

A Study on Identifying Reasons of Sudden Surge of Sales of Mobile Phones on E-Commerce Websites

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Abstract—Over the last couple of years India has seen a tremendous surge in the e-commerce trade in India. With Big Brands spending huge chunks of money in promoting themselves on almost all the possible media vehicles and going into a virtual war with their competitors by announcing Mega sales every now and then. These online sales and huge promotions pulled lot of prospective customers towards these websites. Most of these attracted customers were young and new buyers.

While initially the focus of all these ecommerce websites was on selling apparels and accessories but gradually with the passage of time the product line which unexpectedly started churning our maximum revenue for these websites were Mobile Phones.

While mobile phone was always a product sold through the complex retail network, where the customer could first experience & compare the different options available on the basis of their requirement & budget. The customer at these retail stores was free to compare different features of different products and then decide to buy the required product of their choice.

We in this paper have tried to understand the different reasons and logics behind the sudden surge of sales of Mobile phones from ecommerce websites.

Keywords: Online Marketing, Digital Marketing, Social Marketing, E-Commerce, E-Business, Mobile Phones, Smart Phones.

INTRODUCTION

With our paper we wish to examine and study the major driving forces which have led to the increase in the sales of mobile phones on the e-commerce websites. Research (both secondary and primary) shows that a very good percentage of total sales of the major e-commerce websites comes from the sales of mobile phones. With this paper we wish to examine the various reasons behind this new trend. There are multiple strong reasons for buyers to shift to online e-commerce portals from regular mom and pop stores. With lucrative offers, biased pricing and strong promotional wave pushed by Gigantic Multinational and New start-ups backed up by Rich Investors from India & Abroad.

DIFFERENCE IN PRICING

Until just about 5 years back, very few people thought of going online for any need, in-fact it was not feasible to buy online since the price quoted on ecommerce portals were way to high and the cost of buying from real market was at least 20-25% lesser than the price quoted on Internet. This problem was eradicated by new players like Amazon, Snapdeal & Flipkart as these brands actually sold products on loss to make them the first choice of most customers and also convert the conventional customers to start trying a new avenue of e-commerce.

LACK OF NEGOTIATION

Since generations Indian buyers are used to of negotiating for every purchase whether it was a small vegetable purchase of Rs. 5 or a diamond necklace worth Rs. 5 Lakh; and with online purchase this was impossible and thus the satisfaction of shopping was missing. This unbreakable tradition saw decline with the mall culture in Metro cities where there were fixed price shops and the customer slowly and gradually became used to of fixed pricing.

LACK OF TRUST

Much after the big brands came into the business of e-commerce with money back guarantee and the word of mouth spread like fire, the customer gradually started to trust online purchasing. This trust was supported by big brands which backed up these e-commerce portals by extending their support in public to them.

LACK OF PHYSICAL INTERFACE PRODUCT

This has been one of the biggest and most important aspects which had been restricting the online trade for years together. This big hurdle was conquered by these web portals with regular promises by major players of cash back and

replacement in-case the customer doesn't like or is not happy with the product delivered.

THREAT OF ONLINE FRAUD/INTERNET BANKING

Till today major percentage of e-commerce customers are afraid of their online transactions since there is always a threat of someone hacking into their Bank accounts and doing online frauds with them. But with options like cash on delivery and reliable online practices like One time Passwords(OTP) more and more people are showing trust on online transactions.

SMART PHONE EVOLVEMENT IN INDIAN MARKET

From Our first paper Titled: "BIG BANG DISTRUPTION – THE REALIZATION OF THE TRUE POTENTIAL OF E-COMMERCE WEBSITES- A CASE ON MOBILE PHONES"

EXPERIENCE

Since the concept of Smart phone was fairly new and the whole emphasis of all the brands was to make the prospective customers experience and feel the new technological advancement. Since the introduction of Smart phone it was evident in everybody's mind that it was the next big thing and the only available challenge was to take the experience of smart phone to more and more people so that more and more people could understand and explore the possibilities attached with Android & IOS.

PRICING

Since it was a new technology and there were limited players in the market the pricing was bound to be high, since this is not the first time this happened and certainly its not the last time this has happen. Even when the initial pricing was on higher side, customers showed immense trust and support in the new technology and established the need for the product in the market.

TREND

Initially owning a smart phone was just a fad, as it was an expensive affair and attracted more of gadget freaks and high earning working professionals. While the students & young professional aspired for the Smartphone but it mostly didn't fit into their budget.

BRAND

Since smart phone was a new entry in the market and the market leader Nokia missed the opportunity by failing to understand the true potential of the technology there was a huge vacuum created in the market. This newly created vacuum was so big that it needed more than one players to serve the customers; Yet the leader which emerged out of the present brands was Samsung.

CUSTOMER BASE

As discussed above the initial customer base was more of Technical geeks and enthusiastic and well funded working professionals but gradually with the entry of small and over enthusiastic brands into the market the pricing became very competitive & accessible. With deduction in prices students, which is one of the biggest market in young India thrived on the opportunity and stormed to the market for their choice of smart phone. They had a need of the smart phone and compromised on inferior or new brands but went ahead to buy their choice of smart phone with features which were available with good brands at much higher price.

CURRENT SCENARIO OF SMART PHONE MARKET

EXPERIENCE

Since it's been more than 5 years since smart phones became popular in India & with the deduction in pricing and aggressive sales techniques adopted by new and old players, it will not be exaggeration to mention that major part of the target audience has already experienced the smart phone technology. A big contribution to spreading the experience was aggressive promotion by big brands like Samsung, HTC & Sony, LG, Micromax to name a few. These brands spent a lot of money in placing live phone in retail outlets across India to grow the experience of Android across the target audience.

PRICING

Almost all these brands were importing the handsets from china and since the profit margins were huge in each handset the business became very lucrative. While these big brands were fighting amongst themselves for market share many small brands mushroomed during the same time with quality products at lesser and more competitive prices. Brands like Micromax, Lava, Gionee and many more took advantage of low procurement cost and offered value for money products to target Audience.

TREND

While initially it was a fad or status symbol to own a smart phone with the passage of time & availability of low cost handsets gradually the smart phones became affordable & from being style statement it gradually became a necessity with not just working professionals but with students and house wives. Now everyone wanted to be connected 24X7 with their relatives & Well wishers through social networking and other Internet based mediums

BRAND

Success of smart phone technology & decline of the market leader (Nokia) in India, the market opened up for a huge vacuum which was filled by few big multinational brands like Samsung, Sony, LG & HTC. While these big brands were

fighting amongst themselves for market share many small brands mushroomed during the same time with quality products at lesser and more competitive prices.

CUSTOMER BASE

While initially smart phones were first adapted by gadget geeks & high earning people in the society, with the decline in pricing caused due to excessive competition Smart phone became a must have gadget for the biggest young population of the world. Almost each & every teenager or young professional wanted to have a feature heavy smartphone in their hand not just to flaunt but to also connect on the every growing social network

ONLINE PLAYERS AND THE MONEY BACKUP

2015 was a year of App Marketing as the year saw some of the biggest media campaigns being launched and promoted across all media vehicles by online Shopping Websites. While the big players like Flipkart, Snapdeal & Amazon were the highest senders in the category, there not so cash rich Competitors also bought their own share of substantial media space.

Brands like Snapdeal & Flipkart invested huge percentage of their Generous Budgets on Print media by taking full Front page jackets of leading Newspapers like TOI & HT, announcing their Mega sales. These brands also took up prime time spots on leading entertainment & News channels to build further visibility of their generous offering with innovative & effective ad campaigns.

While initially the plan was to grasp more and more brand visibility amongst the target audience and to indulge them into online shopping gradually it became a regular exercise when top brands started to fight amongst themselves to get more and more clicks on their website and to also have maximum Mobile App download.

It will not be wrong to state that in this financially difficult time when almost all industries & Big spenders of media are sitting low all media houses are depending upon these online companies to get the ball rolling and to generate maximum revenue for themselves.

In the last 12 months, app companies (which does not include Flipkart, Snapdeal and Myntra who have made a transition to apps) have allocated huge marketing budgets towards mass media advertising. For example, Paytm, a mobile commerce and payment brand, has recently inked a sponsorship deal with BCCI for four years, which is valued at Rs 200 crore.

Currently Television is still believed to be the most effective media vehicle to reach mass for any consumer brand, one fine example of the same is when Snapdeal used Bollywood Actor Aamir Khan as their brand ambassador and launched a massive campaign to reach target audience in tier 1, 2 & 3 cities, with a clear quantitative target of increasing their existing customer base.

And with more funding being fuelled in for these start-ups every day we don't see the end of the huge media spends by these online portals soon.

SECONDARY RESEARCH – THE PRESENT PICTURE

1. According to Counterpoint ,a leading Technology and Market Research company 22% of the total Smartphones were exclusively sold through E-Commerce channels in India in Q2'15. The overall India mobile phone market registered a Y/Y increase of 2%. However the smartphone segment has registered Y/Y increase of 34% and Q/Q increase of 25%.
2. According to Counterpoint Technology Market Research, almost 30 per cent of the smartphones sold in India during the April to June quarter were through online channels
3. The most important part of the research is that Flip kart one of the most renowned E-commerce website in India captured 56% of smartphones sale “Exclusively sold through e-Commerce Channels in India in Q2, 2015.
4. **Market Summary: Smartphones** contributed close to 45% of the overall shipments in **2Q 2015**
5. **Online Sales:** Almost 30% of the total smart phones sold during the quarter were through the online channels and ‘exclusive’ online only smartphone sales contributed to more than 20% of the total smartphone sales
6. **Make in India:** One in Five phones shipped during the quarter were “**Made in India**”
7. According to the Flipkart data Mobile phones made up two-thirds of the \$300 million worth of products purchased by consumers during the sale, which started on October 13'15
8. Flipkart sold 250 mobile phones every minute, of which 190 were 4G phones, during the five days.
9. Flipkart, the largest marketplace in the country for mobile phones. During last year's (2014) one-day Big Billion Day event, it sold \$60 million worth of mobile phones.
10. The company's overall smartphone sales mirror that of the Indian market, which is expected to overtake the US as the second-fastest growing market, after China, by 2017.

DATA ANALYSIS AND INTERPRETATION OBJECTIVE

Main objective of our research paper is to understand the readiness of customers to buy mobile phones on e-commerce websites. Through our paper we wish to examine main factors which have led to a great increase in the sales of mobile phones on e-commerce portals. To understand the factors we

have conducted a study of around 500 college students of Delhi/NCR pursuing graduation.

RESEARCH METHODOLOGY

The Research Methodology of our paper requires gathering relevant data from the specified audience and studying the various factors which have led to a great increase in the sales of mobile phone on e-commerce websites. For data collection we conducted surveys of around 500 college students pursuing graduation in Delhi region.

DEMOGRAPHICS

- **Age** : 17-20 years
- **Gender**: 43% of the respondents were female and 57% male
- **Occupation/Education**: Pursuing graduation.
- **Sample Size**: 500
- **Area**: Delhi/NCR
- **Time Horizon**: December'15-February'2016

STUDY

1. Out of 500 students 93% of them owned a Smart Phone.
2. 47% Samsung, 16% Apple, 4% HTC, Rest: Other brands such as Sony, Lenovo etc.
3. 57% of the respondents change their mobiles once in 18 months, 31% change once in 24 months, rest change in less than 6 months.
4. 79% students said that they compare **the features of different phones on the internet before making the final purchase?**
5. 84% students said that they **do a research on internet before making final purchase**
6. 71% students said that they **follow offers on ecommerce website for exclusive offers on exclusive Mobile Phone brands like Xiami Redmi or Mototrola Motog**
7. 36% students **had applied for any such exclusive offers on any ecommerce website**
8. 35% students found **such offers lucrative**
9. 72% **agree that the options of buying the Mobile phone should be available across all major ecommerce websites and should not be limited to one particular website only**
10. 22% had already purchased **a Mobile phone though online shopping Website**
11. 19% were **interested to buy a mobile from any online shopping Website**

12. 17% **will trust a unknown or lesser known brand if its promoted by a well-known online shopping website.**
13. 28% mobile phone from Internet without physically experiencing it
14. 31% trust a new smart phone brand with lucrative pricing & advanced features being sold only on e-commerce platform without even physically experiencing it

INTERPRETATION

a) Biggest users of Smartphone and the multimedia apps are youngster within the age group of 15 to 25 Years of age. Yet the irony is that this age group has less resources on their disposal as most of them are students and are dependent on their guardians to finance their smart phones.

b) This generate aspire for the best of the Brands and best features in their phone but due to budget constrain they settle for a cheaper scaled down version. By providing these youngster a good power packed phone, at cheap cost these brands not just create immediate sales but also earn the brand loyalty of this age group.

c) The networking of this particular age group is very high and a reasonable product gains immediate hype across target audience.

LIMITATIONS OF THE STUDY

- 1) Due to time and other constraints only Delhi/NCR region could be covered. In the coming future we are planning to conduct an online survey through network of friends connected through various social networks such as Facebook, Twitter to get a more holistic picture.

Scope of our Study

a) Past work

In our last published research paper we had highlighted as to how a new brand like Xiaomi established itself in a already competitive Indian market by adapting to a risky yet bold move of selling only via e-commerce medium. It all started in mid-2014 when Xiami launched its new range of smart phone in India. The world's 3rd largest smartphone distributor, Xiaomi designs, develops, and sells smartphones, mobile Apps and consumer electronics.

Since the launch of mobile phones in India, the conventional distribution and selling channels have been used to market and sell the product across the country. But this old tried and test formula was challenged by brands like Motorola & Xiaomi. These brands decided to Ride the success factor of the newly developed trade online sales channel. It was a win-win situation for both parties as Xiaomi(Mobile Handset Manufacturer) didn't had to go through the lengthy, expensive and difficult procedure of setting up a supply chain for its product; while Flipkart(e-commerce Partner) could actually

establish itself as a exclusive and trustworthy partner which could not just not just help in increasing the brand value of the portal but also will draw additional eyeballs to the website besides increasing the sales for the portal.

b) CURRENT TREND

In the present scenario, we can find many more brands which are following the footsteps of Xiaomi and marketing their products only through online e-commerce distribution channel. A latest example of a brand opting only for online sales is Letv.

Leshi Internet Information & Technology, also known as LeEco (Formerly Letv), is a Chinese technology company, and one of the largest online video companies in China, which has launched its new brand by the name of Letv.

While Letv spent lot of money in purchasing and booking front pages/jackets of major print mediums available in the country to announce its launch and sales, it surely didn't spend too much on other available media vehicles. Letv as brand is spending lot of its promotional budget on online promotions on social media as well as on online advertisements & promotional emails. The company in India has saved lot of time and resources by channelizing all their resources and efforts through limited mediums & channels in not just media but also in trade & hiring of limited man power in almost all the possible departments of the organisations, thus saving itself from lots of legal formalities & Hassles.

It is also important to mention here that overtime the confidence of the Indian customer has also increased on these Chinese brands & there online partners with the success of brands like Xiaomi & One Plus; so much so that initially while the products in the online sales network was priced at less than or marginally above Ten thousand rupees, today brands like Letv are also offering high end mobile phone above thirty

thousand rupees; and if we go by the initial response the product is getting good acceptance amongst the target Audience.

c) Future

Le tv:

They have startd selling ohibes from jan'16...and they are nit cheap....xiami was a gud phone at a very low price but now new brands such as letv ...the expensive phones... 33000 . They only have online staff...very few people are there in the company.

CONCLUSION

Hence to conclude we can easily state here that this is just the beginning and the percentage of online sale of mobile phones will keep increasing on steady pace in the years to come & the contribution of mobile phone in total sale of ecommerce portal will keep increasing steadily.

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