

Apple free to take bite out of India after rule change

June 22 2016, by Emily Ford



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The gleaming glass atriums and blue-clad "geniuses" of an Apple store could soon be arriving in India, after the government cleared the way for it to open in the rapidly growing smartphone market.

Before now, the Silicon Valley giant has been just a bit-player in the country of 1.2 billion, selling through local shops with none of its own.

It applied to open stores in January, but was reportedly rebuffed because of a diktat that states foreign retailers must source 30 percent of their products locally.

But on Monday New Delhi relaxed the rules, just weeks after Apple chief Tim Cook toured India on a breathless charm offensive where he was pictured using Prime Minister Narendra Modi's gold iPhone to launch the premier's own app.

Companies making state-of-the-art technology—understood to include Apple—now have up to eight years to meet the sourcing requirements under a waiver, part of a push by India's pro-business government to attract foreign investment and create jobs.

For Apple, which saw iPhone sales dip for the first time ever in the second quarter due to slowing demand in China and the United States, India is a tantalising prospect.

While analysts say it currently accounts for only around one percent of global iPhone sales, its giant population and low number of smartphone owners relative to its size mean it is a huge potential market.

"Apple has not really seen India as an important enough market in the past, but somewhere, the penny has dropped," Devangshu Dutta, chief executive of retail consultancy Third Eyesight, told AFP.



Indian Prime Minister Narendra Modi speaks with Apple CEO Tim Cook during a meeting in New Delhi on May 21, 2016

Apple's vast, hands-on stores are designed to become destinations in their own right, analysts say, luring potential customers with the promise they can play without buying.

"The store is not just a place to do business—it acts as a live billboard for the brand," Dutta said.

'Cost-conscious market'

Browsing mobile accessories in FutureWorld, a technology retailer in New Delhi's Connaught Place, Aryamaan Chauhan said he would "definitely" visit an Apple store if one opened in the city.

The 19-year-old IT student owns an Android smartphone, bought for about 20,000 rupees (\$295), but is considering switching loyalties.

"Money is what's stopping me. My budget is low, I can't afford it," Chauhan said.

"Now, I think most Indian people prefer Android but they are shifting. After graduation I will buy an iPhone."

With a basic iPhone starting at almost \$600—more than in many countries, thanks to India's high taxes—they are wildly unaffordable for most in a nation where average incomes are less than \$1,600 a year.



Visitors to the new Apple development office line up in Hyderabad on May 19, 2016

Handsets costing under \$100 dominate the market, many of them made by Chinese manufacturers such as Xiaomi or Huawei.

"It won't become mass-market, (Apple) will always be a niche player. This is a very cost-conscious market," Vishal Tripathi, research director at Gartner, a technology research firm, told AFP.

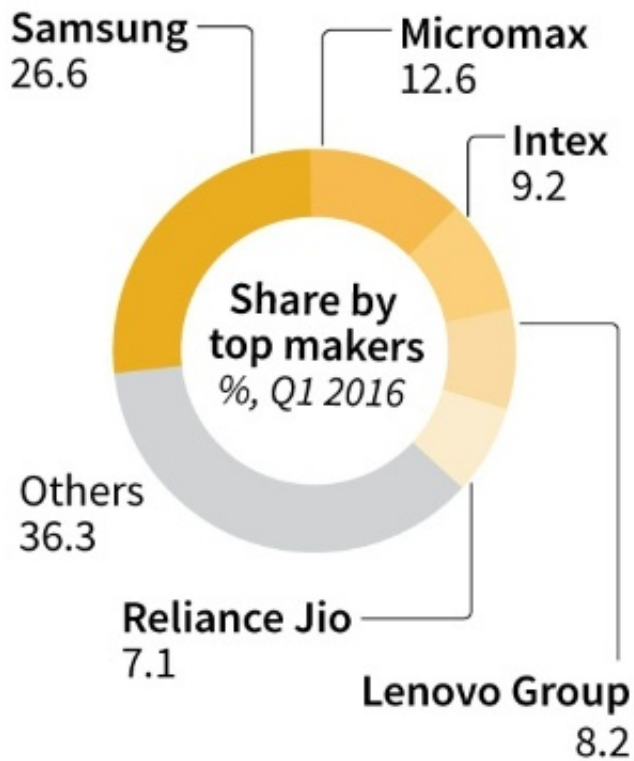
"But there is a growing number of consumers who like Apple."

By pricing itself exclusively at the luxury end, Apple has distinguished its brand from arch-rival Samsung which has both low-cost and high-end phones.

"Indian consumers are always under the notion that more expensive means better and consider carrying an iPhone as more of a status symbol than anything," said Bhasker Canagaradjou, the head of Ipsos Business Consulting in India.

"The brand enjoys a very strong aspiration value, especially among the young population."

India smartphone market



Source : IDC

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India smartphone market

'Make in India'

For now, Apple has given no indication when or if it plans to open its own stores. But if it does, it will eventually have to meet strict sourcing rules as the government exhorts companies to manufacture in India.

The company will require factories that can produce its exacting, cutting-edge products—something India largely lacks.

"To create a local supply chain, it takes time. They will be able to operate stores and benefit from stores in the meantime," said Dutta.

Foxconn, the major Taiwanese Apple supplier which also assembles products for Sony and Dell, is spending billions of dollars setting up factories in India.

The iPhone is not yet on the production line, but Canagaradjou says he believes Apple could start manufacturing in India "in the next one or two years".

However, while its stores may arrive in India soon, analysts don't expect to see legions of Apple superfans camping out to buy new releases as they do in other countries any time soon.

"If someone is expecting a replication of how it is in other markets, people queueing up outside the stores from 3:00 am, I don't think that's going to happen," said Tripathi of Gartner.

"In India, people prefer to sleep until late."

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