



REVIEW STUDY ON HOME APPLIANCES AND PENETRATION IN INDIAN MARKET (Since-2003-2014)

DR. SADHANA K. KARHADE

Associate Professor & Head
Department of Home Economics
V M V Commerce, JMT Arts & JJP Science College,
Vardhaman-Nagar, Nagpur.
(MS) INDIA

ABSTRACT

Consumer durables in home sciences are impacted on the fastest growing industry segments in the India. This sector attracted significant investments even during global recession in year 2008-2009. Studying Since 2003 to the Year 2014 the industry expanded at a healthy CAGR(compound annual growth rate) of 13 per cent. Urban markets account for the major share (65 per cent) of total revenues in the consumer durables sector in India. Rural markets are expected to grow at a compound annual growth rate (CAGR) of 25 per cent. Also, increasing electrification of rural areas would augment the demand. 100% FDI is allowed in the electronics hardware manufacturing sector under the automatic route.

Keywords: Electronics, marketing, key skills, durables, home appliances, devices

INTRODUCTION

India has been trailing behind ASEAN countries in terms of production, quality and export of consumer appliances, performance levels of most of factors of production such as quality manpower, capital investment, infrastructure, technology etc., need to be enhanced through conscious policy interventions and managerial action to boost competitiveness of the sector. In this context, an attempt has been made to understand the productivity and competitiveness of consumer appliances eco-system in India and recommend policy solutions to make the sector internationally competitive. The study also attempts to identify the factors hindering the progress of the sector and suggest measures for enhancing the competitiveness of the sector.

Home appliances and home science are two sides of one coin majorly impacted on the manufacturing industries and economical impact. Lot of the families are attracted towards

DR. SADHANA K. KARHADE

1P a g e

electronic households science 1970 but now a days in all sectors of home sciences appliances were used for applications. In this paper author concentrated on various house hold equipment such as freeze, TVs with their need and automatic evolutions.

Objectives:

The Indian consumer durables segment can broadly be segregated into consumer electronics (TVs, Set Top Boxes and Audio systems etc.) and consumer appliances (also known as white goods) like Refrigerators, Washing Machines, Air Conditioners, Microwave Ovens and Vacuum Cleaners.

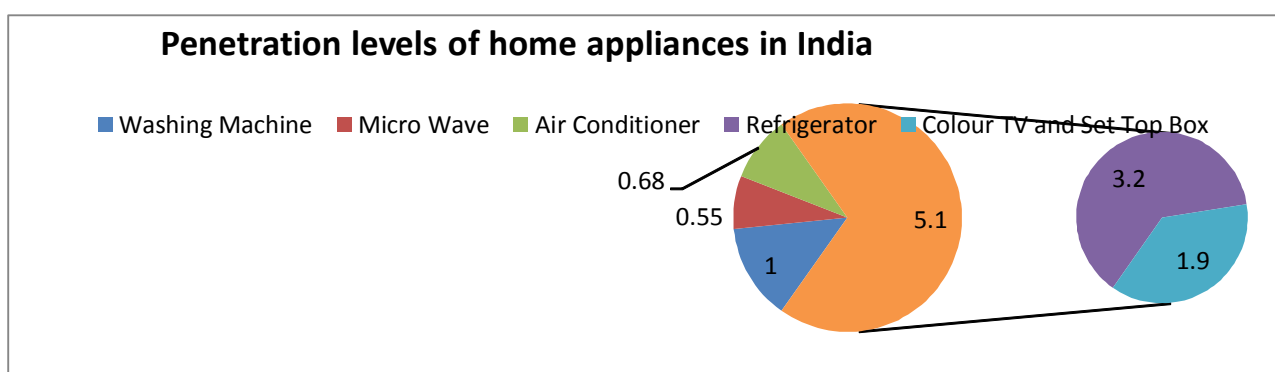
The study is carried out with the following major objectives:

- Understand the demand driver of electronics home appliances in India
- Market size and domestic production trends of some major products in the category
- Study on ecosystem and economics for durables in Indian market.
- Conclusions and recommendations based on the study

Home appliances Overview

Demand in urban markets is likely to increase for products such as LED TVs, laptops, split ACs and, beauty and wellness products. In rural markets, durables like refrigerators as well as other home appliances are likely to witness growing demand in the coming years. The rural market has recently experienced around 30 per cent growth rate in demand for electronics and home appliances. Urban growth is likely to be driven by new technology/innovative products, lifestyle products and replacement demand.

Home Appliances and market penetrations:Chart no:1 Pie chart for major home appliances utilization



Courtesy: Stock Shastra#45

Table:1: Amount of Penetration of goods and appliances in home

Company Name	What is it into?	Net Sales (Rs. Cr.)			Net Profit (Rs. Cr.)			6-yr Avg NPM
		2005	2010	CAGR	2005	2010	CAGR	
Titan	Watches & Jewellery	1113	4776	34%	54	253	36%	6%
Blue Star	White Goods	917	2525	22%	12	203	42%	5%
Whirlpool*	White Goods	1476	2544	20%	13	150	126%	4%
Videcon*	Consumer Electronics	7219	9163	8%	820	408	(21)%	8%
MIRC Electronics	Consumer Electronics	1088	1502	7%	28	18	(8)%	2%
Bajaj Electrical	Brown Goods	652	2229	28%	14	118	53%	4%
TTK Prestige	Brown Goods	181	508	23%	3	52	74%	5%
* 6 year assessable data is not available, hence a 3-year CAGR is calculated								

Courtesy: Investment Shastra#50

Description:

**Color television and set-top box

Indian television market is **highly under penetrated** compared to China, developed countries and world average. Television market in India is expected to grow at a robust rate of **19% CAGR** till 2016. The set-top box (STB) market is growing rapidly, due to the expansion of DTH and introduction of digitalization of Cable TV networks in metros & tier II cities. The DTH market was worth **USD 2.2 billion in FY13**; the subscriber base reached **51 million** from 23 million during 2010-13, subscriber base is expected to reach **200 million by 2018**, thereby making India one of the world's largest DTH markets. Evaluating the present market scenario, around 80% of the total cable TV subscribers are still on analog based networks, which is expected to be covered under the 3rd and 4th phase of digitalization.

- **Refrigerator**

Refrigerator has the highest penetration in India of **31%**, Sales stood at ~14.0 million units in 2013. This segment makes up 18.0 per cent of the consumer appliances market. The market share of direct cool and frost free segment is 76.3 per cent and 23.7 per cent respectively. Key growth drivers are lower prices and rising demand for frost-free refrigerators. Fridges with a capacity range of 142-340 liters dominated fridge sales over the review period, representing 74% of total volume sales. In fact, the 165-litre fridge was the standard in almost all households until the arrival of competition and the need to differentiate, coupled with economic development, which led to the development of higher capacities.

Over the review period, fridges with 341-540-litre capacities continued to gain momentum to account for 20% of total fridge volume sales in 2013. Market share of LG is 24.50% and Samsung is 20.60% in 20

***Air Conditioners**

The Indian AC market accounted for sales of 3.6 million units in 2013. AC's are perceived as high-end products; current penetration stands at 6.8 per cent including Window and Split AC. The segment had a 13.0 per cent share (2013) in the consumer appliances market. High income growth and rising demand for split ACs are the key growth drivers. The room air-conditioning market represents approximately 50% of the total market, with the other 50% comprised of central and specialist air-conditioning systems. The room AC market can again be divided into two sub-segments. On the one hand the residential segment which now constitutes a majority 60% market share and on the other hand the commercial segment which represents a smaller 40%.

***Washing machines**

Washing machines are the second largest contributor to the consumer appliances market (after refrigerators); in FY 2013 total sales was around 7.5million units. Fully automatic washing machines are garnering an increasing share of the market due to reduction in prices and higher disposable incomes. LG Electronics continued to be the leading player in home laundry appliances in India with a share of 25% in 2013, followed closely by Samsung Electronics (23.2%). The major chunk of this growth is expected to be driven by newer households purchasing washing machines, as well as a greater number of households replacing their semi-automatic washing machines with fully automatic washing machines. 6-9.9 Kg is the most popular category in India with 72.2% share in the total sales.

- **Microwave ovens**

Due to the convenience of mobility and ease of operation, freestanding microwaves continue to dominate the Indian market in 2013, accounting for almost all volume sales. LG Electronics continued to be the market leader in 2013 with a volume share of 32%. Samsung Electronics ranked second with a 22% share followed by Whirlpool with just over 11% and Bajaj Electricals with 10%.

SWOT analysis of the Consumer home appliances sector in India

Strengths	Weaknesses	Opportunities	Challenges
In recent years, organized sector has	Poor government	Rapid urbanization	cheaper imports from China & Concessional

increased its share in the market vis-a-vis the unorganized sector	spending on infrastructure.		duty imports under FTA from ASEAN Countries are forcing threat to local manufacturing
Easy availability of finance.	Low purchasing power of consumers.	Increase in income levels, i.e. increase in purchasing power of consumers	Poor infrastructure; Non-Availability of regular power supply, which is imperative for consumer electronics product

Impact of WTO and FTA's

Free Trade Agreements (FTAs) with the ASEAN Countries

According to statistics by the Asian Development Bank, currently India tops the list of ASEAN countries with 30 FTAs, followed by Singapore with 26, China and Korea with 22 each, and Japan (19). The total number of FTAs that Asian countries have entered into is 134. Out of India's 30 FTAs, eight are with the integrating Asian region, while 22 are outside of Asia.

Problems with the current structure

Domestic demand of electronics in India is expected to reach USD 400 Billion by 2020. At the current rate of growth domestic production can cater to a demand of USD 100 Billion in 2020 as against a demand of 400 Billion USD and the rest would need to be met by imports. This aggregates to a demand supply gap of USD 300 Billion by 2020. Unless the situation is corrected, it is likely that by 2020, the electronics import may far exceed oil imports. There is a need to transform India into a global hub for electronic system design and manufacturing (ESDM) so as to meet the growing domestic and global demand. There are many challenges to advance the same - infrastructure gap, tax structure, supply chain and logistics, inflexible labor laws, limited R&D focus, inadequate funding and limited value addition.

Conclusions and recommendations

Possible solutions

1. There is a need to have a relook at FTAs with Thailand/ASEAN as far as Consumer Electronics & Home Appliances sector is concerned. As an immediate measure Product Specific Rules should be made applicable for consumer appliances sector products. Critical inputs such as Open Cell for LED TVs should be made in the country of Origin.

2. Due to implementation of FTAs, CE&HA sector is facing inverted duty structure, where the final product is being imported at 0/concessional import duty, whereas inputs attract 10/7.5% duty. We recommend that import duty on inputs, which are not made in the country, be brought down to 0%. It will boost indigenous manufacturing.

3. Since there is very high degree of Electronics involved in Home Appliances and also since the imports of these products is resulting.

Heavy outflow of foreign exchange and as it is an employment intensive sector; Home Appliances should be treated as Electronic Products & extended benefits of MSIPS, EMCs etc.

4. Treat Set Top Box in the same category as telecommunication network equipment and thereby allow MSOs/DTH Operators to issue form 'C' even without reselling the product. With this step at least half of the demand of 100 million Set Top Boxes will be met through domestic manufacturers in next 2 years, potentially generating employment to more than 5000 people. Alternatively the import duty on Set Top Boxes is raised to 15% to provide level playing field to indigenous manufacturers.

5. Presently the Inputs for the Consumer Electronics & Home Appliances sector are not available through indigenous sources and have to be imported. This is a big handicap and adds to the cost of manufacturing final product. Greater emphasis should be laid by Govt. to encourage component Industry. If the inputs are available, at competitive price indigenously, it will help in growth of CE&HA industry. It will also result in greater value addition within the country, building the right eco system for the country and creating huge employment opportunities

Recommendations for sustainable growth

Infrastructure development

Lack of adequate physical infrastructure such as roads, ports, airports, electricity etc., are adversely affecting the competitiveness and productivity of the domestic home appliances industry in India. Uninterrupted power supply is a necessary condition for operation manufacturing units as power fluctuations can lead to major losses to the manufacturing processes. Moreover, the demand of home appliances such as Air Conditioners, Refrigerators, Washing Machines, Microwave Ovens and Vacuum Cleaners are driven by the electrification of homes and uninterrupted supply of electricity in the already electrified areas. Indigenous manufacturing in the entire value chain of ESDM is needed for economic development. Attractive fiscal incentives across the value chain of the ESDM sector through

a modified special incentive package scheme (M-SIPS) provided by government to eliminate the disability costs in manufacturing on account of infrastructure gaps relating to power, transportation etc. is a step in right direction.

Incentives provided for setting up of 200 Electronic manufacturing clusters (EMC's) with world class logistics and easy to do business facilities should help. The benefits of National manufacturing policy and National investment and manufacturing zones (NIMZ) are available to EMCs.

Raw Material, Components & Machinery

Weak supply chain network and lack of vendor support also affects the quality, productivity and competitiveness of the sector. There should be hassle free import of raw material and components by streamlining the import policy and and through the simplification of procedures.

R&D and Technology Up gradation

Indian manufacturers are not able to compete with global majors due to the **high level of technological knowhow** and R&D content required for indigenous manufacturing. Technology transfer, R&D and IPR creation should be incentivized by government through friendly tax regime. A vibrant and sustainable ecosystem of R&D, design and engineering and innovation is required to enhance manufacturing capabilities of electronic raw materials, components, sub-assemblies as well as products.

Productivity Enhancement for Raising Profit Margins

To tackle the factors hindering the productivity and competitiveness of the sector, a number of strategic initiatives need to be taken up by Industry Associations, manufacturers and Government. In order to become competitive in the domestic as well as world market, consumer appliance manufacturing units need to formulate strategies based on market intelligence, product development, R&D, demand forecasting and competitive pricing productivity estimations based on Labor and Total Factor Productivity Growth rates have been found quite low in the light electrical sector particularly home appliances segments, there is a need for substantial up gradation of skill levels and technological knowhow (R&D activities) in this sector for further value addition at the domestic level.

REFERENCES

- 1) www.adl.com
- 2) <https://www.moneyworks4me.com/investmentshastra/wp-content/uploads/2011/04/Consumer-Durable-12-table1.png>
- 3) December 2010: facts for you :market survey: By: S. Jeyakumar, 'Consumer Durables Rural India calling'
- 4) 10 December 2011: <https://www.slideshare.net/sumitkroy/consumer-durables-10544993>: The State of Consumer Durables Market in India .
- 5) Hindustan unilever limited: Saurav Rav choudhary:2011-12 project Report: on 'competitor analysis of different brands'.
- 6) Avinash j mulky:Science Direct: IIMB Management Review:Volume 25, Issue 3, September 2013, Pages 179-195Distribution challenges and workable solutions: