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APPLE'S IPHONE 5C IN THE INDIAN MARKET-A PRODUCT POSITIONING FAILURE

INTRODUCTION

The world's most aspirational smartphone brand, Apple was badly hit by a drastic downfall of its sales in the Q4 of 2013, the immediate sales quarter after the twin launch of the smartphone models 5C and 5S¹. In this quarter, Apple's sales volume of smartphones decreased from 4.7 percent to 2.1 percent². To add to the firm's concerns, 24/7 Wall street and NASDAQ: AAPL mentioned 5c as an "unqualified success"³. For the world-wide customers, it appeared that Apple was finding hard to push the sales of 5C in the emerging markets such as India for which it was actually meant for, which led to reducing its production by 35% while increasing 5S production by 75%⁴. The topsy-turvy state of Apple

¹ A mobile phone that is able to perform many of the functions of a computer, typically having a relatively large screen and an operating system capable of running general-purpose applications.

² IDC: Apple iPhone sales see sharp fall in India; July 17, 2013; retrieved from <http://macdailynews.com/2013/07/17/apple-iphone-sales-see-sharp-fall-in-india/> on 13.9.2014, accessed October 2015.

³ Apple Lifts Production of iPhone 5s, Cuts iPhone 5c - Apple Inc. (NASDAQ:AAPL) - 24/7 Wall St (October 19, 2013). ; retrieved from <http://247wallst.com/consumer-electronics/2013/10/19/apple-lifts-production-of-iphone-5s-cuts-iphone-5c/#ixzz3EZqORY9r> on 12.8.2014, accessed October 2015.

⁴ Apple Lifts Production of iPhone 5s, Cuts iPhone 5c - Apple Inc. (NASDAQ:AAPL) - 24/7 Wall St (October 19, 2013). ; retrieved from <http://247wallst.com/consumer-electronics/2013/10/19/apple-lifts-production-of-iphone-5s-cuts-iphone-5c/#ixzz3EZqORY9r> on 12.8.2014, accessed October 2015.

This case was written by Professor Ramendra Singh at the Indian Institute of Management Calcutta and Professor Gopal Das of IIM Rohtak, Professor Srabanti Mukherjee of IIT Kharagpur. The case was prepared solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation.

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5C was even more obvious when Apple declared an exchange offer for iPhone 5C within a month of the launch of the iPhone 5C (INR 42,000) in India⁵. The discounted price of Apple's first non-metallic iPhone 5C with colored plastic body was below INR 35,000 for the 16GB version, while the 8GB version sold for around INR 25,000 in e-tailing sites such as Flipkart and Snapdeal. Even the accessories of 5C were sold after a considerable markdown in India⁶. On the contrary, for higher-end model, iPhone 5S (INR 55,000), Apple did not announce any exchange offers.

Apple, mostly a successful brand so far was moving up the sales trajectory with its monolithic niche positioning for the high income and high tech customers. This was the first time when Apple launched a product targeting the middle income but tech-savvy customers in emerging markets like India. After much market research, the firm had launched its first non-metallic iPhone 5C with colored plastic body at a lower price compared to its other models. Teresa Brewer, an Apple spokeswoman claimed that, "the mid-tier iPhone segment is growing year-over-year and the 8GB model provides a more affordable option for markets where LTE⁷ is becoming more established⁸". Hence the company officials might be wondering how Apple, the world's most aspirational smartphone brand had fallen flat to hit its target market in India or China? Apple officials might have wondered that did they make a mistake by targeting the middle income segment in emerging economies. Was it a lack of innovation and product differentiation compared to its competitors (like stylish wide display screen of Samsung's phablets or cost-efficiency of Nokia ASHA, or Lumia) in the mid-range smartphone segment? Was 5C highly priced for the price conscious market segment? Was the unique selling proposition "colorful plastic body" not enough to distinguish it from competing models or other brands? Was it that the prospective customers did not perceive the difference between 5C and its premium sibling, 5S? Did the niche image of the Apple brand kept the middle-income Indian

⁵ Sneha Shah, December 5, 2013 Emerging Markets: Apple iPhone 5C positioning; retrieved from <http://www.marketexpress.in/2013/12/emerging-markets-apple-iphone-5c-positioning.html> on 12.5. 2014, accessed October 2015.

⁶ Indu Nandakumar July 17, 2013; Marketing blitz, discounts fail to sustain Apple iPhone sales in India; retrieved from http://articles.economictimes.indiatimes.com/2013-07-17/news/40635415_1_manasi-yadav-iphone-sales-smartphone-market on 18.7.2014, accessed October 2015.

⁷ Long-term evolution

⁸ Apple to offer cheaper iPhone 5C with 8GB storage in several markets (March, 19, 2014); retrieved from http://economictimes.indiatimes.com/articleshow/32292308.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst on 16.7.2015, accessed October 2015.

customers away from 5C? Or Apple just could not communicate the right message to the right customers of 5C through its communication messages?

Mr. Tim Cook, the CEO of Apple may have been considered a careful review of the company's positioning strategy of iPhone 5C in India. Apple now had to choose amongst two options- maintain their monolithic niche positioning and target only the premium customers with high end brands or revisit and revise their positioning strategy to operate in the middle income market of the emerging economies like India or China. In case they choose the latter option, they need to increase their clarity in designing the points of parity and difference with existing competitors playing in the said market segment.

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