

Premium handset sales up as Amazon gets 5G on speed dial

ARYAMAN GUPTA

New Delhi, 14 May

As overall smartphone shipments in India hit the skids, e-commerce giant Amazon India has recorded a 1.7-fold year-on-year (YoY) rise in sales for premium handsets (that costs over \$500) during the first quarter of calendar year 2023 (CY23). This rode on the coat-tails of skyrocketing 5G device sales and increasing demand from tier II regions and beyond.

The e-commerce firm has found success in this segment at a time when the smartphone market is witnessing a new wave of 'premiumisation' as consumer preference shifts towards high-end devices. "This growth is mainly being driven by upgrades," says Ranjit Babu, director, wireless and home entertainment, Amazon India. "We are seeing a large number of customers upgrade their devices across multiple price segments, with 5G being a huge growth driver," he adds.

Smartphone shipments in the country fell 16 per cent YoY to 31 million units in Q1CY23, reaching the lowest first-quarter shipments in four years, according to a report by the International Data Corporation (IDC).

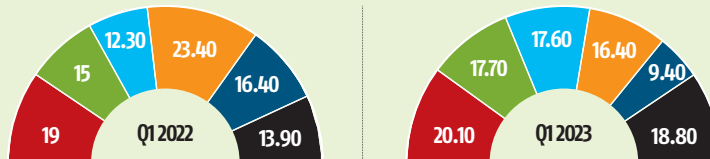
As overall shipments dwindled, Amazon's smartphone business grew



RINGING LOUD

■ Samsung ■ Vivo ■ Oppo ■ Xiaomi ■ Realme ■ Others

MARKET SHARE (% growth YoY)



| SHIPMENTS (in mn) | Q1 2022 | | | | | | 36.6 | |
|-------------------|---------|---------|------|--------|--------|--------|------|------|
| | Samsung | Vivo | Oppo | Xiaomi | Realme | Others | | |
| | 7 | 5.5 | 4.5 | 8.5 | 6 | 5.1 | | |
| | | Q1 2023 | | | | | | 30.7 |
| | Samsung | Vivo | Oppo | Xiaomi | Realme | Others | | |
| | 6.2 | 5.4 | 5.4 | 5 | 2.9 | 5.8 | | |

Source: IDC

on a yearly basis. The firm witnessed 30 per cent YoY growth in 2022, driven by the upgrade market, festival season sales, and an increased demand for 5G devices. Moreover, premium devices have driven growth for the e-commerce firm.

"The premium segment has nearly doubled on-year," says Babu.

"We did quite a lot of work in the market last year to increase affordability for customers. Through our partnerships, we are able to offer customers very attractive equated monthly instalment offers," he adds.

The premium smartphone segment has recently come to the fore due to a decline in entry-level devices. Low margins on lower-end devices have caused fewer vendors to launch

smartphones in this segment. Consequently, the selection of high-end devices has skyrocketed; original equipment manufacturers would rather sell fewer units and earn higher revenue. The rising average selling price for devices, which stood at an all-time high of \$265 in Q1CY23, is also a contributing factor.

The 5G effect

Amazon, which launched its own 5G store, called 5th Gear, four months ago, is also betting big on 5G device sales.

Through 5th Gear, Amazon offers customers a curated selection of 5G devices and educates them on the potential of these devices using video sessions hosted by experts.

"We are spending a lot of time and

effort to build our 5G store and are trying to help customers make informed decisions on 5G," says Babu.

The share of 5G smartphone shipments in the country increased to 45 per cent in Q1CY23, up from 31 per cent in the year-ago period, led by Samsung, which accounted for more than a quarter of the 5G smartphone shipments, IDC data signposts.

Currently, Samsung, OnePlus, Realme, Xiaomi, and newcomer iQOO are some of the top brands on Amazon. "We are very bullish on 5G. In the last quarter, over 50 per cent of smartphones sold on our platform were 5G devices. We have seen brands across the board listing wide selections of 5G phones across price segments," says Babu, adding,

"Today, Amazon has the largest selection of 5G devices in India."

Tier II + Focus

Babu says a lot of the demand for smartphones on Amazon, premium devices included, is coming from tier II regions and beyond.

"Customers in tier II and beyond cities are now using more mid-range and premium devices. We are now seeing a much wider selection of devices available in these price segments, with strong build quality, faster processors, AMOLED displays, and better batteries. Customers are, therefore, choosing to upgrade," he reveals.

As much as 80 per cent of all Amazon's smartphone orders are coming from these regions.

"Three of four customers that buy a smartphone on Amazon belong to tier II towns and beyond. This, we believe, is a huge growth driver for us," says Babu. He claims Amazon's multiple language options have further improved accessibility for this demand.

"We now serve customers in eight languages, and we have seen some traction there, which has increased demand," he adds.

Aside from improved connectivity due to 5G, increasing affordability, coupled with better processors, has also given a fillip to gaming device sales on the platform.