

## BETWEEN OURSELVES

***T*** here is a flurry of activities to revive Doha Round of WTO. Talks are being held between the various groups and efforts are being made to conclude the Doha Round by 2010. India has taken initiatives in this regard. Many countries are being invited for a meeting in India, in the first week of September 2009. One only hopes that both the developed, as well as, the developing countries adopt more flexible approach and Doha Round, which has languished for a long time, gets concluded. It would certainly benefit the World Trade and particularly countries like India, which have an inherent advantage of being low cost production destination.

*The global slowdown and the recession in US, EU and other developed economies is forcing the countries to resort to the protectionist policies. One can see that in the voices against outsourcing in US. Even President, Mr. Barack Obama in his election campaign had spoken of policies to disincentivise outsourcing. In India too, considering high number of anti-dumping duty and safe-guard cases initiated, points to the increasing protectionist tendency in the country. It is certainly not in the long term interest of the global trade. But then one comes across so many distortions in the world trade, one does not know where to draw line. The industry often talks about exports subsidies being provided by countries like China and non adherence to the intellectual property regime, by some countries creates its own problems. There is a need for WTO, to take notice of such distortions and take corrective action, so that fair trade practices are encouraged and global trade grows in a healthy manner.*

*The Govt. has acceded to the demand to levy 5% customs duty on Set Top Boxes to encourage indigenous manufacturing. The present STB scenario is very hazy. Some of the manufacturers outside India are offering crazy prices. They have the un-fair advantage of not paying any royalties, since they have backing of their Govt. However, the Indian STB manufacturers must get their act together and make a determined bid to face the competition. One hopes that the STB manufacturing soon takes off in the country.*

— Suresh Khanna

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## RUSSIA'S CE BOOM

— *VISION, CEA*

Along Nevsky Prospekt in St. Petersburg, at a new upscale shopping centre, shoppers look for high-end electronics devices. Near Moscow, some-but not all-of the stockman Mega Mall stores include an electronics and appliances department. Throughout Russia, CE dealers await the next phase of the Russian economic revolution, eager to continue the booming sales of audio, video, information technology and communications devices that flourished during the early part of this decade.

That boom has hit the pause button - or at least gone into slowdown mode- along with the global economy. The weakness of the Russian ruble has made imported products very expensive. But experts believe that the extraordinary growth of electronics sales - often in leaps nearing 20 percent annually at the peak - augur a lively revival when economic conditions stabilize.

"The potential of the Russian market is so huge [that] the expansion of business, including local manufacturing in the information technology industry, will happen sooner or later," explains Yukihiro Iwama, general manager of Panasonic Corp.'s Strategic Planning Office for Russian Business. Iwama, like many other electronics and financial executives, acknowledges that the deep collapse of the ruble's value has slowed down-but not quelled-Russians' appetite for electronics devices. At the high end of the market-especially in the giant metropolises around Moscow and St. Petersburg, sales continue strong in many categories.

As evidence of the continuing CE interest, the 2009 HDI Show / Photoforum, Russia's largest consumer technology exhibition, attracted more than 132,000 attendees during its four-day run in mid-April. Kenichiro Hibi, Sony Corp's managing

director who heads sales and marketing in Russia and the Common wealth of Independent States (CIS-12 countries formed after the break-up of the Soviet Union), points out that Sony showed off its latest devices at the Moscow event, including the newest Bravia and Play Station devices that Sony had demonstrated at the International CES in Las Vegas a few months either.

Sony's most popular products in Russia, based on sales volume, are Bravia LCD TV sets, Cyber shot and Alpha digital still cameras, Handy cam video cameras and VAIO computers, all of which continue to sell well during the economic slowdown, Hibi says. Sony's experience reflects other company's CE data in Russia, which shows a continuing strong interest in video products.

### **Always a New Challenge**

Beyond the current financial malaise, the sprawling Russian market is loaded with opportunities and curious conditions. Global economists ranked it in the all-star "BRIC" roster of major emerging countries: Russia is the "R" in the spotlighted group that also includes Brazil, India and China. Yet the continent-wide land mass ranges from the cosmopolitan western cities of "European Russia"-Moscow and St. Petersburg-to the far-flung towns of the east throughout Siberia.

Moreover, retailing conditions are at various levels of maturity. Credit card usage is relatively small, accounting for less than 10 per cent of purchasing, and often much less in some venues. Russians tend to save up for big-ticket purchases, including electronics equipment. Yet retailers and manufacturers who thrived during the boom years attest that the cash process does not curtail Russian's buying enthusiasm.

The retail landscape is also changing, as hypermarkets and chain stores - many of them built by European and Asian merchants-have popped up, offering consumers a higher level of service and a wider range of products.

"The influx of supermarket chains to the Russian market is dramatically changing the ways in which consumer electronics are bought and sold in Russia," according to the organizers of the recent Moscow consumer electronics expo. The financial crisis of 1998 temporarily stymied expansion, but by 2003, the increase in income and spending power triggered the boom which encouraged a widespread replacement of Russian CE products with attractive global brands.

"The key to doing business in Russia is to have an experienced importer who manages all of the legal issues. Such as import licences. Import duties and customs clearances."

- *Paul Sabbah, Stamford Products*

Nonetheless, CE marketers in Russia face a daunting array of challenges. The geographic scale creates distribution problems. In Moscow and St. Petersburg, prices tend to be higher than in small towns, despite nearby competition. Experts explain that the cost of doing business in these urban centers keeps costs-and prices-up. Moscow's total value share of the country's CE market is about 17 per cent - even though its 8.6 million residents represent barely six percent of the nation's population.

One challenging problem that seems to have been vanquished is the "gray market." In a recent report, Euromonitor International cited state actions that have stopped-or at least stalled-some gray market activities. For example, elimination of import duties on cameras led to a drop in prices which in turn meant that such devices lost their popularity at open-air markets.

Consumer are putting "a greater importance on customer service, and Russian customers increasingly prefer to [buy] electronics products in specialist shops," the Euromonitor report concluded. The study also suggested future opportunities in Russia's far-flung landscape. Citing "market saturation and declining demand" in Moscow, St. Petersburg and other western cities, Euromonitor forecasts that, "Retailers are building their own shops in other Russian cities and thus increasing their penetration of the Russian market."

### **Confronting Old Demons**

Also posing problems are remnants of the Soviet era, such as pockets of corruption that affect all businesses, and especially import ventures. Companies seeking to operate in Russia often encounter demands for payoffs by customs agents or at other distribution bottlenecks.

"There are a lot of pieces to the puzzle," says Carol Viperman, president and founder of the Seattle-based Foundation for Russian American Economic Cooperation. She points out that Russian President Dmitry Medvedev has said "we have to fix it," and believes that new enforcement efforts plus collaboration with Russia's civil service will eventually reduce or eliminate the problem.

"Most American companies are aware of and abide by the Foreign Corrupt Practices Act," Viperman says. "Some companies with Russian partners may have to let the domestic company handle it."

Corruption is one of the major challenges that Russia's government knows that it has to resolve, Viperman adds, admitting that she "cannot begin to guess how long it will take."

She points out that the payoffs and other corrupt practices are especially costly to Russian small businesses, including retailers.

"They're the ones who are complaining because it costs them so much money," Viperman says. "These economic hard times don't make that any easier."

## Finding Partners

The payoffs- a cost of doing business in some sectors - typify the hurdle that Russia has faced during its two decades of transition from a controlled economy. Although the barriers to entry are diminishing. U.S. companies seeking to set up business in Russia are advised to work with a Russian partner. The U.S. Commerce Department's Commercial Services unit offers extensive advice on how to identify and structure alliances in its annually updated report, *Doing Business in Russia: Country Commercial Guide for U.S. Companies*. [www.buyusa.gov/russia/en/market\\_reports.html](http://www.buyusa.gov/russia/en/market_reports.html).

Paul Sabbah agrees with that advice. Sabah's company, Stamford Products, a Connecticut marketing management / export firm, started doing business in Russia last year, beginning with audio-video furniture and intends to add more categories.

"The key to doing business in Russia is to have an experienced importer who manages all of the legal issues, such as import licenses, import duties and customs clearance," Sabbah says. "I [had] never set-up a business there and would be hesitant to do so without a local partner."

Sabbah found distributors at trade shows. He singles out the International CES in Las Vegas, which "was of great value to us" because it attracted many Russian distributors and retailers, who opened doors for Sabbah's company into Russia.

Panasonic has taken a different route in Russia. The company began doing business in Russia more than a decade ago, focusing lately on flat-panel TV sets. Since 2007, according to General Manager Iwama, "Panasonic has developed a self-importation system." Panasonic Russia now imports most of its products by itself. He admits that "There are some challenges with import clearance procedures," - citing the long and complicated documentation.

"Panasonic has developed a self-importation system"

— *Yukihiro Iwama, Panasonic Corp.*

Iwama says that his company strongly promoted the VIERA plasma line by featuring the Japanese movies star and director Takeshi Kitano, who is very popular in Russia, in TV commercials, billboards, airport ads and store front displays.

"Thanks to the VIERA Link feature, other HD products have been recognized as well," Iwama adds, noting that it Lumix digital still cameras, business telephones and fax machines are building market share in Russia.

Sony's Hibi voices similar perceptions about the changing import and distribution structure and its impact on CE sales.

"For sales of consumer electronics and professional and broadcasting businesses in Russia, the distribution channel has been developed well," Hibi explains. "The retailers for consumer electronics - which include nationwide retail chains, regional retail chains, specialist and sales via the Internet - are widely available."

Sony works with key retailers and distributors, he adds.

"For local retailing of Sony products, [we] also have strategic alliances with retail specialists" to create the "best product experiences," Hibi says.

The Sony executive is sanguine about dealing with what he calls "some peculiarity for business practices in Russia."

"As Russia joins the global economy [its] legal system [and] regulations are getting standardized," Hibi says.

## Computers Growing Too

Thanks to its long-time emphasis on science and technology education, Russia has a large base of computer-using citizens. Yet the Russian IT

market showed relatively small growth of 9.3 per cent in 2008, according to PMR Ltd. a research consulting company based in Poland. The company cites the economic upheaval and the sharp drop in Russian companies' capital expenditure budgets for the quick sales slowdown. But PMR acknowledges that by 2010, a turnaround could bring IT back to life. Despite the current crisis, "the Russian IT market remains the biggest in the region of Central and Eastern Europe," the researchers say.

Similarly, mobile handset demand has suddenly dropped in Russia, a decline triggered by the currency devaluation. Yet the country has a remarkable mobile phone penetration of 131 percent. That's 191 million phones in a country with 141 million population, according to AC&M market research.

Looking ahead, Russia is preparing for the world of fourth-generation mobile WiMAX technology. For example, a Russian company, Yota, is developing and providing WiMAX 4G Internet access service in Moscow and St. Petersburg at speeds up to 10 megabits per second. Yota is working with Samsung Electronics, which is supplying its NC10, the first notebook computer to support mobile WiMAX technology.

### **The Revolution Continues**

Ventures such as the Yota-Samsung deal attest that the ever-turbulent-but still promising -Russian environment is living up to its revolutionary tradition. A recent spate of activities further underscores the changing landscape for CE sales.

In late April, PPF Group, a large Czech Republic financial firm, bought a majority stake in Eldorado Group for \$ 300 million, thus taking control of Fasipero, Russia's largest electronics retailer.

Euroset, another large electronics dealer that focuses on mobile phones, revealed plans to spend the equivalent of \$25 million U.S. to open luxury

stores during the coming year. Euroset, which already runs more than 5,000 stores in Russia and CIS, is also embroiled in a multi-billion ruble lawsuit against Nokia, a case which looks like a high-stakes version of dealer-manufacturer disputes in the western world.

Meanwhile, the Mir CE chain changed its mind about expanding operations into the south of Russia, determining that its plan to build ten stores by 2012 was too difficult in the current economic climate. Independent analysts suggest that Mir might have second thoughts after another retailer moved into that region, thus establishing a competitive front.

Sony's Hibi sums up the opportunity in Russia's challenging-and-changing-CE marketplace.

"Russian consumers appreciate the real value of products and tend to spend for it," Hibi says. "In addition to the value oriented marketing approach, Russia is large enough for manufacturers and suppliers to find the business opportunity for different types of customers."

For CE makers, especially ones with patience to cultivate complicated market, the rewards can be great. A U.S. trade analyst who has been involved in Russia's business prospects points out that the country is unlikely to develop a world-class CE industry. It has good research and development capabilities and good engineers, but has never shown a particular flair for starting large-scale consumer industries. Moreover, he contends, Russia does not have the skill and experience to marry production techniques to leading-edge technology development.

Putting that all together, it sounds like a revolution in the making.

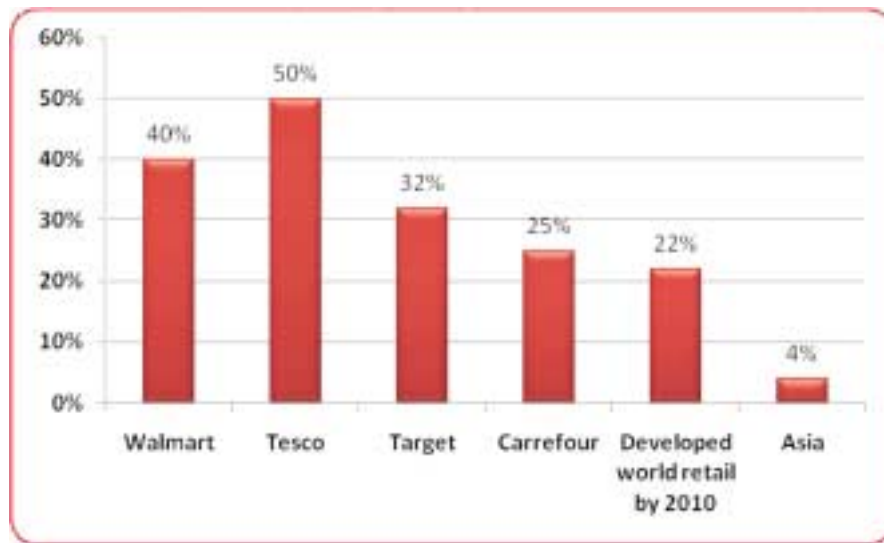
"Russian consumers appreciate the real value of products and tend to spend for it."

— *Kenichiro Hibi, Sony Corp.*

## PRIVATE LABELS IN HOME APPLIANCES

— Mr. Venu Gopal, Woolworths Wholesale

**Private Label contributes significantly to the revenue of many top retailers**

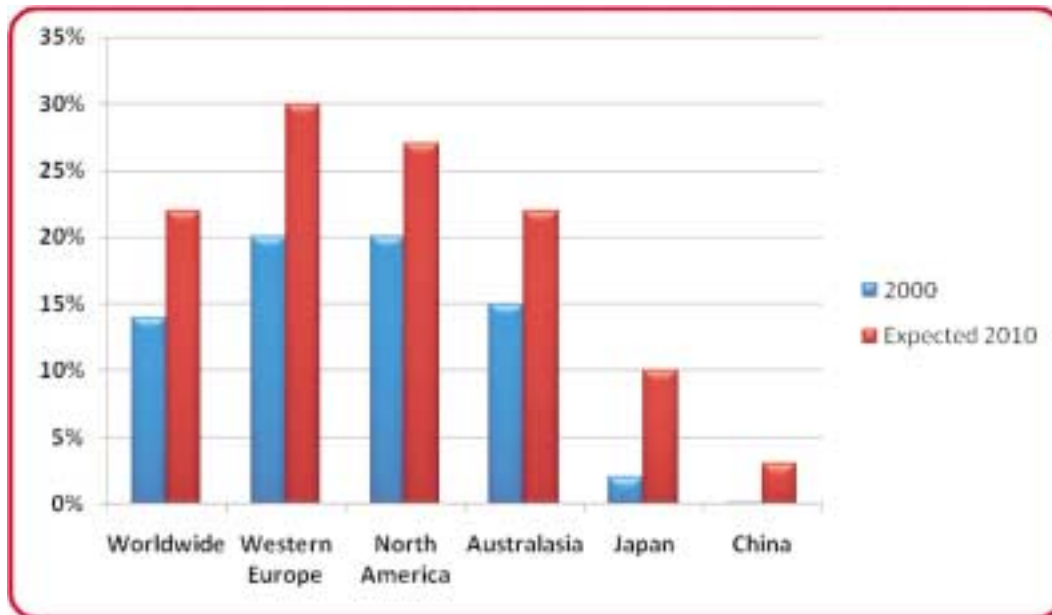


**To an extent where private label sales of big retailers competes in size with largest manufacturer brands**

	Retailer	Private label sales (USD BN)	Manufacturer	Sales (USD BN)
1	Walmart	126	Nestle	75
2	Carrefour	24	Altria	69
3	Metro Group	26	P&G	57
4	Tesco	36	J&J	51
5	Kroger	15	Unilever	50

## Private Labels growing much faster than other brands

- Private label growth is reflected in the rising share of the business that these brands are garnering



## Why PL?

### Business Perspective:

- High GP products
- Channel control - high bargaining power with our vendors
- Key differentiator vis-à-vis competition

### Customer Perspective:

- Offering of great value
- Full responsibility of after sale
- First in the market - Unique and innovative products
- Tata's seal of authenticity
- Drop in at any time to any of the stores if not satisfied or call our 1800 number

## Brand Positioning and Philosophy



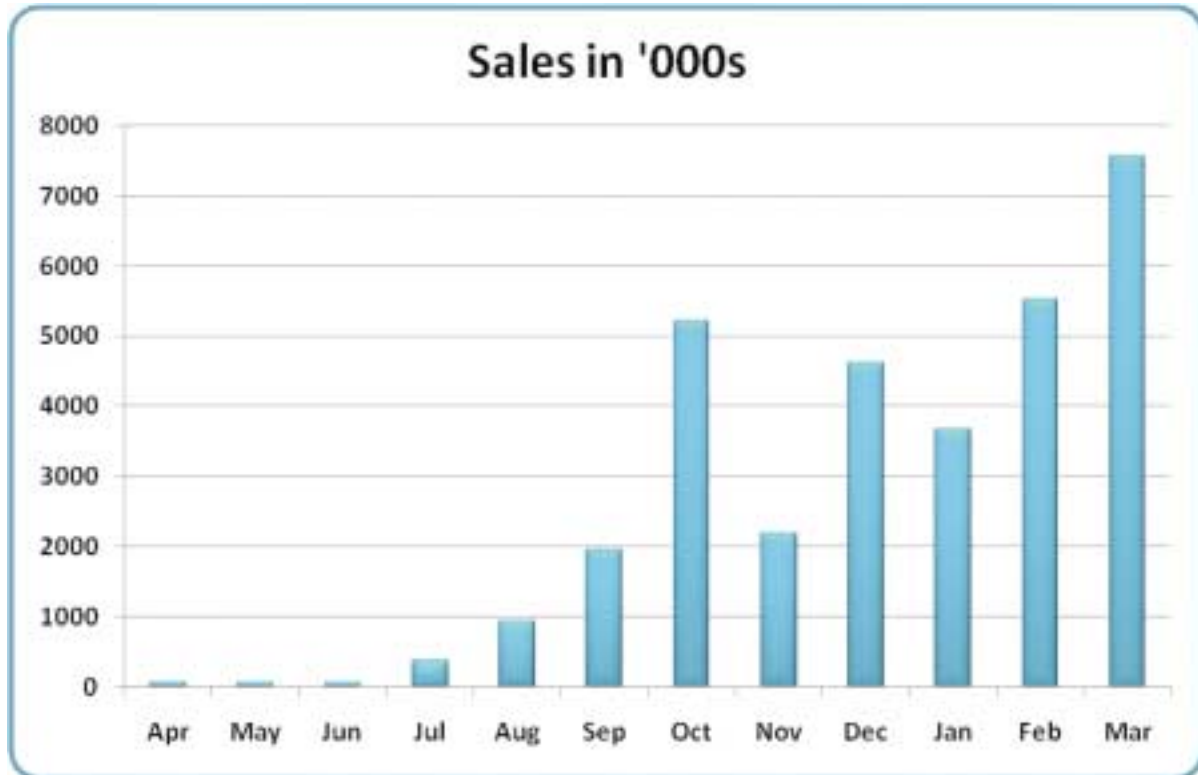
### To help establish the following in the consumer's mind:

- The product range under this brand is premium yet affordable- absolute value
- Trademark of assurance
- Best in price, quality and service
- At par in quality but 20% cheaper than the leading brands
- We have been involved in every stage to bring this to you
- We strongly recommend this

## We have already made a good start

- Early results on all the categories that we have entered is good
- Good PR and ATL activity around the brand
- Packaging is distinctive and liked by most consumers

## Snapshot of Performance



### Scandy rains fuel AC sales in North

Near absence of rains in northern parts of the country and consequently extended summer has come as a blessing to air conditioner manufacturers who had witnessed poor sales last year because of the early onset of monsoons. While LG Electronics India has registered 40% jump in sales of air-conditioners in the second quarter (April - June) this year vis-à-vis the same quarter last year, its sales of refrigerators has gone up by 37% in the last three months. Its close rival Samsung India Electronics has also seen its sales of ACs going up by 20% in the first six months of 2009 and a good part of it has come in Q2.

— The Financial Express Mumbai, July 27, 2009

## ECO DESIGN OF REFERIGERATORS

— *Mr. Rajeev Ralhan, PricewaterhouseCoopers*

### What is Ecodesign?

- General definition

Integrate environmental aspects at the design phase of the product in order to reduce the negative impacts of the product while keeping the product use capacity:

- Reduce emission to water
- Reduce raw material consumption
- Reduce energy consumption, etc

- Based on LCA assessment, it is not only an energy efficiency approach
- ISO 14062

### Methodology to evaluate the environmental impacts of an energy using product

Prerequisites: The Life cycle assessment principles

Life Cycle Assessment (LCA) : Method to assess the environmental impacts due to a product, all over its life cycle, from cradle to grave.



Quantitative, standardized methodology (ISO 14040, 44, ..., 49 standards)

### Components of Life Cycle Analysis

- Definition of the Study goal, scope and functional unit
- Life Cycle Inventory – is the collection of the input and output flows generated by the product over its life cycle.
- Life cycle impact assessment
- Results interpretation

## Pilot Case Study

### OBJECTIVES

- Test the methodology developed
- Conduct a pilot test case study on one product family

### INTEREST

- Demonstrate the fact that the methodology can be successfully applied in the Indian context
- Provide an example of study realized with the methodology
- Show the type of result that can be hoped

### METHODOLOGY

- Choice of the studied product family: the refrigerators family
- Gather of the data from: BEE, manufacturers, financial review, ...
- Application of the methodology developed

### Prerequisite: Why to choose refrigerators?

- They are covered by the Indian labeling programme
- They have been identified as priority product for the EuP preliminary studies.
- They are covered by the list of priority products identified

### Markets and Consumer Contexts Analysis:

**Objectives:** Place the product group within the total of Indian industry and trade policy. Understanding the consumer habits.

#### Main findings for market data:

- *Penetration rate for refrigerators: 13%*
- *The Market of refrigerators is divided into two main parts:*
  - *The direct cool segment : 71,4%*
  - *The frost free segment : 28,6% (fast growing)*
- *Relating to the capacity:*
  - *Direct cool refrigerators : 175-185 ltrs*
  - *Frost free refrigerators : 230 ltrs*

#### Main findings for consumer behavior data

- *Bad stability of the energy power grid leads to shorter lifetime*
- *Self maintenance is preferred by consumer*

**Technical analysis of existing product– Choice of base case :**

**Objectives: Definition of the Base Case. - Inputs gathering**

**Definition of base cases:**

	Frost free refrigerator	Direct cool refrigerator
Freezer	YES	NO
Capacity	230 litres	185 litres
Energy labeling (number of stars)	4 stars	4 stars

**Data collection from 4 manufacturers:**

- Energy consumption
- BOM & packaging
- Life time : 7 years
- End of life treatment

**Life Cycle Assessment of the Base Cases:**

**Objectives: Assess the environmental impact of the base case**

	Direct cool refrigerator	Frost free refrigerator	Value relative to one indian people life during one year
Energy consumption (ED)	31 GJ	48 GJ	21 GJ
Global warming potential (GW)	2.4 tCO <sub>2</sub> eq	4 tCO <sub>2</sub> eq	1.1 tCO <sub>2</sub> eq/year
Air acidification potential (AA)	0.5 kg H <sup>+</sup> eq	0.8 kg H <sup>+</sup> eq	NA
Hazardous waste production (HWP)	58 kg	93 kg	NA
<i>These figures were calculated for a life span of 7 years</i>			

**Life Cycle Assessment of the Base Cases:**

**Total impact (from stock value and unit impact)**

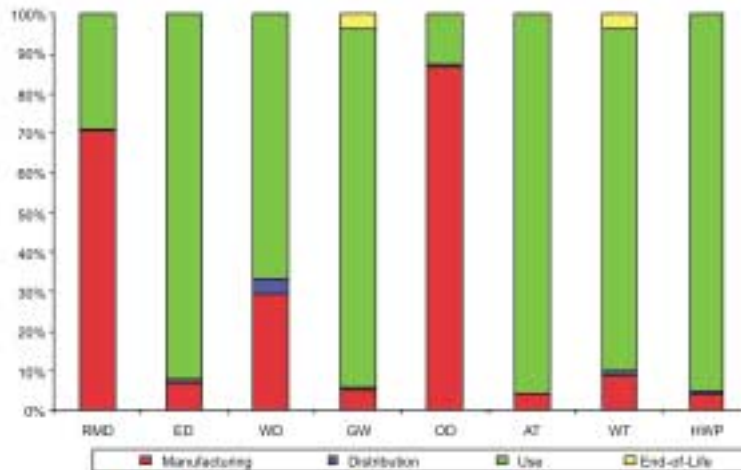
**Direct cool refrigerators**

- 58.5 Millions tCO<sub>2</sub>eq
- 697 GJ energy depletion
- 11 Millions kg H<sup>+</sup> eq
- 1.3 Millions t hazardous waste

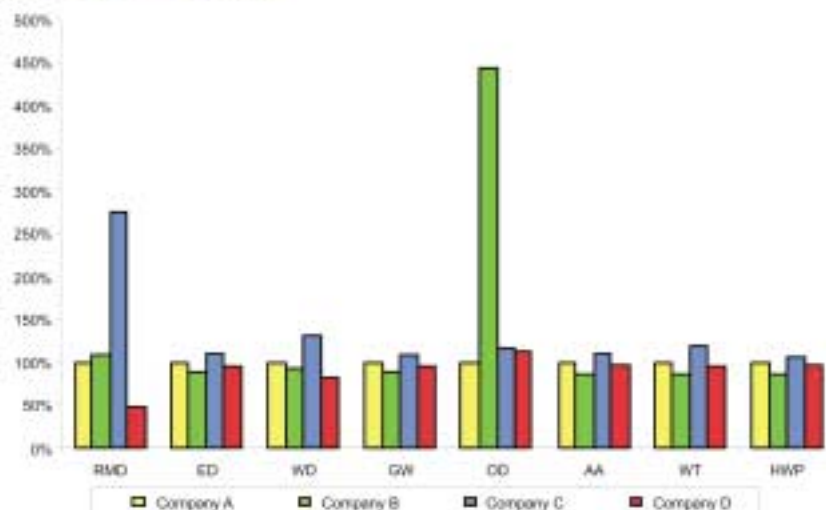
**Frost free refrigerators**

- 22 Millions tCO<sub>2</sub>eq
- 264 GJ energy depletion
- 4 Millions kg H<sup>+</sup> eq
- 0.5 Millions t hazardous waste

### Life Cycle Assessment of the Base Cases:



### Impact Analysis



### Main environmental aspects of refrigerators are:

The environmental impact assessment of each studied models leads to the following conclusions:

- Relating to energy consumption, air pollution (except ozone depletion indicator), water pollution and waste production, the most impacting phase is the use phase due to energy consumption during use of the refrigerators.
- Relating to the impact on ozone depletion, the production of the R134a is responsible of more than 95% of the impact.
- Relating to the impact on raw material depletion, the use of copper during the production phase is responsible of 40 to 80% of the impact. As a consequence, on this indicator, the most impacting phase is the production phase.

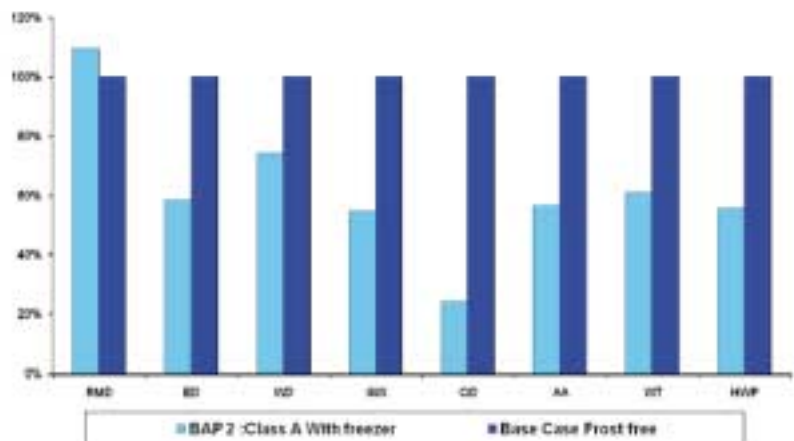
**Improvement Potential:**

**Objectives:** Identify the design improvement options,  
Quantifying their relative improvement potential with the base case  
as reference

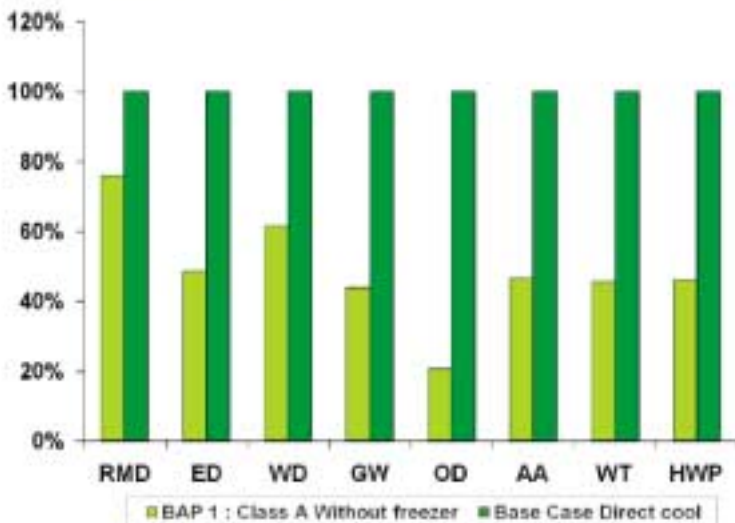
Definition of two BAP, BAP are existing products, which are existing eco -lab elled  
product or class A product available on the European market.

	BAP 1 (class A without freezer) – compared to Direct Cool	BAP 2 (class A with freezer) – compared to Frost free
Freezer	NO	YES
No frost	NO	NO
Capacity (L)	230	290
Consumption (kWh/year)	164	324.4
Energy label	A	A
Data source	EiP preparatory study on domestic refrigerators (Lot 13)	

**Improvement Potential:**



**Improvement Potential:**



**Improvement Potential:**

CO2 eq reduction potential based on 3.5 Millions of units sold / year\*

Direct cool base case ? BAP1 (class A without freezer)

420 Millions kgCO2 eq avoided / year

Frost Free base case ? BAP2 (class A with freezer)

120 Millions kgCO2 eq avoided / year

Total saving 540 Millions kgCO2 eq / year

\*Potential Benefits from Improved Energy Efficiency of Key Electrical Products: The Case of India, University of California, December 2005

**Sensitivity Analysis:**

**Objectives:** Realise a sensitivity analysis in order to confirm the conclusions of the study or to identify limits

**Studied main parameters**

- Lifetime duration
- Electricity mix
- Influence of the process neglects

**Main conclusions**

- The choice of the average life span has a great influence on the impact variation (20-40% of impact variation)
  - It is crucial to consider always the same life span in order to compare product
- Regarding the whole life cycle, material forming process have a very low impact
  - Can be neglected
- Electricity represents a very short part of the energy used for material production, the influence of the chosen energy mix (Indian or European) is very low
  - Use of European database is acceptable

## Conclusions

**Ecodesign of energy-using products could make a major contribution to:**

- Easing trade relations between India and the EU
- Improving energy efficiency and environmental protection in India

**This project has allowed to identify both technical and policy main challenges to the development of ecodesign in India. In particular:**

- Priority environmental impacts and product categories were identified
- A methodology consistent with that developed in the EU and adapted to the Indian context was defined to study the life cycle impacts of products, and its feasibility was tested on a pilot case study on refrigerators, thus providing first results on this important product category
- The existing and conceivable policy frameworks, and their related legal frameworks and instruments, for improving the energy efficiency and global performance of energy-using products were studied in order to provide insight into how put the theory in practice

**However, priority actions have been identified to enable setting up a framework allowing to set consistent ecodesign requirements in India**

- Develop national standards for performing life cycle impact assessments
- Develop life cycle impacts databases adapted to the Indian context for material and primary products
- Perform LCA for different EuP product categories to increase the knowledge and prepare future regulation
- Develop national standards aligned with international requirements for all product categories and set up operative accreditation schemes
- Support local test laboratories networks to allow compliance demonstration and enforcement
- Raise the level of awareness and information on environmental protection and in particular on the life cycle approach for products

## CONSUMER ELECTRONICS NEWS

### Increased rural incomes likely to lead to higher spends on consumer goods

Consumer focused industry stand to gain from this Budget, which has a strong rural focus. The government has increased outlays for electrification, infrastructure and employment through the National Rural Employment Guarantee scheme and more than half of the revenues of the fast moving consumer goods are from rural India. "We welcome the initiative of the government to bring down the customs duty on LCD panels from 10 per cent to 5 per cent. This should result in bringing down the manufacturing costs of LCD TVs in the country and further fuel the growth of this segment." said R. Zutshi, deputy managing director, Samsung India.

— Business Standard Delhi, July 7, 2009

### Durables seek tax regime change

The Rs. 26,000-crore consumer durables industry has sought the streamlining of tax rules and more free trade agreements. It wants a simplified tax structure, a reduction in excise duty and the implementation of goods and services tax (GST). "The industry is struggling with differential value-added tax levied by different states. It impacts the pricing of our products and therefore, consumers and manufacturers alike," R. Zutshi, deputy managing director of Samsung India, told The Telegraph. Certain sections of the industry fear GST might not be implemented as scheduled from April 2010. "To prepare a common platform for manufacturing units, the government must look for the implementation of GST as promised in previous budget," said Moon B. Shin, managing director of LG Electronics India.

— The Telegraph Kolkata, July 6, 2009

### Duty cut to make LCD TVs cheaper

The Finance Minister may not have tinkered around with the duty rates much, either excise or import duties on goods. But, the Customs duty reduction of 5 per cent on LCD panel will certainly see cheaper TVs as manufacturers avow that they will look at reduction prices soon. Mr. Amitabh Tiwari, Business Group Head, LG Electronics India Ltd. said, "Effective July 1, we had increased our LCD prices by almost 5 per cent. With the customs duty reduction, we intend to pass on the benefit to the consumer by rolling back the recent price hike." A view endorsed by Samsung India's Deputy Managing Director, Mr. Ravinder Zutshi, as well.

— Business Line Delhi, July 7, 2009

### Consumer Voice

Near 5% farm sector growth over 2005-08 and government transfer through various schemes have raised rural incomes sharply.

### GDP growth & income demographics

#### Households

	Million Units	
	2007-08*	2008-09#
Low Income (annual income <Rs.71,000)	46.3	43.3
Medium income (annual income (Rs. 71,000 - Rs. 2.85 lakhs)	135.9	138.4
High income (annual income>Rs. 2.85 Lakh)	36.9	42.1

**Households**

	Growth (%)	
	2007-08**	2008-09
Low Income (annual income <Rs.71,000)	-11	-6.6
Medium income (annual income (Rs. 71,000 - Rs. 2.85 lakhs)	4.2	1.8
High income (annual income>Rs. 2.85 Lakh)	22.5	14.1

\* GDP Growth 2005-08 and 2007-08; 9.4%

# GDP Growth 2008-09; 6.7%

\*\* GDP Growth 2009-10 5.7%

Analysis Source: NCAER

— The Economic Times Delhi, July 7, 2009

**Gain on the LCD, lose on the set-top box**

You need not envy your neighbor anymore. That sleek liquid crystal display (LCD) television set you yearned for could soon be up on your wall. But, digital TV viewing many become a tad expensive. The Budget has reduced basic customs duty on LCD panels, which are imported by consumer electronics companies from Korea, China or Japan, but impose a customs duty of 5% on set top boxes (STBs) for television broadcasting, which will lead to an increase in price. Consumer electronic majors Samsung and LG said customs duty decrease on LCD modules will boost indigenous manufacturer, and lead to a reduction in LCD TV prices later. Said Samsung India deputy managing director R Zutshi "This should result in bringing down the manufacturing cost of LCD TVs in the country and further fuel growth of this segment. We also welcome the abolition of FBT which should help companies in terms of the consumer promotions they extend for consumers."

— The Times of India Delhi, July 7, 2009

**Durable firms reduce prices**

Samsung is also considering revising the prices of LCD TVs. A Samsung 32-inch LCD TV costs about Rs. 38,000, with prices touching Rs. 2.85 lakh for 52-inch models. The company spokesperson reasoned, "Since Samsung is running a promotion on its LCD TVs where an Airtel set-top-box is bundled along with the panel, we will not be reducing the prices in the month of July." Globally, LCD TV, monitor and notebook panel prices had increased significantly on tight supply, with suppliers aiming at profit for the third quarter of 2009, according to a report from Display Search. LG, which had around 23 per cent of the LCD TV market in India last year, had hiked its LCD panel prices on July1. An LG India spokesperson said: "We had raised the LCD panel pricing by 5 per cent on July 1, due to a steady rise in global LCD panel supply. But with the Budget reducing the customs duty by half, we intend to scale back the earlier price hike."

— Business Standard Delhi, July 8, 2009

**Electronic cos gung ho on govt's rural push**

Our plans to grow base in the rural markets has been reinforced after the budget. We are also planning to leverage our huge distribution channel for lighting products in these markets," said Philips Electronics India head (Consumer lifestyle) Mahesh Krishnan. Home grown Godrej also plans to invest towards developing nofrill appliances. "With definite signs from the government, we have adopted a two pronged strategy to target rural India - roll out low-cost appliances like water purifiers and refrigerators, and enter into distribution tie-up with self-help group, NGOs and microfinance companies," said Godrej Appliances COO Geroge Menezes.

— The Economic Times Delhi, July 08, 2009

### **Greater rural consumer demand and purchasing power**

As part of his "inclusive growth" objective, the Finance Minister has highlighted that his proposals will enable a handsome annual 4 per cent growth rate of agriculture. He has included several generous schemes targeted at rural and agrarian areas. These include an extension of the debt-relief period for farmers, an accelerated irrigation benefit programme, higher flow of credit to agriculture, significant increase in funds for the Rashtriya Krishi Vikas Yojana, and a well-funded National Rural Employment Guarantee Scheme (NREGS). Also schemes to help women's self-help groups and micro-finance for women.

— Business Line Delhi, July 9, 2009

### **No plan to cut LCD TV prices**

The consumer electronics industry seems to be in no mood to pass on the benefit of cut in basic customs duty on LCD panels from 10 per cent to 5 per cent announced in the latest budget to customers. Its plea is that the increase in input costs is more than the duty cut announced. While the two major LCD TV manufacturers - LG and Samsung - have no immediate plans to reduce the prices, other companies like Sony and Haier, which do not manufacture LCD TVs in India, will not be impacted by the government's decision. Interestingly, all consumer electronic majors now fear drop in sales of LCD TVs.

— The Hindu Delhi, July 09, 2009

### **Electronics appliances makers on revival track, expect sales to rise**

Makers of consumer electronics and appliances expect strong growth in the fiscal that began on 1 April due to buoyant demand, concessions proposed in the Budget and improved consumer sentiment. Whirlpool of India Ltd. saw sales growing month-on-month in the three months to June. "For Whirlpool, the growth rate has been 7-8% in April, 15% in May and 25% in June," Shantanu Das Gupta, vice president, marketing, said. Besides healthy growth numbers, there are no pricing issues. Around the same time last year, the firms were coping with cost pressures because of a steep hike in commodity price and rising inflation. The reduction in customs duty on LCDs will help us spend more on freebies and gifts during the festive season," said Sabiha Kidwai, marketing manager, Panasonic India Pvt. Ltd.

— MINT Delhi, July 11, 2009

### **Flat panel TV prices set to rise despite Budget sops**

The price of flat panel display (FPD) TVs are unlikely to come down in the near future, despite the Budget proposal to cut Customs duty on LCD modules (panels) from 10 per cent to 5 per cent. The LCD module is the key component and forms close to 70 per cent of the cost of a television set, and the 5 per cent cut on customs duty, in reality, would mean around a per cent on the complete TV. The Indian market is still in its nascent stage for FPD TVs and the business is yet not very lucrative. In an effort to drive the business and market size, most manufacturers compromise on profits.

— Business Line Delhi, July 14, 2009

### **Godrej eyes youth to expand portfolio**

The appliances division of Godrej & Boyce Manufacturing Company Ltd. is looking to increase its product offerings across categories to capture the growing potential of the increasingly young income generators. As part of this strategy, the company is looking to launch high-end refrigerators, new type of washing machines besides from its existing plan to enter the television market, all in the next six months. "We are looking to launch higher capacity refrigerators of around 600 litres," said George Menezes, chief operating officer, appliances division, Godrej & Boyce Mfg. Co. Ltd. The current consumer mindset is the rationale for exploring this category, he added.

— Mail Today Delhi, July 13, 2009

### **Consumer Electronics firms fear biz loss from VAT in 4 states**

The consumer electronics industry is likely to take a hit of close to Rs.1,000 crore with the increase in value-added tax (VAT) in some states. Gujarat, Uttar Pradesh, Kerala and Rajasthan have increased the VAT by 1.0 to 2.5 per cent in a move that would make electronic goods costlier for buyers. State governments should stick to a uniform tax as a variation creates dissonance in the market and impact customer prices," said Ravinder Zutshi, deputy managing director at Samsung Electronics India. Ironically, the sector has been demanding for parity with Information Technology hardware like computers and printer that attract 4 per cent VAT.

— Hindustan Times Delhi, July 15, 2009

### **Samsung to invest \$20 m**

Samsung targets to sell eight lakh washing machines in 2009 as compared to six lakh units last year. The focus would be on automatic machines. He said last year, the company sold 2.40 lakh units of fully automatic machines and has set a target for 3.6 lakh units in 2009. Mr. Zutshi said that washing machines sales in the country were likely to touch 2.4 million in 2009 compared to 2.2 million in 2008. The company's growth rate would be 30 per cent in the current year as compared to 25 per cent last year. During 2008, the company had revenues of \$ 1.5 billion.

— The Hindu Delhi, July 16, 2009

### **White goods majors eye retail makeover**

As the landscape of the consumer durables industry is expected to undergo a big change in the coming years, manufacturers in this segment are increasing their focus on modern retail. Currently, however the market is skewed heavily in favour of traditional retail players. George Menezes, chief operating officer (COO), appliances division, Godrej & Boyce Manufacturing company Ltd. said, "We are increasing our concentration on modern retail as we expect this sector to grow rapidly in the coming years." The broad category of modern retail includes national dealers like Tata's Croma and Reliance Digital, regional dealers like Chennai-based Vasanth, Vivek' and other big dealers like Vijay sales.

— Mail Today Delhi, July 15, 2009

### **Croma halts expansion to new cities**

Infinity Retail, a subsidiary of Tata Sons, has decided to stop expansion of its Croma brand of electronics stores to new cities. "We will, however, continue to launch new stores in the cities such as Mumbai and Delhi, where we are already present but no new cities will be added as we have decided to stop all expansions now," said Mr. Joshi.

— Business Line Delhi, July 23, 2009

### **Eco-labels on electronic goods to be mandatory**

Launching the Energy Saving Programs by the Climate Savers Computing Initiative here over the weekend, Union Minister of State for Environment and Forests Jairam Ramesh said that by January 2010, transformers, air-conditioners, fluorescent lamps and refrigerators would have mandatory eco-labels. He said that by July next year, three more products - electric motors, colour TVs and LPG stoves used as daily household items - would have mandatory eco-labeling indicating low carbon emissions.

— The Hindu Delhi, July 26, 2009