compared the latest specs on the OnePlus 8 Pro with iPhone 11 Max and Samsung Galaxy S20 Ultra throughout
  - The launch began with the keynote session by Ryan Fenwick, Head of Corporate PR, OnePlus, where he spoke about the philosophy and the brand pillars of OnePlus (Product Focus; Pushing Perfection; Pushing Boundaries)
    - He took the audience through the journey and milestones of OnePlus
      - No. 4 premium Smartphone Company in the world
      - No.1 premium smartphone brand in India
      - No. 1 fastest growing smartphone brand in the US
      - OnePlus community is now 5.5 Million

Ryan also spoke about the 5G developments in the company (Partnership with T-Mobiles; No.3 leading brand for 5G devices in the US & Increase in R&D expenditure around 5G)

- Ryan later presented a live message from Pete Lau, CEO OnePlus where Pete highlighted the importance of 5G in this era and OnePlus’s partnership with Verizon in the North America

- OnePlus Bullets Wireless Z was also introduced during the launch

What Was Unique?

Virtual Live Unboxing: OnePlus has launched a new Instagram filter by leveraging Augmented Reality that allows the audience to unbox the new OnePlus 8 and OnePlus 8 Pro smartphones on the platform in order to provide one-of-a-kind experience to them and bring them a step closer to the virtual look of the devices.
Apple iPhone SE Announcement:

Apple launched the second-generation iPhone SE on April 16 without much fanfare. Looking at the current situation, the launch was basis a virtual press release dissemination and Tim Cook, Apple CEO took to Twitter to announce the same.

Analyst Speak:

- “The segment Apple caters will supposedly have more capacity to bear the stress that is likely to happen due to macro-economic challenges. But, still there will some segment which will look for cheaper alternatives curtailing their budgets,” - Faisal Kawoosa, founder of research firm techARC
- “The new device should work very well. This price point is very aggressive for Apple. And with demand generation expected by the brands and platforms once lockdown is lifted, should really help Apple get volumes from this,” - Navkendar Singh, the Research Director, IDC India
- “The India prices is still on the higher side which means there will be a better incentive for some users to upgrade to an 11 or XR. I think first of all this presses upon the commitment of Apple and its manufacturing partners to keep the product launch on time. The new iPhone can be a good upgrade for older generation iPhone 8/7 series to upgrade especially for users looking for better processing and camera over the display,” - Tarun Pathak, associate director at Counterpoint Research
- “Apple should assemble the new iPhone SE in India to pass the duty benefits to local customers” - Tarun Pathak, associate director at Counterpoint Research

Analysis of the launch:

- The iPhone SE was launched amid global lockdowns, at a time when the smartphone market has been ailing in countries like India.
- As more people stay indoors and manufacturing is halted, sales have dipped. Experts believe that this slowdown will affect Apple too, though the fact that Apple caters to a more high-end market may work in its favor to some extent.

Foreign Investment goes on virtual halt:
Thanks to Covid-19, the world today is facing a massive global uncertainty in global capital flows. In a recent research, The UN’s trade and development arm (UNCTAD) revised its forecasts about the effects of COVID-19 on global FDI flows from a conservative -5 to -15% drop, to a decisive -30 to -40% contraction. These loses are potentially more dramatic than at any time in the history.

The reference point, for coming to this forecast is the financial crisis of 2007-08. In its immediate aftermath, FDI flows fell by 37% in 2009, down to $1.1 trillion, and the Great Recession took hold. Today, at the onset of the pandemic, the virus has already wiped off some $500bn in foreign investment, and worse is very likely to come. That doesn’t bode well for what’s next.

The COVID-19 crisis has already wiped off trillions of dollars off companies’ valuations. Economists speculate, that as a protective measure it may be in a country’s best interest to put temporary barriers on investments as a protective measure.

With companies losing so much value, foreign acquisition bids may be possible at bargain-basement price in key industries that need to remain in domestic hands. A first sign of this came from Australia, as the country announced the temporary tightening of conditions for entry of foreign investment, with a strengthened review process lasting between 30 days and six months.

While such measures make short-term sense, the tricky part is not to make them stick once the health emergency subsides. If the global economy was in a Prisoner’s Dilemma, the clear optimal outcome would be to be collaborative and open borders as quickly as possible. But it’s also clear the “first mover” to lift restrictions may get the short end of the stick, if its initial openness isn’t reciprocated.

The state of Indo-China Relations amid Coronavirus:

With uncertainty increasing over the number of Coronavirus cases in China, nations across the globe are targeting the country for not revealing the exact picture of the situation on the ground. In India, while the government stays neutral in trading barbs against China, unlike the US, the Indian media is unfolding several theories behind China’s action in spreading coronavirus.

The government of India has reacted against China’s hostile takeovers across the globe amidst pandemic. While the Indian Media has decoded China’s help in healthcare to South Asia as a “charm offensive”, the government has decided to resume tough scrutiny against Chinese investors who have poured about $6 billion into Indian startups in the last two years.

According to the nation’s Department of Promotion of Industry and Internal Trade, it was taking this measure to “curb the opportunistic takeover” of Indian firms that are grappling with challenges due to the coronavirus crises.
According to the new norms, a transfer of ownership in an FDI deal that benefits any country that shares a border with India will also need government approval. The earlier FDI policy was limited to allowing only Bangladesh and Pakistan via the government route in all sectors. The revised rule has now brought companies from China under the government route filter.

The revised rule is not applicable to the recent 1.01 per cent stake sale by mortgage lender HDFC to People's Bank of China as the deal was less than the strategic 10 per cent. While it is applicable in large shareholdings of 10 per cent and above.

This decision of the Indian administration will further intensify worries of leading Chinese smartphone brands in India such as XIAOMI, ONE PLUS, LENOVO, GIONEE, OPPO, and VIVO. It is further going to reflect upon the already dwindling Indo-China relations that have a not so good history since the past ages.

- To avoid hostile takeovers amid COVID-19, India mandates approvals on Chinese investments
- Changes in FDI rules necessary to ensure no Indian entity is shortchanged during COVID-19 pandemic, especially by ‘opportunist’ China

Conclusion:

- The Covid 19 pandemic has left the Indian smartphone industry in a limbo. Citing the present situation, the industry will be grappling with the effects of the pandemic for the first half of the year
- E-Commerce will play a significant role in escalating the growth of the smartphone industry once the situation comes back to the normal
- There will be a significant shift in the customer behavior with more and more buyers lapping up the offers by leading brands to escalate sales in the second half of the year
- The downfall in the global investments is expected to take a toll on economies like India that are hugely dependent upon the West for their businesses
- The impact can further dwindle the Indian economy and is expected to badly hit the customer if lockdown is further extended
- Brands like OnePlus and Apple are expected to take a lead over other brands in India citing the courageous and innovative launch of their new products amid lockdown
- India’s move to make hard hitting changes in the FDI policy with further worsen Indo-China relations and impact Chinese smartphone brands leading in India.

Suggestions:

- To keep the momentum going, more brands should come forward with innovative strategies for the launch of their new products
- While the sales are not expected to pick up the pace in the first half of the year and businesses will be moving on a much slower pace, brands must invest the time in strategizing for a powerful comeback
- The lockdown has made humans familiar with a new reality and this is: Staying Virtual. Since the times will never be the same as they were before the pandemic, world will open its doors to a new way of living online
- Brands must realize this much more than ever before and harness the potential of E-Commerce to a much greater leve
REFERENCE:


- https://www.idc.com/getdoc.jsp?containerId=prAP46013620

- https://www.idc.com/getdoc.jsp?containerId=prAP46013620


- To avoid hostile takeovers amid COVID-19, India mandates approvals on Chinese investments

- Changes in FDI rules necessary to ensure no Indian entity is shortchanged during COVID-19 pandemic, especially by ‘opportunist’ China