Device protection market: Growth, development trends and industry forecast

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Indian consumers may have cut down their spending on daily necessities and cars but they are not holding back on spending on electronic goods. As per a CAG report, there has been a 15% volumes sales growth in appliances in Jan-June 2019, a 9% rise in TV and mobile units, 25% to 30% in smartphones and a 13% increase in consumer durables in online rates.

While the growth story in electronics sector is being fuelled by rapid urbanisation, the burgeoning middle class, electrification in rural India and policy initiatives like GST and Digital India, the biggest driver of demand has been rising internet penetration with more and more people having access to information about the latest technological advancements. Certain categories like refrigerators and televisions are now seen as necessities in households, while young, aspirational consumers are adopting affordable and branded smartphones over feature phones.

Together with the rising product awareness and product availability, the Indian consumer is evolving beyond having the mindset of buying and using, to understanding the role involved in ownership of high value items. More consumers now understand that devices and appliances come into the initial purchase bill, but with the added future cost of repair and maintenance services.

In retail, the changing consumer profile is changing the ground. Large format retailers are already earning up to 35% of their bottom-line from the aftermarket. Facing stiff competition in a crowded market, it has become essential for businesses to stand out by offering a range of after-sales services. This necessitates service experience is being offered both online and at stores in the form of protection plans and on-demand services. Businesses that provide such services are leveraging this opportunity to drive customer retention and loyalty.

Whereas organized retail currently sees the highest target rate for device and appliance protection plans (in the range of 30 to 40%) and will continue to do so, the online channel will dominate growth in the coming years. Another emerging distribution channel is banking and finance companies that provide insurance, credit and debit card services. Service providers are already building their retail footprint with such partnerships, expanding their reach further into tier 2, 3 cities and rural areas.

The market will continue to grow phenomenally alongside the boom being witnessed in the demand for electronics. While the overall consumer device protection market size is expected to touch $1.1 Bn in FY 24, other growth drivers will be on-hand repair services estimated to worth $0.8 Bn, home protection & AMC services estimated to worth $1.2 Bn and Brand warranty and installation services worth $2 Bn. That makes the overall after-sales services market worth $5.3 B in FY 24 in India, that's 8 times the market size in FY 18.

As our dependence on smartphones increases, the market for repair services is going to grow at a faster rate than the basic industry itself. The smartphone protection market is expected to rise seven fold from $72 Mn in FY 19 to $528 Mn in FY 24. On-demand repair services market is expected to grow at the same rate and touch nearly 69 Mn repair requests by FY 24, the size of the market being $600 Mn. So the overall after-sales services market size is projected to cross $1.1 Bn for smartphones by FY 24, accounting for almost 20% of the entire market covering all electronic categories.

What are some of the popular products in this market? Manufacturers usually offer a standard warranty on products which is basically a promise to repair or replace a product within a specified time frame in the event of any manufacturing defect. An extended warranty (also available in the automotive sector) is an agreement that helps to increase or extend this period of time. Simply put, if the standard warranty offered by the manufacturer on a new smartphone is 1 year, one can opt to extend this by another year by purchasing an extended warranty plan.

Extended warranties are offered by service providers other than the manufacturer and consumers are often given the option to decide the additional coverage, either at the time of purchase or when the standard warranty is approaching its end date.

The manufacturer does not cover incidental or accidental damages to devices like smartphones, cameras and laptops. Damage protection plans from service providers protect consumers from such problems, helping them save thousands on repair costs. Screen display are fragile components of such devices and are always prone to physical and liquid damage. Repair costs of such a damage can cost up to 40% of the device price, and so more expensive the device the bigger will be the repair bill.

Service providers make consumers’ lives easier by providing quick hassle-free doorstep repairs, creating long term value with their promise to customers. Brands and retailers should evaluate a provider’s service proposition, geographical coverage, tech capability, service touch and customer value before entering into a partnership. The leaders in this industry differentiate on service quality, instead of price and have built their competitive advantage around tech and automation

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