

iPhone Success Story: Revealing the India's Manufacturing Boom

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Synopsys

Thanks to the success of important industries including automotive, engineering, chemicals, pharmaceuticals, and consumer durables, manufacturing is starting to stand out as a crucial pillar of the nation's economic growth. Prior to the epidemic, the manufacturing sector in India accounted for 16–17% of the country's GDP, and it is expected to increase at one of the quickest rates. Today's technology has fostered creativity, and gaining an advantage in this fiercely competitive business requires a digital transformation. It is anticipated that increased automation and process-driven manufacturing will boost productivity and efficiency in India's manufacturing industry.^[1]

India has always done well in the service sector, but for the years the manufacturing is less than 15% of GDP, employing only 11% of population and exporting 2% of global goods. But historically it is advent that no country can rise without manufacturing sector boost. Driven by government incentives and growing worldwide demand, India's mobile phone manufacturing sector expects to create 150,000 to 250,000 direct and indirect jobs during the next 12 to 16 months. To accommodate rising manufacturing demands, major companies including Dixon Technologies, Apple, and its contract manufacturers are hiring more people.

iPhone Success Story in India.

Apple's remarkable success on the India's land has various lessons for the policy makers since the time Apple's iPhone choose India as its second manufacturing location.

Its rapid success busts some myths. iPhone, made entirely in China until 2021, has already created more than 6 Lakhs direct and indirect jobs while producing phones worth \$14bn and exporting 10bn a year. This is only 14% of iPhone global production and is expected to rise to 26% by 2026 according to JP Morgan. To become a viable exporting hub, India still needs to attract iPhone's component makers, which represent the 85% of the value aid. This story offers many lessons that can be analysed through the case.^[2]

Keywords: Manufacturing, Mobile Phone, Infrastructure

Position in Course: Indian Economy, Occupational Structure, Production & operations
References:

[1] Gurucharan Das, Times of India Author, 'iPhone Success Busts Myths About India', September 11, 2024, Times Shift Stands, Page 20.

[2] <https://www.ibef.org/industry/manufacturing-sector-india>

Summary

As the corporation attempts to diversify its operations outside of China, Apple's yearly sales in India jumped 33% in the year through March, setting a record of nearly \$8 billion. Apple's growth in India has coincided with rising consumer spending as the nation's economy strengthens. India is a massive prospective market for Apple, having surpassed China as the most populous nation in the world in 2022. But as of right now, barely 3.5% of all smartphones in the nation are iPhones. Additionally, Apple has been trying to increase its manufacturing clout in India. Rajeev Chandrasekhar, the Indian Minister of State for Electronics and IT, declared in October that Tata Group would start producing iPhones in the nation for both domestic and international markets. The news came after Tata Electronics agreed to purchase Wistron's Karnataka factory, which was used as a contract maker of Apple devices. The arrangement was a step forward in India's efforts to create indigenous rivals to China's monopoly in the electronics sector, which is still under danger from tense US relations. The case highlights the takeaways from the Indian iPhones success story. [4][8]

Industry Overview

Industry insiders have termed this stage of India's industrial expansion the "golden era." A solid foundation for the country's long-term economic success is being built by positive developments in the manufacturing sector, including a rise in merger and acquisition activity, encouraging government policies, increased production capacity, and sizeable investments from venture capital and private equity.

Manufacturing Sector of India

Manufacturing exports have registered their highest ever annual exports of US\$ 447.46 billion with 6.03% growth during FY23 surpassing the previous year (FY22) record exports of US\$ 422 billion. By 2030, Indian middle class is expected to have the second-largest share in global consumption at 17%.

India's manufacturing sector has expanded into new markets and industry sectors thanks to growth in priority sector and favorable major developments.

With investments in the automotive, electronics, and textile industries, Gujarat, Maharashtra, and Tamil Nadu are expected to lead India's manufacturing sector, which is expected to exceed US\$ 1 trillion by 2025–2026. Government programs that promote growth, draw foreign direct investment, and improve industrial infrastructure include Made in India and PLI schemes.

Figure 1: Manufacturing Sector of India
Source: Author's Own Composition

India is a desirable location for international manufacturing ventures. Numerous luxury, car, and cell phone firms, among others, have established or are planning to establish their manufacturing bases in the nation. By 2025, India's manufacturing sector might be worth \$1 trillion USD. With a GDP of US\$ 3.4 trillion and a population of 1.48 billion, India will become a common market with the adoption of the Goods and Services Tax (GST), which would attract a lot of investors. According to the Indian Cellular and Electronics Association (ICEA), with the help of policy interventions, India might increase its total capacity for producing laptops and tablets to US\$ 100 billion by 2025.^{[6][7]}

Background of Company

Apple began manufacturing iPhones in India in 2017, when Foxconn started assembling the iPhone SE in Sriperumbudur, near Chennai. Apple's manufacturing partners in India include Foxconn, Wistron, and Pegatron.^[5]

In April, 2023 Apple celebrates more than 25 years in India, the company is marking a major expansion with the opening of its first Apple Store locations in the country, along with new environmental initiatives and a key milestone in the rapidly growing community of Indian developers.^[2]

Company Activity Details

iPhone manufacturing in India: Series of Events

- Output boost: Over the next four to five years, Apple intends to raise output in India to a level exceeding \$40 billion.
- Apple's first two retail stores in India will open this week in Mumbai and Delhi, welcoming customers from all over the country and around the world to discover the best of Apple.
- Apple began manufacturing iPhone in India in 2017, and since then, the company has worked with suppliers to assemble iPhone models and produce a growing number of components.
- iPhone 14: In 2021–2022, Apple began manufacturing the iPhone 14 models in India.
- iPhone 15: It has been rumored that Apple plans to start producing the iPhone 15 series at its Sriperumbudur facility.
- iPhone 16: This year, Apple is also anticipated to begin producing the iPhone 16 Pro and Pro Max variants in India.
- Apple collaborates with organizations like the Akanksha Foundation, EnAble India, and Barefoot College International in India to advance vital environmental protection, employment opportunities, and education. Apple announced earlier this year that it would be collaborating with Frank Water to support better sanitation, hygiene, and water quality in India. Additionally, since 2021, Apple has backed the Applied Environmental Research Foundation's efforts to protect Indian mangrove forests by establishing sustainable, alternative industries in the local communities.^[1]
- Production targets: By 2028, Apple wants to assemble 25% of its iPhones in India. Local suppliers: In an effort to lessen its reliance on China, Apple is creating a network of regional suppliers.

Future Outlook

This case has points for several discussions:

1. Acceptability of “Make In India” iPhones: The Apple phone sales in India were only 0.5% of global sales when it chose to make India Supply Source. Many global brands are also seeking today to diversify their global supply base. But India is not their top choice as India has a poor image as a manufacturing hub.^[3]
2. Myth Solution to the Unemployment: The no country can create enough employment through its domestic market only, they need exports boost to exceed.
3. Need the active involvement of smaller companies to become the supplier of the components.
4. Need to focus on product quality, not just focussing on making the India as global brand.
5. Strong economic reforms needed in land, labour and capital.

Conclusion

Apple has three main domestic ports of call as part of their new navigation strategy. One strategy was to commence the production and assembly of iPhones in the country, aligning with the government's extensively promoted 'Make in India' initiative. The second was to begin growing its retail footprint and eventually launch its flagship Apple-branded online and offline stores. This move was made in reaction to other smartphone manufacturers who were flooding the country with physical stores. The final strategy was reducing prices through in-house production or by giving up profit margins in order to increase market share. Although India has been a growing market for almost ten years, attitudes toward the country have shifted recently. It has become into one of Apple's most important strategic markets in recent years.

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