

BETWEEN OURSELVES

The global economic meltdown is bringing the dangerous tendency of encouraging protection to Indigenous industries. Faced with growing unemployment, it seems the easy way out. Some of the opponents of liberalization, and, we have a few in our country, blame it for the present meltdown. It is true that if India was not globalized in trade, the effect of this meltdown would have been less. But then could we have achieved 9% annual GDP growth consistently. And isn't it surprising that some people still think that our country can economically flourish, without being a part of global trade? In this act of encouraging protectionist tendencies, India is not far behind. We have dubious distinction of levying maximum incidences of Anti Dumping Duties. This may be easy way out but surely not the best way. What we need to do is simplify procedures to cut down transaction costs, carry out tax reforms (abolition of CST and introduction of uniform GST) and strengthening of infrastructure. Industry on its part needs to invest more in R&D and improve productivity and quality to international standards.

Industry has been asking for safety and EMI/EMC standards for Consumer Electronics products. We have been discussing the issue of safety standards and Safety Mark for more than three years. Industry has been asking for self certification on lines of 'CE' marking in EU. But this does not seem to be acceptable to the authorities. They want the industry to go through elaborate and expensive process of registration and periodical testing of all products by accredited labs, to get the safety mark. The industry is of the view that this besides adding to the cost will create hassles for the industry in dealing with government officials at both central and state levels. We therefore do not have any hope of safety standards being implemented in near future.

IPL2 season is starting now. It will be followed up with 20-20 world cup in England. Indian cricket is on upswing. It is hoped that with it, the fortunes of consumer electronics industry would also be on upswing and we would have good sales for next two to three months.

— Suresh Khanna

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RETAIL IN INDIA: CAPTURING THE OPPORTUNITIES OF A COMPLEX CONSUMER CLASS

— *India Knowledge@Wharton*

According to a McKinsey report, India's consumer goods market is expected to reach \$400 billion by 2010, which would place it among the five largest markets in the world.



Yet few subjects elicit both optimism and skepticism as much as the Indian consumer does. To the optimists,

India represents a huge, untapped middle market, critical to any company with global aspirations. To the skeptics, India is still too poor by global standards -- with most people living on less than \$1 per day -- for mass-market retailers to rush in.

Members of a panel titled, "Retail & Consumer Technology: Selling to the New Indian Consumer," at the recent Wharton India Economic Forum suggested that, broadly speaking, both the optimists and skeptics are right. However, generalizations about the Indian consumer can be misleading. Trying to connect with consumers on an "Indian" level is a mammoth task. For one, India is a diverse country, with 23 official languages and more than 1,000 dialects.

Although attitudes have shifted toward consumerism, being individually poor but collectively rich fundamentally differentiates India from developed markets. Despite having a large consumer base that is growing steadily, the market is complex and the propensity and capacity for

Indian consumers to spend depends on a unique blend of price and value. According to the panelists, the companies -- domestic or foreign -- that understand this complexity will be the most successful at selling to Indians, and stand to reap enormous benefits of scale.

Understanding the Indian Consumer

Sunil Dutt, head of Samsung Mobile India, opened the panel discussion with a quote from India's first prime minister, Jawaharlal Nehru: "India, poised as she is, will either account for a great deal, or nothing at all." India's economic growth has accelerated significantly over the last two decades, along with the spending power of its citizens. Real average household disposable income has roughly doubled since 1985. With rising incomes, household consumption has increased, and a new Indian middle class has emerged.

As Indian incomes rise, the shape of the country's income pyramid will also change dramatically. More than 291 million people will move from desperate poverty to a more sustainable life, adding a number of first-time consumers to the market. While much of this new wealth and consumption will be created in urban areas, rural households will also benefit. According to Dutt, "Indian spending patterns have evolved, with basic necessities such as food and apparel declining in relative importance, and categories such as communications and health care growing rapidly. Much of this shift can be attributed to the consumer electronics and telecom sectors that have provided a platform to increase consumer awareness. In fact, the mobile-phone's penetration

and impact on the Indian economy have earned it the new title of FMCD" -- or fast-moving consumer durable, versus the traditional marketing category of fast-moving consumer goods.

Awareness around the power of information technology to solve problems, create employment and improve lives has trickled down to the lowest socio-economic class. India has close to 261 million mobile subscribers, many of whom live in rural areas. "The connectivity, communication and literacy leap that India has gone through over the past decade has been a major driver of aspiration," said Rajeev Karwal, founder and CEO of Milagrow Business and Knowledge Solutions, a Gurgaon-based venture-capital firm geared to small and medium-size businesses.

Through word of mouth, their own observation and the media, consumers now can visualize a better life, and they demand it, Karwal said. The historical pattern in India -- and in most developing economies -- shows that as incomes rise, consumers spend proportionately less on basic necessities. As millions of deprived households move into the "aspirant" segment, they will begin to be able to afford products and services beyond their immediate needs for food and clothing.

Arvind Singhal, chairman of the Gurgaon-based management consulting firm Technopak, said that "it is a myth that rural India is less aspirational. There might be a larger distribution of wealth in the cities, but there is no demographic-based difference in aspiration. In fact, rural India has been badly served; most large retailers have concentrated on the top 200 cities, with very few even having distribution channels in the villages."

Most companies have not tapped the vast rural consumer base for two reasons. First, the volume of potential customers, based on income, is small as a proportion of the total rural population. "Tier

1 and 2 cities will continue to control and drive approximately 62% of consumption of high-end products in 2025," Karwal said. Second, the rural population is scattered over a vast geographic area, making them hard to locate and expensive to target, given the country's poor infrastructure. However, "new technologies like the Internet and wireless broadband can solve both these problems," Karwal noted, "making it economically viable for companies to offer a range of services such as banking, distance education and health care to rural India. This, in turn, will transform the expectations, aspirations and economy of the rural consumer."

Although price and value are important considerations, recent research shows that Indian consumers increasingly demand brands that are relevant to their experience and that reflect local preferences. For several years, leading multinationals attempted to sell global brands in India at global prices. Companies were confident that the country's consumers would move in a premium direction because of the technological sophistication that the IT boom engendered. They also chose not to establish well-planned marketing and sales channels, assuming that brands alone were strong enough to attract consumers. This assumption turned out to be wrong: Over time, companies tailored their products and production methods to Indian market conditions and slashed prices by more than 50%.

Karwal cited the mobile phone as an example of a product that offers a high degree of functionality at a good price. "It is equipped with features such as a dust-resistant keypad and a built-in flashlight that not only aid truck drivers on India's poorly lit highways, but also take away the villager's embarrassment over the lack of electricity. Customized to the Indian market and reflecting the importance of price and value rolled into one, the mobile phone now serves as a great benchmark

for market penetration. It is no wonder that the number of mobile phone subscribers far outweighs the number of Internet or credit card users in India."

Getting the price right is just as important. Although income levels are rising, Indian consumers still have many competing demands on their modest budgets. Winning companies have learned the importance of affordability. "India has the fastest-growing mobile phone market, and handsets are sold cheaper than anywhere else in the world," Dutt said. "Steep and continual price cuts have led to levels of market penetration that took television sets 25 years to achieve."

The Road to Consumption

India's consumer demand structure is fundamentally different from that of developed markets. Since 1990, the country's economy has grown on an average of 5.7% per year. Its per capita income has nearly doubled in real terms. But different consuming classes drive market growth in different ways, and an appropriate mix of strategies is required to capture this growth.

An estimated 1.2 million affluent households sit atop the Indian income and consumption pyramid. These consumers buy branded products and behave like their counterparts in developed markets. Moreover, they are largely concentrated in the top eight cities. At the bottom of the pyramid are the large but poor segments. Struggling households number more than 100 million, followed by 40 million destitute households that are poorer still. The real drivers of the growing consumer goods market occupy the center of the pyramid -- India's 40 million middle-income households, which purchase more than just the basics.

"A 1% change in income opens up a \$25 million retail opportunity," Karwal said. "As economic

growth occurs, the destitute will transform into aspirants and enter the consumption arena. Aspirants will become climbers with increased per capita consumption, creating an automatic volume growth for several categories. The socio-economic transformation of consumers offers a large window of opportunity for marketers, as 100 million to 150 million consumers have just begun their journey, while another 100 million are on the road to consumption."

The population's demographic profile also plays a role. Indians constitute a fifth of the world's citizens below age 20. So a youthful, exuberant generation, nurtured on success, is joining the ranks of Indian consumers. These people are deeply rooted in Indian culture and traditions yet connected to and curious about the outside world. Their incomes may be growing but their budgets are still limited. Together, these characteristics have big implications for the product categories and brands they select. With basic needs satisfied and the future taken into consideration, these consumers will consider purchasing products that represent "the good life."

"In the past, youth were perceived to be disconnected with no consideration for value," Dutt said. "However, a closer look reveals that they are extremely discerning individuals who know what they want. The challenge facing manufacturers is to come up with products and services that appeal to this group of consumers who have a short attention span coupled with rapidly changing needs and preferences. We need to understand them and synchronize our products with their aspirations."

Additionally, youth often spend beyond their means. They are willing to experiment with high-end brands because they have a high level of disposable income. "Unlike the previous

generation who witnessed slow economic growth, young Indians have been raised in the post-liberalization era of fast growth and underlying optimism, and are thus more confident about the future," said Y.V. Verma, director of human resources and management support for LG Electronics India.

Expansion of Organized Retail

When India opened its economy to the global marketplace in the early 1990s, many multinational corporations rushed in to pursue its middle-class consumers, only to confront low incomes, social and political conservatism, and resistance to change. "In the past, retail conglomerates avoided the Indian market because they did not find the large investment a worthwhile opportunity, as India accounts for a very small percentage of the U.S. market in pure dollar terms," said Technopak's Singhal. India also lacked the infrastructure, supply chain, foreign direct investment regulations and value-added tax required for retailers to succeed.

"If the government permits foreign direct investment in retailing, consumer goods companies would have greater opportunities to sell products in the modern formats they understand," Karwal said. "Currently, about 60% of all purchases are made in the food and grocery segment, which has a unique supply chain that multinationals don't understand. The optimal

retail format in India mimics a local bazaar experience, vastly different from the neat aisles and structured store layout present in other countries."

Skeptics point out that even if government policy works in favor of large retail, understanding of the consumer's psyche is paramount to cracking the Indian market. Karwal went on to say that "most bleeding happens at the front end, as real estate prices are exorbitant. To combat these expenses, companies such as Zara and Best Buy have set up their own buying houses in India. If foreign retailers are able to get their back end in order while regulation evolves and rental prices cool down, the government policy is likely to work in their favor."

At the same time, the government has a responsibility to make sure that foreign inflows do not disrupt employment or functioning of smaller, homegrown players. Karwal minimized that concern: "Even though large conglomerates have a 7% to 10% buying advantage, small retailers benefit from the close proximity to customers. The necessity to buy fresh food due to a lack of electricity and inefficient public transportation systems serves to check the displacement of traditional retail. The network of local retailers will remain an important segment for years, even if modern retail continues to grow at the current pace."

Fridge makers add more models, reduce dependence on frost-free

Taking lessons from the slow offtake last year, refrigerator manufacturers such as LG, Samsung, Godrej and Haier will introduce a wider range of models in new capacities this year, besides reverting to their reliance on the direct, cool models. Last year most majors shifted focus to the high-end frost-free segment. This year, direct-cool is equally important. Frost-free refrigerators gained popularity since they don't need manual defrosting, are easy to maintain and the price difference between the two segments has narrowed considerably. In a direct-cool refrigerator, cooling is by natural convection. Direct cool models consumer less electricity, but frost-free ones are able to keep food fresh for a longer period.

— Business Standard Delhi, March 27, 2009

CONSUMER CONFIDENCE LOW BUT SEE PICK-UP AHEAD, SAY EXPERTS

CNBC-TV18, in association with Boston Analytics, today launched India's largest consumer confidence index. The Indian consumer is not feeling good - the CNBC-TV18 Boston Analytics Consumer Confidence Index drops 3% to 77.6 in February, the lowest level since January 2008.

The Current Consumer Confidence has fallen by about 5 ticks whereas the Future Expectations Confidence Index has fallen by less than 3 ticks. So clearly, the future is not as badly perceived by consumers as the current situation.

V Ramachandran, Director - Marketing, LG, discusses the issue of consumer confidence. Ramachandran said LG in particular has not witnessed a sharp fall in sales - the company's sales grew by about 20% in the last two months. "My sense is I see strong visibility at least up to June-July so far. There are more recent factors like the recent announcement on GDP, which came very recently. So, the implication and impact of this on consumer sentiment remains to be seen. But broadly we believe that a 12-15% growth at an industry level is certainly possible," he said.

Here is a verbatim transcript of V Ramachandran's exclusive interview on CNBC-TV18

Q: What has been the experience at LG? Have you noticed a sharp fall in sales or offtake for February? Do you want to put January and February in perspective?

V Ramachandran: Actually, January and February have been good for LG and also good for our industry generally. LG has grown by close to 20% in the last two months, which is a year-on-year (YoY) number. In our industry, the YoY number is more relevant as opposed to trends

because there are seasonal purchase cycles that operate.

Q: But this 20% compares with what kind of average growth number that you saw in 2008?

V Ramachandran: In 2008, overall for the year, we grew by around 15-16%. This 20% we are seeing for January and February.

Q: If you have to give us an idea of how you are looking at the coming two months or the next two quarters, would you expect to maintain this 20% growth?

V Ramachandran: We are targeting for an annual growth of around 15-16% from consumer electronics and household appliance categories. We expect to be able to deliver this growth. We are finding that consumption is still holding strong. This is what is supporting the durables industry.

Q: What is the experience of the general consumer durables sector that you would definitely be keeping in touch with? Would you say that 20% in January-February and say between 15-16% for the rest of the year is something the industry can deliver?

V Ramachandran: Just to go back to the earlier discussion, what we find is in the case of our categories mainly penetration is currently low and the need is very high for the consumer. There is now less of lifestyle and more of necessity. So, I think these are the factors that are supporting growth. I think these factors will remain going forward. My sense is I see strong visibility at least up to June-July so far. There are more recent factors like the recent announcement on GDP, which came very recently. So, the implication and impact of this on consumer sentiment remains to be seen. But broadly we believe that a 12-15% growth at an industry level is certainly possible.

SELLING IS CULTURAL

— *By Gary Arlen*

"Unorganized retail" may sound redundant in the often chaotic consumer electronics (CE) merchandising business. But the term is typically applied to the mom-and-pop stores that are so common in densely populated emerging markets, such as India, China and Eastern Europe, to differentiate them from the "organized" retailing structure of chains and big box merchants.

For example, in India, stand-alone merchants handle 96 per cent of retail sales, in China, their share is 83 per cent, and in Poland, it's 20 per cent. Even in countries where the retail infrastructure is more highly developed, the "unorganized retail" sector represents the majority of total retail sales: 65 per cent in Brazil, 60 percent in Thailand.

By comparison, in the U.S. only 15 per cent of overall retail sales now are handled by independent merchants.

While it is harder to nail down how many of these stand-alone individual dealers sell consumer electronics and technology, the ratios are believed to be similarly large in emerging economies. In some cases, mass merchandisers, including "big box" retailers, are having trouble finding a foothold. For example, small shop owners in India have banded together to prevent big chains from moving into their turf. Their customers, who are comfortable with the personal services of neighborhood merchants, have supported this arrangement, perhaps unaware of the price saving they would enjoy if mass merchants became a shopping option.

Meanwhile, in countries such as the Arabian Gulf states of Dubai and Abu Dhabi, which are positioning themselves as "shopping tourism destinations" for their region, high-volume "mega-stores" are sprouting up, with government and manufacturers' support. These big retailers, some

locally owned, others part of global chains, are carefully navigating the challenge of coexisting with the traditional, family-run stores of the local "souks."

This bifurcation of the global retail and distribution market encourages vendors to adapt their strategies and constantly review tactics.

"We have learned that striking a balance between a central strategy through local tactics and execution cannot be over-estimated," said Steve Dallman, vice president, Sales and Marketing Group and general Manager of Intel's Reseller Channel Organization. He noted that while the computer itself may be a "global commonality, Intel and the companies in its value chain must recognize that why the computer is purchased and how the computer is used differs dramatically" among markets.

"The need for local management is critically important to our success as well as building a win-win relationship with our customers," Dallman added. "Intel is introducing a new architecture or process technology each year. Without strong local partnerships, training and marketing, this pace of transition would be impossible to sustain and the pace of global innovation would slow".

Shifting Global Retail Landscape

Collectively, the global retail scene is a work in progress, complicated by the current economic stress and the cultural expectations of shoppers in each region. Yet international retailing beckons merchants and distributors for many reasons.

Emerging markets can offer "continued double-digit same-store sales growth and profits," according to consulting firm A.T. Kearney. "Pursuing expansion into new markets appears to be the best means to further diversify and deliver

continued growth," the company said in its annual global business outlook. Among its top ten national opportunities, Kearney lists the familiar BRIC countries (Brazil, Russia, India and China) and also deems Vietnam, Egypt, Chile, Turkey and Morocco to be highly attractive.

Yet all markets are not created equally. The MENA (Middle East and North Africa) countries around the Gulf region are attractive and have lured manufacturers, distributors and retailers. The new arrivals must abide by local regulations, which often include partnership with locally owned firms. For example, PNY Technologies, a New Jersey distributor of consumer and professional computer products, teamed up late last year with SKY Electronics, a 20 year old Dubai company to handle products throughout the region.

"The Middle East and Africa market represents significant untapped opportunity for PNY", said Manoj Thacker, managing director of SKY Electronics. "We believe PNY will be a critical enabler in helping us to tap into that opportunity." (www.PNY.com)

Such new initiatives are balanced by new challenges. Emerging markets may present hurdles, such as finding and training employees and promoting retailing as a respective career path. In a description that applied both to customers and potential employees, the CEO of a fast-growing Indian firm acknowledged the problem.

"You put a hypermarket in front of them; they've never seen it before. So there's no way they can understand the concept," said Sumant Sinha, CEO of Aditya Birla Retail, an Indian chain, speaking at a Harvard Business School conference last year. Sinha noted that Indian consumers are "extremely value conscious," but added that "value is not just price." They also expect convenience, quality and trust, he added, all of which stem from their relationships with trusted local merchants.

That advice reflects recommendations from Deloitte, the global consulting firm, in its advisory on "Standing Out from the Crowd," Deloitte suggests that retailers who are entering emerging

markets should consider "selling services related to their core merchandise," citing technology support (similar to Best Buy's "Geek Squad") as an ancillary feature that can support core retailing activities.

"In part, demographics will play a role in driving this trend," according to Deloitte's analysis. "As people move from young adulthood to middle age, they tend to spend less on goods and more on services. Successful retailers will take advantage of this by using their existing brand equity to build new markets."

Big box retailers and small business dealers provide somewhat different but important roles as this process takes shape in the evolving global sales ecosystem, Intel's Dallman explains.

"In most countries, we have seen an evolution of how products are sold, serviced and introduced into the consumer market. In the beginning of the cycle, the small business retailer was or is the primary source. They provide the first opportunity for many people in the world to purchase and experience a product built around Intel technology.

"Over time the sales approach evolves and grows," he continues. "The small/medium business (SMB) seller will move into a niche that typically involves increased services, entrepreneurial vendors and focus on specific market segments."

As a result of that expansion Dallman points out that many SMBs in emerging countries opt to specialize in segments such as gaming, education, productivity or other applications. "The small mom-and-pop store can focus and shift quickly to new products and market opportunities," he adds.

Vishesh L. Bhatia of Al-Futtaim Electronics in Dubai acknowledge that "Mom-and-pop dealers have lost considerable ground to big-box retailers," But he observes that, "big-box retailers, under different market conditions, could find it difficult to expand and grow because mom-and-pop dealers typically cater to a different customer base: more

focused on overseas traders especially from the African and Indian continents."

Bhatia, who is group director for the Electronics Engineering & Technologies divisions of Al-Futtaim group, a Dubai-based distributor, retailer and customer care provider, also points out that the changing retail situation in the Gulf markets "is synonymous with the region's increasing appetite for mall-based shopping as well as the emergence of the big-box format."

"We are able to gauge the brand's potential by analyzing the performance of its product ranges in various conditions and within a business plan agreed with our vendor partners," he explains. Al-Futtaim Electronics handles brands including Panasonic, Sanyo and Toshiba in the Gulf region.

One Size Doesn't Fit All

Other retail and distribution analysts offer even more specific advice for distributors and retailers exploring a role in emerging countries.

"Real estate and human resources will be the critical drivers to build scale," the TATA strategic Management Group concluded in its recent analysis. "Retailers will need to think out of the box to ensure availability of real estate," including developing properties on their own rather than waiting for mall developers to build shopping centers. TATA, part of the vast Indian technology conglomerate, said that the process requires a "long term view on ownership" as well as a process to "ensure availability of quality manpower in the rapidly growing market."

There are other difference in the evolving retailing landscape. In regions such as China and the Arabian Gulf where big box stores co-exist with independent dealers, there are complex decisions to make. Traditionally, retailers buy in small quantities, then order more frequently to replenish stock. That's part of a selling tradition to avoid large inventories but keep rack space full.

One recent example of retail success in Asia is the early 2009 sales data on flat panel TVs, which are on the rise despite global economic duress.

"While consumers are shifting increasingly toward lower-priced models, retail sales volumes are not declining in key retailers," according to Steven Kaiser, commercial director, consumer electronics at GfK Asia, a research analysis firm. GfK's data, drawn from organized retailers (i.e. large dealers and chains), showed increased volume in Taiwan, Hong Kong and Singapore during the 2008 "festive season" (November and December) and into early 2009. Overall sales volume increased as much as 40 per cent in some markets.

Kaiser called the recent trends "encouraging news for the flat-panel television retail business in advanced Asian markets."

That kind of data offers encouragement to companies seeking a stake in emerging markets. Many companies have concentrated on China and the Arabian Gulf regions, because of their positive upsides. Consumer Electronics Association of US (CEA) has supported expansion in both markets via its participation in regional events: SINOCES (the next annual event is scheduled for July 9-12 in Qingdao) and International CES / Hometech. (The 2009 event has been canceled, but in previous years it has been a focus for regional CE marketing).

Retail activity, especially for CE products, in Dubai and its UAE (United Arab Emirates) neighbors continues to be high. "UAE retailers are optimistic," blared a late January report in the Emirates Business 24/7 publication.

Jacky Panjabi, managing director of electronics retailer Jacky's Electronics which operates from Hong Kong to the Middle East, said in the report that this company is "going ahead with our expansion plan." Jacky's used the annual "Dubai Shopping Festival" frenzy to open a new outlet at Dubai Mall, its second store in that shopping centre and its eleventh in Dubai. Jacky's plans to open two more stores this year in the UAE. (www.jackys.com)

Panjabi is focused on the growing culture of malls in retail shopping in the region, citing that as a reason for putting more stores in malls rather than

street front shops. He voiced optimism about the new housing construction in the region triggering a "new demand for consumer electronics,"

Meanwhile, in Saudi Arabia, Emax, the electronics retailing arm of Al-Bandar Trading, opened a big box electronics store at a Jeddah mall and unveiled plans to open at least five more stores this year and two more in 2010 while expanding into Dubai, Abu Dhabi, Doha, Muscat and India. Emax also is exploring future moves into China and Eastern Europe. (www.emaxme.com)

On opening day of the Jeddah store, consumer traffic was so great that managers kept the store open "late into the night," according to a Saudi Gazette report.

"The changing demands of the region have led to the need for such a retailing concept," explained Neelesh Bhatnagar, director of Landmark Group and CEO of Centrepoint and Emax in the Saudi report. "With Emax we plan to revolutionize technology retailing with its unique business model and combines the best brands, overwhelming product diversity, a range of never-before customer-friendly services and astonishing value, all in a large format store."

The current trend towards adding software and content services, along with hardware, to the CE product mix is taking shape in many markets.

"Our synergies come together at the retail front end where Al-Futtaim provides solutions for connected devices and demonstrates them to end customers," says Bhatia. "The smart-home concept is rapidly gaining acceptance, we focus on two fronts: a stripped-down version where entertainment is the focus and a full solution which [includes] security, lighting and air conditioning with remote control features. For this we have partnered with experts in this sector, especially from the USA.

"The diversity of workforce and customer behavior is noticeable even within the Gulf countries," notes Al-Fattaim's Bhatia. "With a large migrant workforce the challenge is to offer the

customer a consistent experience. This is only achieved through constant training of the disparate workforce."

The appeal of the vast markets in emerging economies is balanced by the occasional hassle to conform to local operating requirements. For example, last year, Intel and Broadcom launched an aggressive plan to bring Wi-Fi to China. Then the Chinese government ruled that Wi-Fi products must use a different security standard than the ones used elsewhere around the globe, thus forcing the companies to build products especially for China. Moreover, they would have to license the Chinese standard from a local company.

Those requirements became a deal breaker. A few months later, the Chinese authorities had a change of heart and removed the standards requirement. But that was not the final work and it was a lesson to other vendors about the vagaries of some national regulations.

That is why local partnerships are valuable and often mandatory. Global firms ally with domestic companies that know the intricacies of in-country operations. In China, for example, companies seeking to do business must partner with a Chinese company, often from a government approved roster of domestic firms.

Such uncertainties - and different ways of doing business - pose hurdles to expansion. Yet the opportunities are so promising that global companies are finding ways to accommodate the differences. Intel's Dallman, who has visited more than 50 countries in the past two years, summed up the market opportunities by citing a single unifying factor.

"Each country's population is unique in every way but one: technology [is] a necessary part in all their lives," he said. "They all use quality of their lives and their understanding of our world."

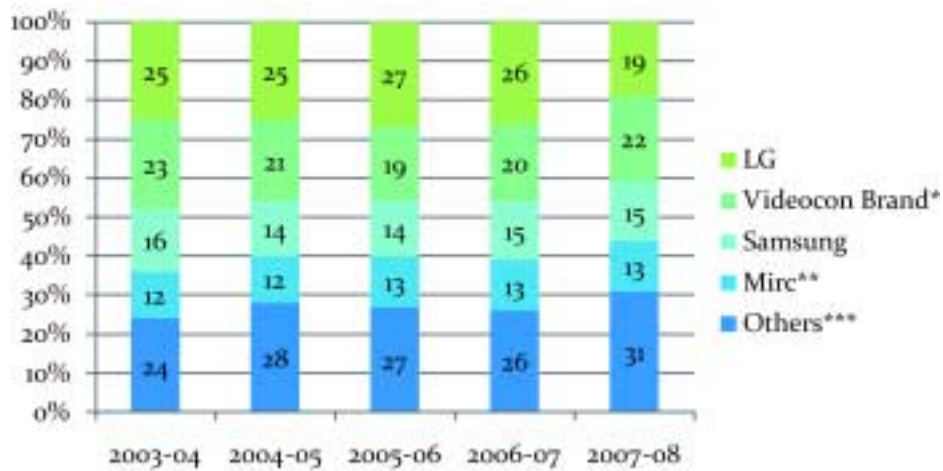
That's a formidable objective - and an encouraging value - for selling CE under any conditions.

CEA, March/April 2009 VISION

MARKET SHARE



TELEVISIONS

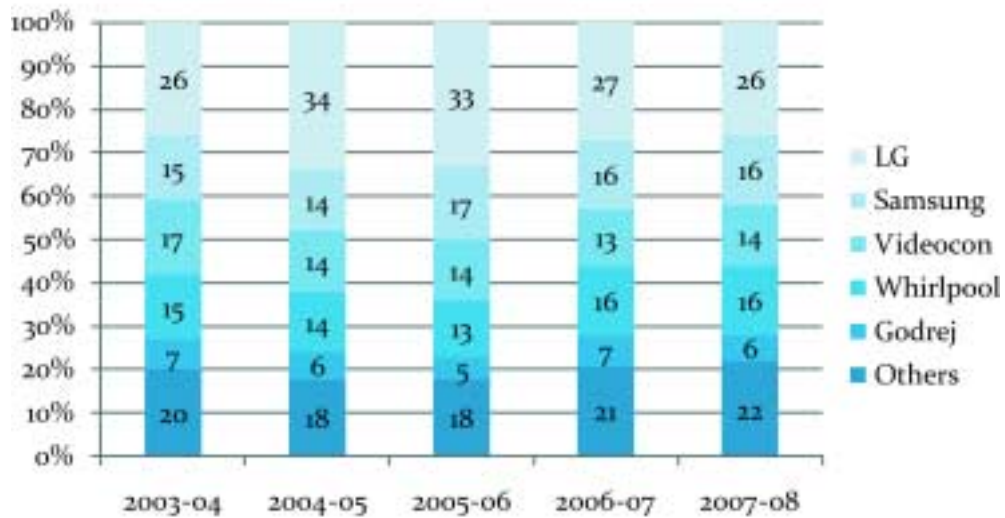


* Includes Videocon, Sansui, Akai, Hyundai, Kenstar & Toshiba
 ** Includes Onida & Igo brands
 *** Includes Sony, Haier, TCL, Philips, Hitachi and Sharp

Source : CRISIL



WASHING MACHINE

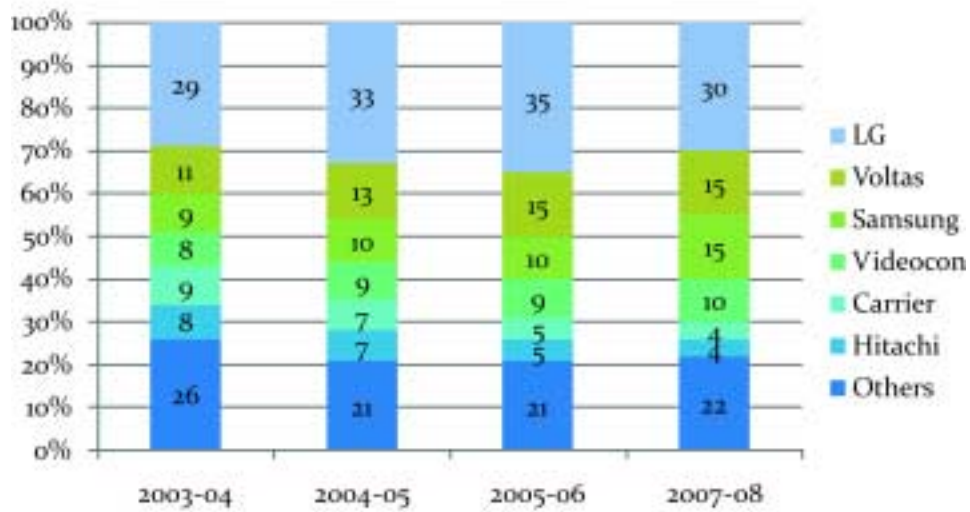


Source : CRISIL

MARKET SHARE



AIR-CONDITIONIONERS

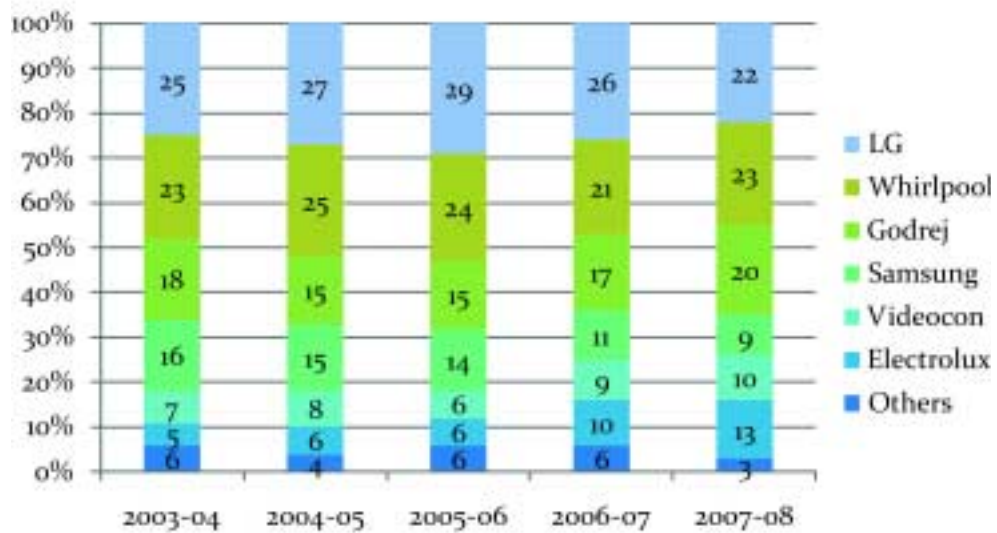


Data for 2006-07 was not available

Source : CRISIL



REFRIGERATORS



Source : CRISIL

CONSUMER ELECTRONICS NEWS

White Goods to get cheaper on rate cut

While the cut excise rates will result in a marginal fall in the prices of consumer electronics and durables, it will not have an impact on the prices of fast moving consumer goods. Television sets, air-conditioners and refrigerators are likely to become cheaper by 2%, translating into price drops of Rs. 150 - 500. The excise cut was a much needed move to boost consumer demand. This should create a feel good factor," Samsung India deputy managing director R. Zutshi said. Godrej Appliances COO George Menzes said retail prices of products would fall by around 1.5%. "The extent of price cuts will vary from product to product. This will provide a good stimulus, especially when the industry growth rate has skid lately," Mr. Menzes said.

— The Economic Times, Delhi, February 26, 2009

Consumer Durables become cheaper

White goods makers on Thursday passed on the benefits of a 2 per cent excise reduction announced by the government to their consumers. The move will make consumer durable cheaper by Rs. 100 to Rs. 5,000. Samsung India has announced a reduction of up to Rs. 5,000 on its products. Price of Samsung, LCD TVs have been slashed by 1.2 to 1.7 per cent, which translates into a benefit of Rs. 1,000 to Rs. 5,000.

— Financial Chronicle Hyderabad, 27 February, 2009

Six Mantras for Success

1. Understand the changing mindset of your consumer
2. Excite her with new launches
3. Offer value packs and lower price points to woo her
4. Remix media mix
5. Connect at her doorstep
6. Go Beyond Metros to explore the Hinterlands

— Pitch Delhi, February 28, 2009

LG to focus on GSM cells, LCD TVs

Undeterred by the slowdown, LG Electronics India has decided to create 2,200 new jobs in 2009. The new jobs are planned to boost the company's R&D, sales and after sales service infrastructure in India. While LG plans to create nearly 2,000 blue-collar jobs for its service network, the balance 200 odd recruitments will be absorbed in sales and R&D functions. LG's major thrust this year will be on GSM mobile phones, commercial air-conditioners and LCD TV. "Accordingly, we are beefing up the sales and research manpower for these product segments. The total contribution of these products to revenues will rise from 18% to 23% by end 2009," LG Electronics India director (HR and management support) YV Verma told ET. LG clocked Rs. 10,730 crore turnover in 2008 and is the largest player in the Indian consumer electronics market by revenue. In 2009, the company is eyeing a turnover of Rs. 13,000 crore.

— The Economic Times, February 28, 2009

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— The Economic Times Delhi, February 28, 2009

Industries to pass on excise relief to consumers

A marginal cut in retail prices of high-end consumer durable items is on the cards after the tax was reduced to 8 per cent from 10 per cent. High-end consumer durables such as plasma TVs, fully automatic washing machines, frost-free refrigerators, microwave ovens and air-conditioners were likely to cost about Rs. 500 to Rs. 1,000 less.

— The Hindu Delhi, March 02, 2009

Still Shopping

The Government's three tranche Rs. 85,000 crore stimulus package aimed at arresting the alarming slide in economic growth seems to be working, at least as far as the consumer durables sector is concerned. After the scare of job losses and consumers zipping up their wallets, industry players are beginning to see decent growth. LG's home appliances business has grown by 29% in January and February. The sale of LCDs is up by 153%, while colour TVs have grown by 12%. Amitabh Tiwari, Business Group Marketing Head, Home Entertainment, LG Electronics India, expects the durables business to grow at 28% in the first quarter of 2009. Samsung's home appliances business, too, has grown by around 30% in January and February. CTV sales were good, says Ravi Zutshi, Deputy Managing Director, Samsung India. "Flat TV sales were up by over 30% and Panel TV sales by over 50%."

— Outlook Business Delhi, March 4, 2009

Durables expected to rebound this summer

So far resilient to the slowdown in the economy, the consumer durables industry is expecting better sales this summer compared with the summer of 2008, as it gets ready to hit the markets with new launches and larger spends. What has changed, albeit slightly, is the focus on providing consumers with value propositions and tapping the rural markets.

— Business Standard Delhi, March 9, 2009

Durables cos plan big strokes in IPL

With the second season of the Indian Premier League (IPL) schedule to begin in April 2009, consumer durable majors expect the high-end LCD and plasma colour televisions (CTVs) market to witness a sales growth of 400%, and flat CTVs sales growth of around 35% in April 2009, over the previous corresponding period. For the purpose, durables major are gearing up to launch a new technological series of CTVs apart from providing attractive offers on the purchase of products.

— The Financial Express Delhi, March 10, 2009

Samsung looks to hike share with new ACs range

Durables major Samsung India plans to strengthen its home appliance range by launching new air-conditioner and refrigerator models. It will be investing over Rs. 100 crore as mould investments for introducing these products. The new range of air-conditioners comprises 18 split and seven window air-conditioners. The focus for this year also will be in the premium category.

— Business Line Delhi, March 14, 2009

White goods companies get ready for heat therapy

The season is action-packed for consumer durable makers. Market leader LG expects over 30% growth in sales of ACs and refrigerators in the April-June quarter. "New product categories supported by intensive marketing and advertising will drive the growth. Unlike last year, weather seems to be supportive this year," said LG India director (marketing) V Ramachandran. Samsung too is eyeing 40% growth in sales of home appliances in the quarter. The company says categories like ACs and refrigerators will be its key drivers of growth. "Based on the newer products and aggressive sales network expansion, we expect to notch up 50% growth in AC volumes this year." Said Samsung deputy MD R Zutshi. Says Whirlpool vice-president (marketing) Shantanu Das Gupta: "Though predictability is our biggest concern this year, we expect it to be better than last year. A long summer will stimulate demand since the second quarter along constitutes roughly 35% of annual sales."

— The Economic Times Delhi, March 14, 2009

Electronic cos all set for LED TV foray this year

At a time when the LCD / Plasma TV market has sustained its growth rate in India despite the economic slowdown, leading consumer electronic majors like Samsung, LG and TCL are gearing up to foray into a new category this year - LED TV. The players expect LED TV, which is likely to be priced around 30-40% higher than LCD, will further expand the market for flat panel display products. TV manufacturers plan to position their LED TV portfolio in the ultra-premium segment. LED TV is considered to be eco-friendly, consumes 40% less power than LCD TV and provides much more better visual experience. Apart from home entertainment, LED TVs are also poised to make a big impact as an outdoor media in airports, malls and hotels.

— The Economic Times Mumbai, March 14, 2009

Nothing's slow about AC & fridge sales

All major players in the durable segment are emphatic that they have managed to buck the trend and are still registering growth, though not as much as expected. Companies such as LG, Samsung and Whirlpool have all seen an increase in demand and have come up with new products to attract customers this summer. Retailers such as Croma and X-cite, dealing in consumer durables, too are optimistic about the summer market this year. Summer is a special time for companies as summer sales contribute to about 40-50% of their annual sales. This year, Samsung has introduced new products in the market to create consumer excitement. So far, 25 new AC models have been introduced in the market this year. According to the industry figures, in 2008, the market size for these categories was close to 4.6 million for refrigerators and 1.9 million for air conditioners. Industry players are expecting a growth of about 10-15% this year. LG recently launched 22 models of refrigerators in four capacities of frost-free models with distinctive add-on features. For Whirlpool the strategy for both ACs and refrigerators is to provide an adequate range-in capacities, formats, energy ratings and price points.

— The Economic Times Delhi, March 15, 2009

LG to invest Rs. 600 crore changes track

LG would be launching low-priced washing machines, solo microwaves and CRT televisions and air-conditioners for rural market. Company sees sales from rural areas rising to 40% in 2009 from 35% last year. It isn't planning any layoffs in India, but has frozen hiring for this year.

— DNA Mumbai, March 16, 2009

Videocon will grow its consumer durables, exports businesses

The company clocked sales of around Rs. 3,600 crore in its durables business last year and plans more efforts to improve efficiency. "We are targeting a Rs. 5,000 crore turnover through innovation, consolidation, entering new categories, improving productivity, and profitability at various levels such as logistics and human resources, among others," K R Kim, its vice-chairman and chief executive officer, told Business Standard. Unlike its Korean competitors, LG and Samsung, who are striving to achieve a more premium image, Videocon will continue to grow as a mass to premium brand. "It is about where the profit are," Kim said adding, "We cannot ignore the mass end which drives volumes." The company has a 80:20 ratio of mass to premium products.

— Business Standard Kolkata, March 17, 2009

LG India to save \$364 m through cost reductions

Consumer durables maker LG Electronics India, the subsidiary of South Korea-based LG Electronics, expects to save about \$384 million through cost cutting and efficiency improvement measures in 2009. LG grew by about 18% in 2008 and is expecting growth rates of over 20% for this calendar year. It posted sales of Rs. 10,700 crore in 2008 and is targeting 2009 revenue of over Rs. 13,000 crore.

— The Financial Express Delhi, March 18, 2009

Philips repositions product portfolio

With products like water purifiers, juicers and food processors now catering to the health and well-being markets also, Sharma is keen on increasing the market share in these categories. This will also be the first time that the company will adopt an integrated 'One Philips' approach. All its products will be positioned under one umbrella to cater to the lifestyle need of its consumers. For instance, the Philips health and well being theme will display products ranging from the living room to kitchen, study room and bathroom.

— Business Standard Delhi, March 20, 2009

LG to launch new LCD TVs

Bullish on the growth of LCD TVs, consumer durables major LG Electronics today said it is planning to launch around 35 models in this category in 2009 as it aims to garner 33 percent market share by next year. The company said it would be introducing a series of technologies, including In-Plane Switching (IPS), LED and Blue Tooth in the LCD models to be launched this year. "The Indian LCD TV market is growing at the rate of almost 100 per cent. So, we feel this is the time to innovate our products and introduce new technologies like IPS in our LCD TVs. We are confident we will be able to get a share of around 33 per cent next year," LG India Business Head (Home Entertainment and B2B) Amitabh Tiwari said. On the LCD models to be introduced this year, Tiwari said, "We will be launching around 35 LCD models this year. We are pitching into the IPS technology which has been there for some time to boost our sales."

— The Assam Tribune Guwahati, March 21, 2009

LG aims at more local components

KOREAN consumer durables maker LG is looking to increase local components content in India as part of plans to counter soaring import bills due to the weakening of rupee against dollar. The company's Indian subsidiary, LG Electronics India (LGEIL) - which has clocked a turnover of over Rs. 10,000 crore last year, is targeting lower-end products. "Our imports are more than our export in India and through this we are affected negatively by the appreciation of dollar against the rupee. We are now trying to increase the local components in LG's products." said Moon Bum Shin, managing director of LGEIL.

— Financial Chronicle Hyderabad, March 23, 2009

Philips cooks new recipe

Philips Electronics India head (Consumer lifestyle) Mahesh Krishnan said the company expects to rollout its new range by September to coincide with the festive season. "The Strategy is to develop products that can compete with those available in the unorganized sector. The kitchen appliances segment is vital in India as it is recession proof," he said Philips had formed the consumer lifestyle division by merging its domestic appliances and consumer electronics business last year. The estimated Rs. 5,000 crore domestic appliances market in India is growing at 10%. Philips is one of the largest players in the market. The company plan to gain presence in tier II and III markets with its new value portfolio.

— The Economic Times Delhi, March 24, 2009

Philips to unveil new line of domestic appliances

DUTCH electronics biggie Royal Philips Electronics is developing a totally new line of consumer lifestyle products in India, which will be positioned in the value segment. While these products are under development at the Philips Innovation Campus in Bangalore, the company plans to export these products from India for its growth cluster markets - China, Brazil, Russia, Poland, Ukraine and Argentina. The products under development are in the domestic appliances space, which include electronics, mixer grinder, juicers and rice cookers. The latest range will be around 30-50% cheaper than Philips' existing product developed in India - in other emerging markets.

— The Economic Times Kolkata, March 24, 2009

Onida bets on IPL in push for LCD sales

Consumer Electronics player Onida, which has been a late entrant in the LCD television market, is trying to take on Korean giants like LG and Samsung in the cut-throat market by riding on the high interest second season of the Indian Premier League. Speaking to the Hindustan Times, G. Sundar, CEO, Mirc Electronics Ltd. said, "We are aiming at a 10 per cent market share through our Xaria range of LCDs of the estimated 1.5 million units strong LCD market. We are targeting to achieve this by September 2009".

— Hindustan Times Delhi, March 26, 2009

Hot season for electronics

The Indian Premier League may have shifted locations but consumer electronics, an industry that thrives on both product sales and ads linked big cricketing events, is not missing its chance. L.K. Gupta, marketing head at LG Electronics India, said April-May was "Prime season" for some categories and his firm would have a separate advertising budget for the IPL season. Samsung Electronics India expects up to 35 per cent increase in sales in its television category and plans to launch close to 16 colour television models, besides mobile phones and refrigerators.

— Hindustan Times Delhi, March 27, 2009

Videocon sets 35-40% growth target for next financial year

Consumer durable company Videocon Industries is eyeing a growth of 35-40% in terms of value for the next fiscal 2009-10. It plans to achieve the desired growth by introducing new product lines, various offers and revamping its service centers across 20 cities. As the consumer gets conscious about spending money with the global meltdown, at present the demand is high for mid segment product line-up. "The focus for Videocon Group is rural markets and major growth is going to come from these markets, which are growing at over 22%. The group has recognized high Market Potential Value (MPV) and Market intensity Index (MII) locations with potential and future prospects to strengthen the business operations and spread consumer reach," Jaideep Rathore, Chief Marketing Officer, Videocon Group told FE.

— The Financial Express Delhi, March 28, 2009