

A Comparative Analysis of User Preference for Mobile Phones and Watches: A Study of Youth in and around Chandigarh

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Abstract

With over a 210 million registered mobile phone users, India is one of the fastest growing mobile phone markets in India with almost 6.5 million users are being per month. According to TRAI statistics, almost 40% of India's population will be mobile savvy by the end of 2010. Nokia dominates this market thanks to an early first mover advantage, with a presence in over 79000 retail outlets (both organized & unorganized).

On the other hand, the Watch industry especially in the "wrist watch" category has reached the early stage of maturity in the product life cycle. The Indian watch market is estimated at 25 million units annually with 12 million falling in the organized sector, valued at approximately Rs 1,000 crore. Since 2001, there has been a 5% decline in the sales of wrist watches every year where as the mobile phones market has been on a considerable rise.

With the proliferation of mobile phones in different consumer segments, a major challenge facing the watch industry is to identify and tackle the key drivers that are causing mobile phones to be looked at as substitutes for watches.

The objective of this study lies in understanding the usage patterns for watches and cell phones among youth in the Chandigarh smart city. The study is done on a sample of 200 young residents of Chandigarh and a self administered questionnaire is distributed and findings are sought.

Keywords: *Mobile phones, Watches, Youth preference.*

Introduction

Electronic Watches were introduced in the world market in the early seventies. They came to India in 1979 but had to be withdrawn due to problems with the product. HMT Ltd (HMT) introduced its electronic watches in 1981 and

was followed by Hyderabad Allwyn Limited (Allwyn). Organizations such as Electronics Corporation of Tamil Nadu (ELCOT), Semi Conductor Complex Ltd. (SCL), etc. introduced watches but were not successful. By mid

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eighties many smaller companies, originally manufacturing mechanical watches, diversified into electronic watches. In 1987 Titan Watches Ltd. (Titan) a joint venture of Tata Sons and Tamil Nadu Industrial Development Corporation entered the market and shortly established itself as a major manufacturer.

Industry Structure

The electronic watch industry is dominated by HMT, Allwyn and Titan. They command about 80% share of the organized sector. Therefore, the study concentrates on these manufacturers, though issues pertaining to smaller companies are addressed.

The installed capacity of the industry is 10.8 million pieces. A large unit, Indo French Times, with a capacity of nearly 2.0 million pieces is lying idle due to some internal problems among the promoters. The production at present from the industry is around 6 million watches.

While HMT and Titan operate at 70% - 80% capacity, others work at very low capacity. In the case of Allwyn, the company is facing various problems. Titan - Timex has just completed one year and is still in its gestation phase. The other small companies work at low capacities as their market reach is limited and are not able to compete with the big companies. In terms of importance in the market, Titan has a share of about 58%, HMT 29%, Allwyn 5.5% and 7.5% with others. However, including mechanical watches the market shares are : HMT 63%, Titan 18%, Allwyn 8% and others 11%.

Industry Performance

As mentioned earlier, while HMT and Titan work at high capacity utilisation, other

companies utilise their capacity poorly. Consequently, except for these companies, the smaller ones are not healthy financially. They are however propped by their mechanical watch or clock business.

The industry is growing at a rate of about 10%. The growth of individual product types is discussed later in this report.

Major Problems Faced by the Industry

The major problems facing the Industry are the following :

- Non availability of raw material from domestic source.
- Spurious watches
- Restriction on manufacture of straps.
- High duties and taxes.

Industry Performance

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The industry is growing at a rate of about 10%. The growth of individual product types are discussed later in this report. The Indian electronic watch industry has tremendous potential to grow. For this however efforts would have to be focused and penetrative.

Capacity

To be competitive, Indian watch manufacturers have to expand capacities at a rate much higher than current levels, this would enable them to take advantage of economies of scale. Current manufacturers

should be allowed to utilise the latent' capacity available in their plants, by automating the manufacturing process completely. With regard to digital watches, since Indian manufacturers have not acquired levels of technology that exist abroad, it is not perceived as an area for active development. Current capacities can be allowed to expand at current levels to cater to domestic demand. Such efforts are likely to result in a shakeout in the market which would have a direct bearing on the small and medium manufacturers, who would be forced to improve their product quality, undertake product innovations and R&D efforts, increase production levels failing which their participation in the market would become insignificant. Such manufacturers should identify niches and cater to them. With regard to components, the potential and feasibility of exporting movements may be examined in detail. EOUs for this purpose can be set up by a consortium of existing manufacturers or new entrepreneurs.

Some aspects which would have to be addressed are the following:

- Source of technology.
- Extent of standardization of movement parts.
- Marketability of Indian movements abroad.
- Capability to develop new movements in the future.

Indian Telecommunication Industry- Prospects for Mobile Phone Growth

The Indian telecommunications has been zooming up the growth curve at a feverish pace, emerging as one of the key sectors responsible for India's resurgent economic growth. It is the fastest growing telecommunication market in the world, and

with 281.62 million telephone connections (at the end of January 2008) is the third largest telecom market.

In fact, India has achieved its target of reaching 250 million telephone subscribers by 2007, two months before target. Simultaneously, overall tele-density has increased to 24.63 percent.

The year 2007 saw India achieving significant distinctions: having the world's lowest call rates (2-3 US cents), the fastest growth in the number of subscribers (15.31 million in 4 months), the fastest sale of million mobile phones (in a week), the world's cheapest mobile handset (US\$ 17.2) and the world's most affordable colour phone (US\$ 27.42) and largest sale of mobile handsets (in the third quarter).

Segment-wise growth

Wireless segment has emerged as the preferred mode of telephone service by the consumers, reflected in the rising share of mobile phone connections to total connections. The share of mobile phones has increased from 71.69 per cent at the end of March 2006 to 86.07 per cent at the end of January 2008. While total mobile subscriber base was 242.4 million, wire line subscriber base was 39.22 million.

In fact, since 1999, mobile subscriber base has been growing at a CAGR of around 85 per cent. And, while about 8 million new subscribers are being added every month in mobile segment, there has been a decline in the total number of wire line subscribers. Also, the net addition of 8.77 million subscribers added in January 2008 has been the highest ever increase in a single month.

Also, private sector has become the dominant player in the industry. While public sector

companies added 53.6 million subscribers during 1998-2007, private companies have added a whopping 133.58 million subscribers during the same period. The dominance has been much more pronounced in the mobile market, where private operators have added 124.68 million subscribers, while public sector operators added only 31.79 million subscribers.

Investment

The booming domestic telecom market has been attracting accelerating amount of investment. For example, during the first nine months of the current fiscal year (April-December 2007), US\$ 1.04 billion of FDI has been made against US\$ 478 million for the whole of 2006-07. The cumulative FDI inflows from April 2000 to December 2007 have been US\$ 3.62 billion, accounting for 7.99 per cent of the total FDI inflows into the country.

Buoyed by the rapid surge in the subscriber base, huge investments are being made into this industry, even in the current fiscal year. An investment of over US\$ 15.21 billion is being made by Indian telecom companies in 2007-08 to finance their massive expansion of mobile networks, infrastructure and subscriber numbers. This, in fact, is equivalent to 60 per cent of the cumulative investments into the wireless segment since 1995.

Value Added Services Market

India's runaway success in mobile telephony has also given a boost to the mobile value added services (MVAS) market. According to a study by Stanford University and consulting firm BDA, the Indian MVAS is poised to touch US\$ 926.3 million in 2007 and is likely to grow at a CAGR of 44 per cent to US\$ 2.74 billion by 2010.

Echoing similar sentiments, research firm Gartner estimates data services to account for 22 per cent of the total revenues by 2010 from 12 per cent in 2007. Significantly, India's share in Asia-Pacific (excluding Japan) data revenue is estimated to almost double from about 6 per cent in 2007 to 11.5 percent by 2011.

Benefits

According to a study conducted by the reputed international agency, Ovum on "The economic benefits of mobile services in India" the Indian mobile industry is a major contributor to the social and economic growth of the country, in terms of employment generation, revenues to the Government, GDP growth and rural development. The Ovum Report has assessed the contributions of the Indian mobile industry as below:

Employment

- 3.6 million jobs generated directly or indirectly
- Ovum has also estimated that employment dependent on the industry is expected to rise by at least 30% over the next 12 months.

Government Revenues

- Rs. 145 billion per annum generated by Mobile industry for the Government through License Fees, Spectrum Fees, Import Duties, Taxes, etc.

GDP

- The mobile services industry generates an annual GDP contribution of Rs. 313 billion.

Road Ahead

According to a report by Boston Consulting Group, while only one in 20 of the world's first two billion mobile subscribers live in India, as

many as one in every four of the next billion subscribers will be an Indian. The department of telecommunication estimates the total subscriber base to total 500 million by 2010, out of which 80 million are expected to be from rural areas.

The Indian telecom industry's revenue, likewise, is estimated to increase, which according to Ernst & Young is expected to total US\$ 35 billion, accounting for 3.6 per cent of the total GDP of the country.

With such growth projection, this industry is likely to see increased investments. In fact, total investment is projected at US\$ 76.6 billion during the eleventh plan period (2007-12). Private sector is estimated to continue its dominant share, accounting for 67 per cent of the total projected investment while public sector accounts for the rest.

Research Methodology

The objective of this study lends itself to a conversational styled engagement with consumers in order to unearth insights; and the latter need to be measured in order to assess the extent of their presence. Hence, the design demands a both qualitative and quantitative phase as stated in the research design.

Need for Research

With the proliferation of mobile phones in different consumer segments, a major challenge facing the watch industry is to identify and tackle the key drivers that are causing mobile phones to be looked at as substitutes for watches.

With over a 170 million registered mobile phone users, India is one of the fastest growing mobile phone markets in India with almost 6.5 million users are being per month. According

to TRAI statistics, almost 40% of India's population will be mobile savvy by the end of 2010. Nokia dominates this market thanks to an early first mover advantage, with a presence in over 79000 retail outlets (both organized & unorganized).

On the other hand, the Watch industry especially in the "wrist watch" category has reached the early stage of maturity in the product life cycle. The Indian watch market is estimated at 25 million units annually with 12 million falling in the organized sector, valued at approximately Rs 1,000 crores.

Since 2001, there has been a 5% decline in the sales of wrist watches every year where as the mobile phone market has seen a considerable rise.

Given the above scenario, we would like to understand the two market sectors in the mind of the consumer in context of the functional overlap that is perceived between the two products.

The Objectives and Scope of the Study:

The main objective of the study is to understand the usage patterns for watches and cell-phones; and evaluate functional overlaps between the two products, if any. It also attempts to understand the factors affecting such preference.

The Research includes respondents from Chandigarh and around regions only. An Exploratory Research has been carried out so as to understand the consumer's perception about their choice of Mobile phones and Wrist Watches.

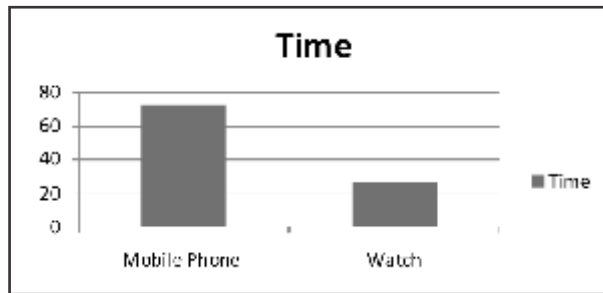
The survey method was the basic research design and random sampling was used for data collection. The data was collected from respondents residing in various sectors of Chandigarh. The respondents were given a

questionnaire to fill along with instructions.

A sample size of 200 individuals was selected and the data has been collected from the selected respondents using random sampling. Random Sampling has been used to select a sample of respondents from the population.

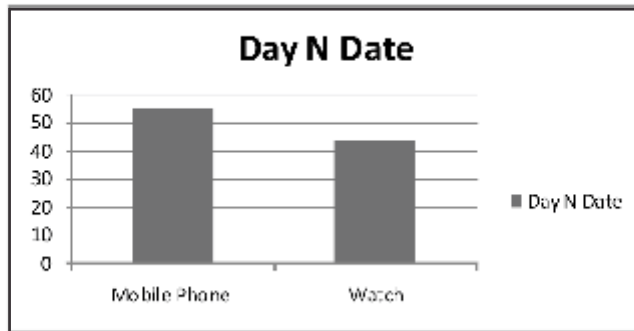
The Important Findings of the Study:

A descriptive analysis of the responses with regard to the user preference for mobile phones and watches revealed significant results. It was asked whether the respondents preferred for mobile phones or watches with regard to different parameters like watching time, day and date, stopwatch, Alarm, Style an accessory etc.



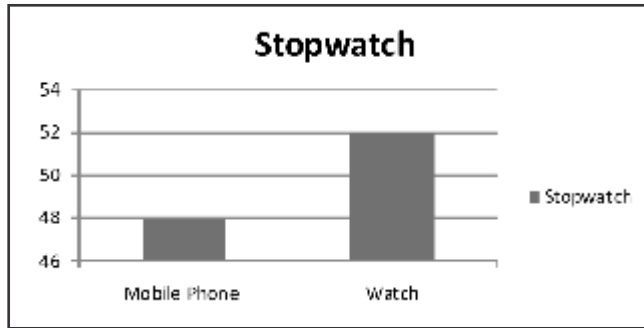
Graph 3.7

From the above graph we can conclude that people prefer Mobile Phones over Watches when it comes to watching time.



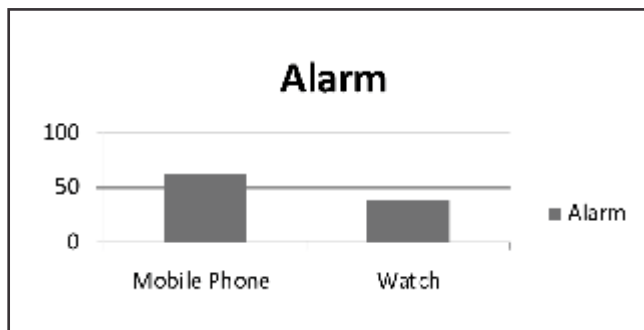
Graph 3.8

This graph shows that Mobile Phones are more preferred than Watches for seeing Day and Date.



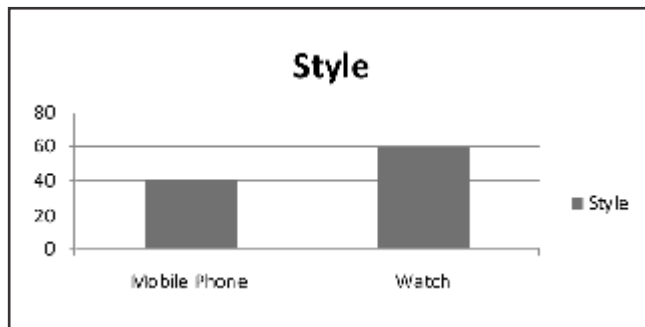
Graph 3.9

From the above graph we can conclude that people prefer Wrist Watch over Mobile Phones when it comes to using Stopwatch.



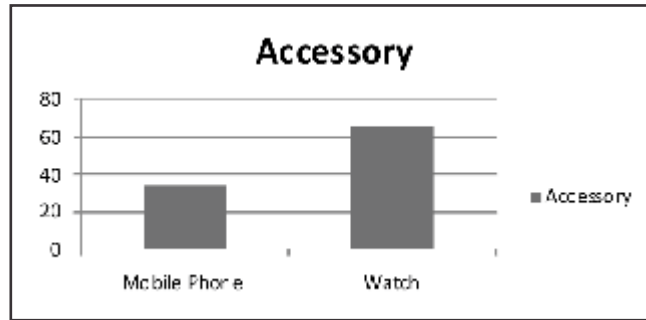
Graph 3.10

The above graph shows that Mobile Phones are more preferred than Watches for setting Alarm.



Graph 3.11

It is evident from the graph that Wrist Watches are mostly preferred than Mobiles for making a Style statement.



Graph 3.12

From the above graph we can conclude that most people consider Wrist Watch as an Accessory rather than Mobile Phone.

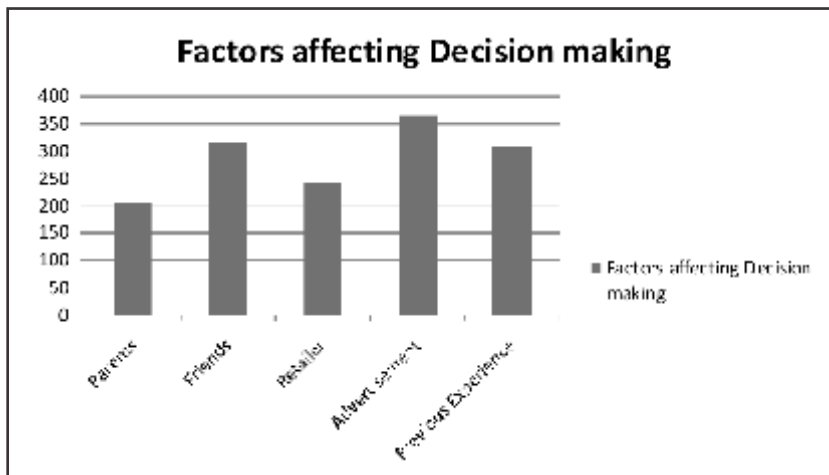
Factors Affecting Decision Making

It is evident from the scores that Advertisement is the most important factor

when it comes to making Decisions Followed by Friends, Previous Experience and so on. Whereas Parents factor is the least important.

Parameters	Score
Parents	206
Friends	316
Retailer	244
Advertisement	365
Previous Experience	306

Table 3.3



Graph 3.13

To conclude, when asked to choose between cell phones and watches in terms of preference of usage for time, date, stop watch, alarm, style and accessory, 27 percent of the respondents still prefer the watch over cell phones for seeing the time. But in term of usage of alarm, date and stop watch the cell phone had clear preference over watch in terms of usage. 56 percent of the respondents said they use their cell phone for seeing day and date, 48 percent said they use their cell phones as stopwatch and finally 62 percent of the people said they use cell phones for setting their alarms. These were the functional benefits, 34 percent of the respondents used their cell phones as accessories were as only 66 percent felt the same for watches. Also in terms of style 59 percent of the respondents said they use their watches followed close 41 percent using their cell phones.

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