RESEARCH REVIEW JOURNALS
Volume-03
Issue-04
April-2018

ISSN: 2455-3085 (Online)
RESEARCH REVIEW International Journal of Multidisciplinary
www.rrjournals.com [UGC Listed Journal]

An analytical study of India's Electronics Consumer Goods Industry with reference to Opportunities and Threats due to Socio-Economic Dynamics

[*1]Radhika Arora & [2]Dr. Vigna Oza

*[*1]Ph.D. Research Scholar, Department of Commerce, Kadi Sarva Vishwavidyalaya, Gandhinagar, Gujarat (India)*
[2]Principal, A. A. Patel Commerce College, Dept of Commerce, Kadi Sarva Vishwavidyalaya, Gandhinagar, Gujarat (India)

ARTICLE DETAILS

Article History
Published Online: 02 April 2018

Keywords
Consumer Durables, Social Changes, Economic Growth, Indian Electronic Goods Industry

[*]Corresponding Author
Email: radhalucknow[at]gmail.com

ABSTRACT

India is emerging as the world's largest middle class consumer market with an aggregated consumer spend of nearly US$ 13 trillion by 2030, as per a report in 2015 by Deloitte titled 'India Matters: Winning in growth markets'. Globalization has led to the entry of multinational companies into the Indian markets. World-class leaders in the field of consumer durables and electronic goods have launched their products in India. It is expected that India will have the fifth largest consumer durables market in the world by 2025. The consumer electronics market is expected to increase to US$ 400 billion by 2020. Consumer durables have emerged as one of the fastest growing industries in India. The largest contributing sectors among durables are white goods like air conditioners, refrigerators, washing machines, LCD & LED TVs etc. The aim of this paper is to identify the opportunities and challenges for consumer durable (white products) industry in India and to study the initiatives taken by Government for sustainable growth of business in reference to consumer durable (white products) industry. Secondary data has been used for the study. The findings of this study is that the key growth drivers such as rise in disposable income, rising rate of growth of GDP ,rising purchasing power of consumers with higher propensity to consume, improving lifestyles, western influence, urbanisation of consumers, increasing consumer awareness, emergence of nuclear and double-income families, rise in import from low cost due to various free trade agreements clearly reveals the opportunities for consumer durable (white products) industry in India. But at the same time there are some challenges such as heavy taxation, poor infrastructure, intense competition from MNCs, increase in excise duty, non availability of regular power supply, less expenditure on research &development, for the industry on which they should act upon seriously and should take some initiative measures to overcome these challenges with the help of government .Government should also frame out some policies for particularly this industry so that this industry can contribute well in Indian economy.

1. Introduction

The Indian market for the consumer electronics and appliances is valued at US$ 9.70 billion in financial year 2015-2016 and is expected to grow to US$ 20.60 billion by the financial year 2020-2021 to become the fifth largest in the world by the financial year 2025-2026 (Report by MIRC, 2015-16). Globalization has led to the entry of multinational companies into the Indian markets. World-class leaders in the field of consumer durables and electronic goods have launched their products in India. The Indian market for consumer electronic, is swinging up day-by-day due to the liberalization policy of the Government of India. Before the liberalization of Indian economy, in Indian white goods markets, reputed companies like Godrej, Videocon, Kelvinator, BPL, Voltas and Allwyn had the major market share. After liberalization, many foreign players like Whirlpool, LG, Sony, Samsung, IFB, and Aiwa had entered into the market. This opening created a dramatic change in the white goods market (Kumar, 2010). The biggest attraction for Multi National Corporates is growing in Indian middle class (Gupta, 1996). The top five emerging nations in Consumer Durable Industry are China, India, Brazil, Mexico and South Africa (Pande & Srivastava, 2013). Now a day, the urban population of India has refrigerator, television, air-cooler, washing machine in the proportion of 33%, 77%, 17% and 13% respectively. Air conditioner penetration in India compares unfavorably with other developing markets, especially Asian countries, along with the other consumer durables categories within the country (Report by Indian Consumer Durables Sector - Research and Markets, 2016).

1.1 Durable Products

Consumer durables refer to those consumer goods that do not quickly wear out and yields utility over a long period of time. The consumer durables products can be broadly classified into two segments: Consumer Electronics and Consumer Appliances. Consumer Appliances can be further categorised into Brown Goods and White Goods. (Consumer Durable Industry, 2017)

Consumer Durables		
White Goods	**Kitchen Appliances / Brown Goods**	**Consumer Electronics**

• Refrigerator • Washing Machine • Air-Conditioners • Speakers and Audio Equipments • Microwave Oven • Colour Television	• Mixers • Grinders • Microwave Ovens • Iron • Electric Fans • Cooking Range • Chimneys	• Mobile Phones • Televisions • MP3 Players • VCD Players • DVD Players

2. Review of Literature

D. Ramaswamy (2005) examined in his paper that the durable goods ownership is commonly seen as a 'defining gauge' for the stage of development of a country. Apart from changes in income and durable prices, it was found that improvement of public services had particularly strong effects for urban poor and in rural areas.

Chen and Roger (2003) had studied the competition between Chinese consumer goods, home appliance and personal computer companies and multinational corporations in the Chinese market. Strategy of MNC which prevent them from capturing opportunities in middle- to low-end market segments in China. Chinese companies which are upgrading and improving their products to increase their foothold in upper-middle to high-end segments.

Jha and Rana (2014) The reason behind the difficulty for MNC to reduce costs and set competitive prices. The 2010 Global Manufacturing Competitiveness Index has ranked India 2nd after China and ahead of USA and South Korea. Lately, India has been successful in surpassing its image of just being a low cost destination.

The R&D integration with engineering and technology intelligence has made India a priority destination for designing and manufacturing innovative products demanded in global markets **(Deloitte, 2010).**

Sudharsana Reddy and Rajalashmi (2007) stated that the electronic industry was in its inceptive stage of development till 1970. In the age of globalization, it is one of the fastest growing industries in India.

Bayus (2006) analysed in his study that about two thirds of trade is in durable goods (including capital goods.) so, there is huge market potential in such durable goods industry in India.

3. Research Methodology

3.1 Objectives

The main objectives of the study include:

1. To identify the opportunities and challenges for Consumer Durable Industry in India.
2. To study the initiatives taken by Government for sustainable growth of business in reference to Consumer Durable Industry.
3. To understand impact of socio-economic changes on Indian consumer durable industry
4. To Understand Market potential of the Indian Consumer Durable sector

3.2 Research Plan

(I) **Scope of study:** The study aims at identifying opportunities, challenges and initiatives taken by Government for consumer durable (white products) Industry in India only.

(II) **Data Collection:** The data utilised for the study is secondary in nature. Secondary data has been collected from research articles, books, journals, magazines, reports, newspapers and different websites.

(III) **Tools and Techniques:** Descriptive research is used by the researcher.

3.3 Limitations

1. The study is related to only consumer durable (white products) industry only. It does not include other industry or any other products.
2. The researcher has focused only on opportunities, challenges and Government initiatives taken for consumer durable (white products) industry because of time and resource constraints.

4. Key growth drivers of Consumer Durable Industry in India

1) Rise in disposable income

The demand for consumer electronics has been rising with the increase in disposable income coupled with more and more consumers falling under the double income families. The growing Indian middle class is an attraction for companies who are out there to woo them.

2) Rising growth rate of GDP and purchasing power of consumers with higher propensity to consume

The rising growth rate of GDP and purchasing power of consumers with higher propensity to consume with preference for sophisticated brands would provide constant impetus to growth of consumer durable industry.

3) Improving lifestyle

Rise in disposable income has improved the life styles of Indian consumers. So, the demand for consumer durable products is increasing day-by-day. It is a big opportunity for industry to fulfil their demand on time.

4) Western influence

Due to globalization, influence of one country on other country is increasing. Indian consumers are very much influenced by western. This is also an opportunity for durable industry to increase the production through globalization.

5) Urbanisation of Consumers

The Indian urban population is projected to increase from 31% in 2011 to 41% of the total population by 2030. Urban consumers have started to perceive consumer durables as lifestyle products and are open to pay increased prices for branded products.

6) Access to latest technology

Globalization helps countries to get access to new technology and new organizational tools. By breaking the rigid conditions it also helps countries to get access to foreign capital.

7) Increasing consumer awareness

The evolution of communication through information technology is one of the key elements of globalization. The inventions of new devices of communication like fax machine, mobile phones, computer, and internet have made the communication network much cheaper and more accessible to the common people and increasing consumer awareness.

8) Emergence of nuclear and double income families

The emergence of nuclear and double income families in Indian economy have demanded more consumer durable products. Industries should get benefit from that and globalisation helps India to fulfil their demands on time.

9) Growing demand in rural markets

India's rural market, accounting for approximately 69% of India's households, offers significant opportunities for the consumer durables industry. Around 50% of the rural population owns TV, 8% owns refrigerators and around 1% owns washing machines. Moreover, increasing electrification of rural areas would augment the demand.

10) Increase in free trade

An increase in free trade has opened doors for investors in developed countries to invest their money in developing countries. Big companies from developed countries have the freedom to operate in developing countries.

11) Rise in the share of organised retail

Rise in organised retail will set the growth pace of the Indian consumer durables industry. According to a working paper released by the Indian Council for Research on International Economic Relations (ICRIER), organised retail which constituted a mere four per cent of the retail sector in FY07 is likely to grow at 45-50 per cent per annum and quadruple its share in the total retail pie to 16 per cent by 2011-12. The share will grow with bigger players entering the market.

5. Threats for Consumer Durables Industry

1) Intense competition from MNCs

The domestic consumer durable sector faces threat from newer companies, especially from global ones who have technologically advanced products to offer.

2) Availability of choice

The availability of a wide product line on account of most products being homogeneous, poses a threat for companies operating in the consumer durables sector. Customers have the choice of both domestically produced and imported goods, with similar features.

4) Heavy tax & Duty structure

India's taxation system is unusually complex, especially where indirect taxes are concerned. While income-tax, excise and custom duty are set by the central government. Municipalities also levy their own taxes. Newly Implemented GST also levied more on such products.

5) Limited scale and quality

Most of the suppliers of raw materials and components in India do not have the scale to cater to the substantial demand in the industry, making them less competitive as compared to imports. Moreover the quality of inputs is not as competitive to Chinese or others SE Asian counterpart. This has led various global majors to scale down operation in the country.

6) Limited R & D and Marketing Research

Marketing Research and R & D in other areas are vital inputs for development of international business. However, these are poor in Indian business. Expenditure on R&D in India is less than one per cent of the GNP while it is two to three per cent in most of the developed 79 countries. In 1994-95, India's per capita R&D expenditure was less than $ 3 when it was between $ 100 and $ 825 for most of the developed nations

7) Infrastructure Deficiency

India's spend on infrastructure was only 7.2% of its GDP in 2012.The basic infrastructure for any industry comprises good roads, powers, water, telecommunications, finance, raw materials, components and logistics. In India these facilities are not up to the mark even in established industrial estates.

8) Government Policy and Procedures

Government policy and procedures in India are among the most complex, confusing and cumbersome in the world. Even after the much published liberalization, they do not present a very conducive situation. One prerequisite for success in globalization is swift and efficient action. Government policy and the bureaucratic culture in India in this respect are not that encouraging.

9) Obsolescence

The technology employed mode and style of operations etc are in general, obsolete and these seriously affect the competitiveness.

10) Trade Barriers

Although the tariff barriers to trade have been progressively reduced thanks to the GATT/WTO, the non-tariff barriers have been increasing, particularly in the developed countries. Further, the trading blocks like the NAFTA, EU, etc. could also adversely affect India's business.

11) Inadequate power supply

India is still power deficit country and has been witnessing peak hour power deficit at around 3-5 percent with the southern India remaining the most affected region registering a peak power deficit of 8-10 percent. Therefore, the sector's growth is impacted by the inadequate infrastructure of the country as regular power supply is imperative for any consumer electronics products, which depends majorly on power.

6. Government Approach towards Industry

- 100% FDI is permissible in electronic industry which is set up exclusively for exports.
- The government has launched "Make in India" stressing on increasing domestic manufacturing in electronics.
- The exemption in Special Additional Duty (SAD) to address the problem of Central Value Added Tax (Cenvat), will encourage the multinationals to manufacture in India.
- Under Electronic Hardware Technological Park (EHTP) scheme, the government increased the number of incentives such as duty waivers and tax incentives to companies which replace certain imports with local manufacturing.
- Government has reduced custom duty on certain inputs which will promote the production of consumer electronics in India.
- National Policy on Electronics (NPE) was launched in 2012 with an objective to transform India into a global hub for Electronic System Design & Manufacturing (ESDM) & to expand the manufacturing base of electronic products in India.
- EPCG scheme allows import of capital goods on paying 3% customs duty only.

7. Conclusion

Consumer Durable (white goods) Industry is growing more than expected in India because of huge opportunities available in India. The Indian consumer remains one of the most upbeat globally. In fact, it is widely believed that the Indian market will fuel the growth of multinational companies in the coming years. While most leading companies are cutting costs in the US and Europe, they see India as a strategic market, which can fuel their growth. The Government of India has increased liberalization which has favoured foreign direct investments (FDI). Government should take some steps related to development of infrastructure such as roads, ports, airports, electricity etc. The government of India must try to make such policies with regard to consumer durable industry in India through globalisation that are beneficial and not harmful for the industry. There is also need to improve the procedural, regulatory and custom approvals, refunds & clearances by the government for consumer durable industry. In order to become competitive in domestic as well as world market, consumer durable industry need to formulate strategies based on market intelligence, product development and research and development.

References

1. Ashok, D. (2005). Consumers purchasing patterns in liberalized market
2. Barry Bayus, L. (2006). The targeted Marketing of consumer durables. *Journal of Direct Marketing*, 7(4), 4-13.
3. CEAMA Report, 2010
4. Chen and Roger, "Price Wars", China Business Review; September/October 2003, Vol. 30 Issue 5, pp. 42-46
5. Consumer Durable Industry, 2012
6. Deloitte report (2010) "India Matters: Winning in growth markets."
7. Gupta, D. (1996). Decision making under uncertainty: Capturing Dynamic Brand Choice in Turbulent Consumer White goods Markets. *Marketing Science*, 15, 1-20.
8. IBEF Report , 2016
9. Indian Consumer Durable Sector- Research & Markets, 2016.
10. Jeyakumar, S. (2010). *Market survey-Facts for You*, 13-17.
11. Kalaiselvi, K. T. & Muruganandan , D. (2015) . An Analysis of Purchase Behaviour towards Selected White Goods. APJR, Vol 1, Issue-32.
12. MIRC Electronics Ltd., Annual Report (2015-16).
13. Nabirasool, D. & Prabhakar, D. (2015). Impact of Television Advertisements & Products Attributes on the Consumer Buying Decisions for Consumer Durable Goods, PJ, Vol-4, Issue-1.
14. Pande, Sushil & Srivastava, Ashish. (2013). Impact of Globalisation on Marketing of Durable goods. IJMBS, Vol. 3, Issue 4.
15. Sudharsana Reddy, G. and Rajalashmi, P.S. (2007). Buyer Behavior of Home Appliances with special reference to Microwave products in Bangalore city. *Indian Journal of Marketing*, 37(2), 19-24.
16. www.ceama.in

