

BETWEEN OURSELVES

On initiative of Dr. Manmohan Singh Hon'ble Prime Minister and Mr. Anand Sharma Hon'ble Minister for Commerce & Industry, WTO Ministerial Meeting was held in Delhi in First week of September. The purpose of the meeting was to make efforts to restart the stalled negotiations of Doha Development round. It is certainly a welcome step. United States, a key player in the negotiations and many other countries have shown keenness to successfully conclude Doha round by 2010. It is a very complex task, to have a consensus among more than 150 member countries of WTO, particularly when the trade interests clash. The fact that there is a political will, does help to a great extent. If WTO succeeds in successful conclusion of Doha round by 2010, it will be a big breakthrough in global trade and then one must admire the statesmanship of global leaders.

Mr. Pronab Mukherjee Hon'ble Finance Minister and Dr. Ashim Dasgupta, Chairman of Empowered Committee of State Finance Ministers are making efforts to implement uniform goods and Services Tax (GST) from 01 April 2010. It is indeed our good fortune that Dr. Ashim Dasgupta has been chairman of the Empowered Committee for a decade now and has been responsible for introduction of State VAT, throughout India. There are many issues, such as rate of tax under GST regime, which need to be sorted out. Tamil Nadu has questioned the legitimacy of the Empowered Committee to decide on terms and conditions of GST. We hope that uniform GST would be implemented on 01st April, 2010 by most, if not all States. This will be a major Tax reform, which hopefully will make India, a unified single market.

Now there is a general awareness that if India has to become a hub of Electronic Hardware Manufacturing, then there is an urgent need to strengthen the component base. Component sector has suffered due to the signing of ITA-1 and consequent reduction of import duty to zero on most of the components. CEAMA and ELCINA are together trying to have a program for strengthening the Consumer Electronics Supply Chain by identifying components which can be produced, at competitive prices, in India.

— Suresh Khanna

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WASHING MACHINES INDUSTRY IN CHINA

Impacted by U.S. sub-Loan crisis in 2008, the global economy began to shrink and decline, and the worldwide decline in market demand drove down the growth rate of the appliances industry.

China has become a well-deserved largest producer and exporter of washing machines since 2003 with above 100 manufacturers and annual volume of 34 million sets. Although economic crisis has slowed down the development of China washing machines, the impact on the industry export is not that huge, because China washing machine export markets concentrate in Asia.

In 2008, China's washing machine export reached 1.9 billion U.S dollars in value, a rise of 21.49% compared with the same time of last year. Largely because of the appreciation of the RMB, the export sales of China washing machines appeared a relatively rapid growth in 2008. Indicated from data published by World Bank recently, RMB appreciated 12.66% in 2008. It led to the export price rise of home appliances including washing machine rise, also the larger increase of export value during the smaller increase of export volume.

In addition, the increase of Export Value apparently higher than Export Volume reflects indirectly that the set price of China export washing machine is increasing constantly and transforming into high added-value.

But it is undeniable that, China's washing machine industry has not totally separated from the situation of mass production scale and low-selling premium. Although a lot of small manufacturers went bankrupt during financial crisis, a part of enterprises that survived are still producing low value-added products. The most precious is China

Brand washing machine behaves outstandingly in adapting to the domestic market. The strategy of low-selling premium and the understanding of China Market make China brand washing machine hold 80% of domestic market. In addition, a part of excellent China washing machine manufacturers, typify Haier, behave prominently in brand value and growth trend around China market or even Global market.

The following are some of the key trends we see in washing machines industry:

- Large-capacity and dry-type rotary drum washers have become the recognized high-end products and can represent the trend of the future development of this industry.
- Customers are increasingly concerned about energy saving environmental protection and sterilization in the purchase, than before.
- The products which can integrate more functions and have high-capacity and modern-design will be the trend of the next year.

Recommended Columns

The Industry Overview discusses the dynamics of China domestic and foreign appliances markets containing recent performance of those markets with some specific statistics. And it also concerns about how these market factors impact China suppliers in this field, analyze in depth the industry trends and China suppliers' overall responses during the following period of time.

In Industry Forecast, we would like to share with you our viewpoint about the development perspectives of this industry in China.

The Supplier Profile introduces a company which is active in market recently. In the introduction, we will put some data and cases in and try to supply a overview to the supplier.

Methodology

To complete this report, Appliances Weekly Team collected and edited a lot of information coming from our partners---many experts and famous international consulting firms in this field. We not only focussed on high-profile suppliers, but also competitive enterprises in smaller scale.

INDUSTRY OVERVIEW

Export

In 2008, China's export of washing machines had a comparatively high growth rate, and only in November and December, the volume and value of export dropped slightly. The performance of Chinese washing machines export was outstanding especially in the adverse situation of the whole home appliances industry export.

The situation is largely because of appreciation of the RMB. Indicated from data published by World Bank recently, RMB appreciated 12.66% in 2008. It led to the export price rise of home appliances including washing machine, also the larger increase of export value during the smaller increase of export volume. During Jan-Feb 2009, washing machine export reached 98,000 sets in Guangdong, dropped 7.6% compared with the same time of last year. But the export value exceeded 20 million U.S. dollars, the increasing rate reached 43%. The increase of Export Value apparently higher than Export Volume reflects indirectly that the set price of China export washing machine is increasing constantly and transforming into high added-value.

If the export sale of 2008 still increased compared with the same period of the previous year, the export sale of 2009 was affected totally by

financial crisis, fell to the descent sector. Both the influence of financial crisis and the rapid shrink of world demand have made China's washing machine exports more difficult.

In the first quarter of 2009, the export was only 0.37billion U.S dollars in value, a decline of 16.39% compared with the same time of last year. In this quarter, the wave wheel washing machines with drying capacity 10 kg had export volume and value of 718.8 thousand sets and 0.17billion u.s dollars, dropping 29.41% and 24.85% respectively. While, the rotary drum washing machins with drying capacity 10 kg had export volume and value of 880.5 thousand sets and 0.13billion U.S. dollars, dropping 9.09% and 3.66% respectively.

In terms of product structure, twin-tub washing machine grabbed 37.71% share of the total export volume. As the major export product, automatic wave-wheel washing machine had a export value of 1.023 billion U.S. dollars.

China's export markets of washing machines were mainly concentrated in Asia. In Jan-May 2009, the top 10 countries and areas for China washing machine export were Japan, the United States, Iran, the United Kingdom, Russia, Spain, Arabia, Australia, Indonesia and Chile. There were some relatively larger increase in Japan, the United States, the United Kingdom three important markets.

The decline in export to the US market slowed down because the serious impact brought by economic crisis had fully shown in 2008 and in Jan-May 2009, washing machine export to this market has touched the bottom without significant signs of rebound. In sharp contrast, the export to EU is not seriously impacted by economic crisis in 2008, but in the first half of 2009. Just because of the shrink of these markets, Chinese suppliers were inclined to develop the Africa market. So Africa market also affected adversely by the crisis in 2009, but has a equal size with 2008 in total export.

In the past most of the pressure China's household appliances industry had to bear is the change of industry competitive structure and the chain transfer brought by global industry structure change, without a link to overall consumer scale. But now, the biggest problem the suppliers have to face is the sudden slowdown of global market demand growth.

International financial crisis did not shake the market of high-end washing machine, because the demand elasticity of high-end products is small. Compared with paying too much attention to price and quality in the past, the customers are now more concerned about the high-end washing machines with large-capacity, water-saving, energy-saving, function-rich and stylish appearance, now especially in the economic crisis. This shows that the consumer demand is changing, not simply shrinking.

China suppliers have begun to adjust product structure and export strategy to respond to the consumers demand changes. For example: Haier launched a kind of washing machine with 8kg capacity for the Japanese market, to meet local consumer demand for washing heavy uniforms recently and fill the gaps of the markets. This helped Haier increase their market share substantially.

In addition, China's appliance exporters face new international energy barriers recently. Energy Using Products Directive (EuP) is upgraded again. This time, EuP has broadened its product coverage to washing machines, dishwashers and refrigeration appliances.

It's worth mentioning that this new round of green trade barrier will impact China's appliances industry including washing machines because at present, most of products in European market are made in China. And it is different from WEEE and RoHS Directives, EuP Directive has more emphasis on regulating the entire life-cycle of

energy-consuming products in green design, green development, green manufacturing, green use and green recycling, building a green industry chain for energy-consuming products.

In order to deal with this situation, Chinese washing machines suppliers including Haier and Midea have carried out the preparation in response to the EuP Directive. The suppliers have taken positive response in all aspects from product design, materials chosen, energy consumption and this preparation a priority.

Haier established an Experimental Testing Center to research the new technology and new materials and to carry out green design of product. In addition, the cooperation with Whirlpool made Haier strong enough to meet the challenges posed by technology upgrade. And Midea has allocated a huge amount of resources and is highly sensitive and active in responding to the implementation of EuP. Some suppliers whose markets are not in Europe, also positive to the Environmental Directives like EuP, RoHS for going into the Japanese and European markets, in the future.

In terms of the products exported to EU market, rotay drum washing machines are the mainstream. Chinese suppliers are not finding it difficult to achieve the production requirements coming from RoHS and EuP, by technology upgradation.

Of course, EuP has a higher demand to the whole industry chain, especially to upstream suppliers in R&D and production of materials and parts. In addition, suppliers begin to further improve the production process, enhance the management level and prepare the product recovery.

When talking about the trends, insiders say that export products mainly in high-end, high-priced make market demands in 2009 is increasing. Chinese suppliers of washing machine have to abide by the Energy Using Products directive (EuP), which have an impact on China's washing machine export.

Domestic Market

Washing machine has a very good sales in the domestic market, as well, compared with air conditioner and other home appliances. Just in the first seven months of 2008, the sales volume and value reached 11.7million sets and 15.7billion RMB respectively, rising 9.6% and 19.3% year-on-year. The market shares of main cities still have a steady growth.

According to the survey, the product structure of washing machine has seen no significant changes in recent years. The domestic washing machine market still characterized by the trend of large capacity, the main stream of wave-wheel, rapid growth in rotary drum and shrinking in semi-automatic and single cylinder washers. These features has led to a faster growth in sales value than sales volume in a long term. Wave-wheel washing machine grabbed 55% share in the domestic market, making wave-wheel washing machine market the main battlefield for the suppliers of the industry. In terms of rotary drum washing machines, a rapid growth in this kind of product is predicted. The study found that in 2008, it's sales shares had reached one third and it had the fastest growth in all kinds of washers. We have seen that: Market segmentation of high-end, mid-end and low-end in rotary drum washing machines has been of great importance to most suppliers.

Price can support the division of the high-end and low-end. The wave-wheel washers have a price cut-off of 2,298 RMB for high-end and low-end products. In another word, almost all high-end wave-wheel washers have the price higher than 2,298 RMB. While, rotary drum washing machines have 5,135 RMB as their high-end price cut-off. And high-end rotary drum washing machines have the function of drying.

Whether wave-wheel or rotary drum, the sales volume of high-end products occupies 15% share

of the market all the time, which has become a major feature in domestic market. According to the study, the washing machines having a highest growth in sales are those with the price more than 3,500 RMB.

Brand strength in this market remains intense. The larger market scale especially in large capital and rotary drum washing machines supplies more space for the mainstream brands. In recent years, the respectively stable brand structure: Haier Ronshida and Little swan have undergone some subtle changes with the development of market, product updates and the conduct of M&A. Haier with a 36.8% sales share in wave-wheel washing machines holds a very strong advantage in this field. But it also feels the pressure from domestic brands and foreign brands. Haier is vigilant not only because Midea, Little Swan and Ronda jointly owned 21.37% of the market share, but also because Sanyo and Panasonic are strong competitors. In 2008, many foreign brands have strengthened the emphasis on washing machines market. In future of brand structure is bound to change. Whirlpool which was not strong in China market in the past several years, has a strong upward trend recently. It updates the products frequently, and also has a cooperation with Hisense to increase the possibility of successful localisation. Bosch is also very active in the market. Its future is bright because of the strong joint venture with Siemens. Although LG, Samsung and other Korean brands are not that strong in the market, their market position in the top ten in sales, is stable.

It's worth mentioning that at present in China, the household appliances which were bought 10 years ago by urban consumers have been close to or beyond the product life cycle hence we are into the peak period of replacement.

As change in consumer attitudes and people's awareness of environmental protection and energy saving, washing machines with simple functions

have been unable to meet current needs. Washing machine will be in the general trend of large-scale replacement.

The central budget this year of 20 billion yuan will be used for home appliances, "TM" subsidies. It is the first time that government is subsidizing to driving the consumption of home appliances. Most appliances suppliers think it is a good opportunity to expand the market.

According to the Ministry of Commerce predicted results, subsidies of 20 billion yuan will directly drive the sales of two billion yuan. "TM" subsidies is bound to upgrade the whole industry in R&D and technology.

At the same time, the household appliances with high-quality, full-performance, higher levels technology will cause concern to consumers and affect consumers in a large extent to eliminate old appliances or not. So in the future, high-end and mid-end washing machines will become the mainstream in the market and the biggest beneficiary of this policy.

Domestic Market

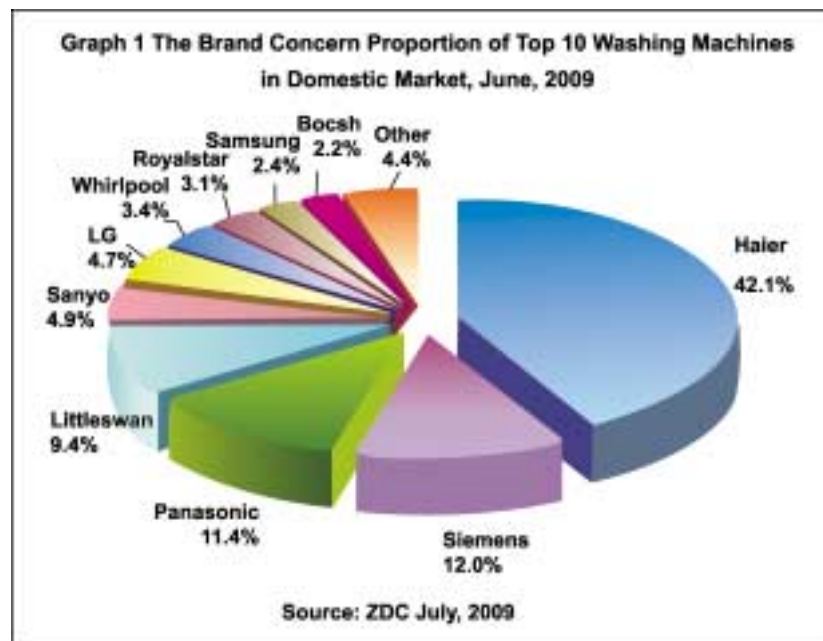
INDUSTRY FORECAST

China's washing machine market is gradually maturing through the stages of price competition and scale competition. In this industry with relatively stable brand pattern, all manufacturers are constantly looking for innovative technologies and features because they are no longer satisfied with a simple clean function, the customers has began to pay attention to energy saving, environmental protection, sterilization, functional integration and so on. Washing machines industry has the following development trends:

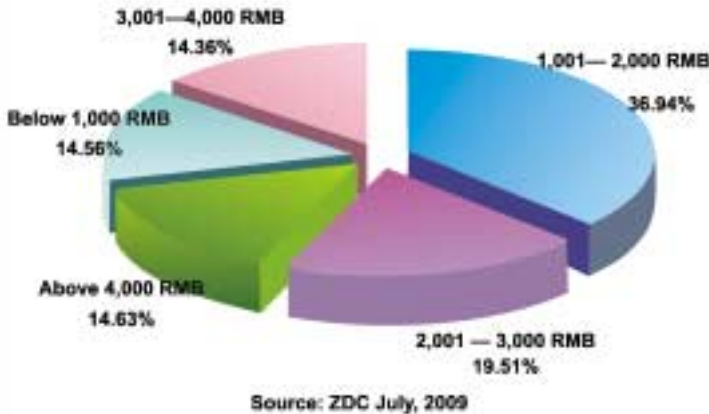
Large-capacity and dry-type rotary drum washers have become the recognized high-end products and can represent the trend of the future development of this industry. In western countries, large-capacity drum washing machine has far exceeded the usage of wave wheel washing machines. Drying-type large-capacity drum washers not only supply customers more options, but also inject new impetus to the development of this industry.

High-end washing machines with high value-added can be regarded as "gold" market in this industry. So, this is both an opportunity and a challenge to many washing machine suppliers especially in the circumstances of deminishing profits.

According to the study, customers are increasingly concern about energy saving and environmental protection in the purchase than before. Although the price of energy saving products are higher than the non-energy-saving products, but considering long-term household spending in the purchase customers are more inclined to choose low-power products. At the same time, major manufacturers launch products with the features



Graph 3 The Concern Proportion of Washing Machines on Different Prices in Domestic Market, June, 2009



seems in a mess, but the trend of "healthy Laundry" can be expected in the industry.

There is no doubt that the product which can integrate more functions could meet multiple needs of customers. Apart from the clean function, washing machines can also function with dry, drum-clean, hot air fresh, wrinkle-free, not detergent, different washing procedures for different clothes. The washing machines which integrate more functions will be more automated, intelligent and humane.

Studies suggest that: high-capacity and modern-design washers will still be the trend of this industry. As the life space increasing, people need the washers which

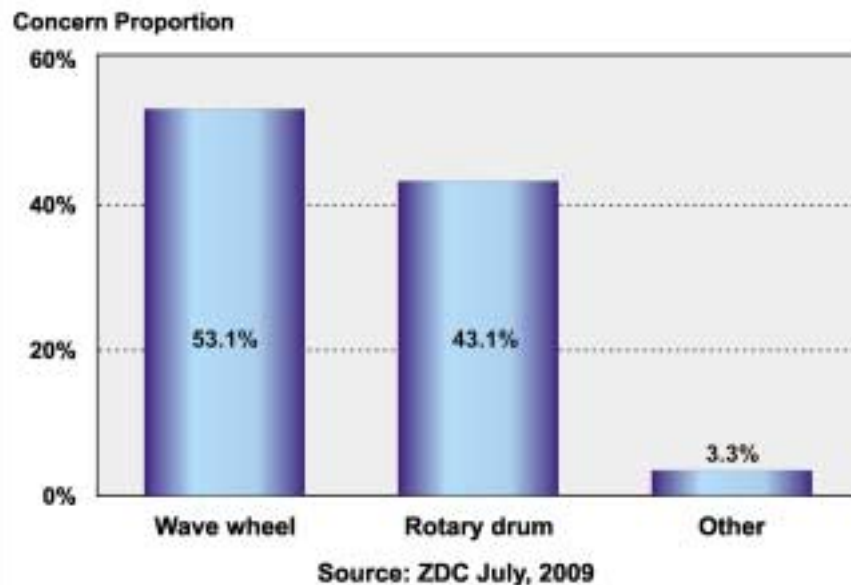
of energy saving and environmental protection, such as the introduction of the Alpha series of Panasonic washing machines, Haier's launch of the Reynolds, and LG steam washing machine.

Sterilization as another function is considered by customers in the purchase recent years. This function is created on the base of the improvement of the internal material.

At present, antibacterial washers are mainly using antibacterial materials and traditional antimicrobial technology. Antibacterial materials technology which adds special antibacterial agents and preservatives in plastic raw materials of washers to reduce bacteria and mold survival is widely used. As national standards of healthy washing machines has not yet been issued, the market also

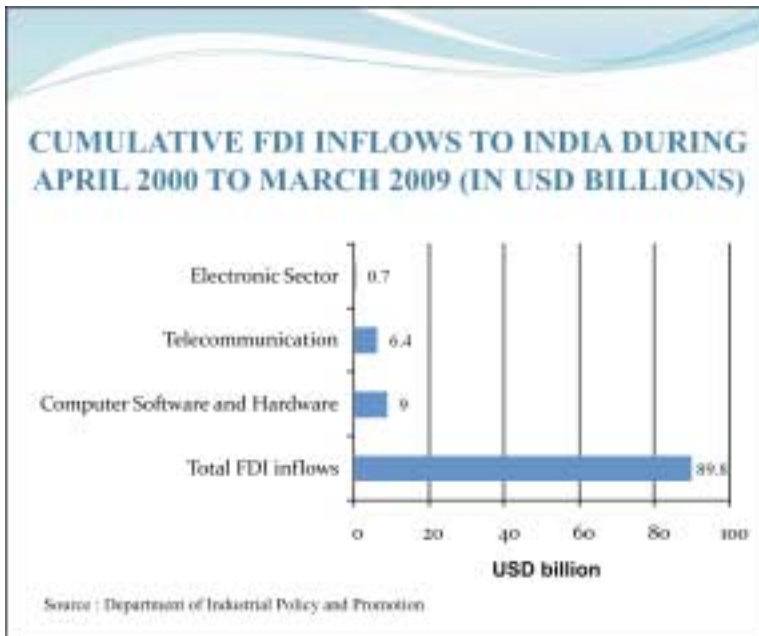
are bigger and more convenient. And this need is reflected in the people's preference for large-capacity. In addition, customers have more demands for the design of low or high end products.

Graph 3 The Concern Proportion of Washing Machines in Domestic Market, June, 2009



STRATEGY FOR ENCOURAGING ELECTRONICS AND APPLIANCES MANUFACTURING

— *Ernst & Young Report*



Increasing the size of the domestic market is a good proposition for attracting manufacturing facilities to be set up closer to the market. This also reduces the supply-chain cost for distribution of goods. Given the characteristics of a low per-capita income and huge population base, the thrust is required from the government to reduce indirect taxation, thereby increasing affordability.

A balanced strategy of promoting both domestic consumption and export promotion should be adopted for the growth of the industry. The strategic opportunities for attracting investments in manufacturing are highlighted below:

India has not been able to attract significant investment in manufacturing as is reflected in the FDI inflows. There has been only US\$ 0.75 billion of FDI in the electronics sector in India over a period of nine years (April 2000 to March 2009). In the corresponding period, telecommunications attracted US\$ 6.4 billion of FDI while the computer hardware and software sector attracted an FDI of over US\$ 9 billion.

It is important to understand what can be done to increase investments in electronics and appliances manufacturing.

Strategic opportunities to promote manufacturing of electronics and appliances in India

Domestic Market

- Expand domestic market by:
 - Innovating and introducing products at penetration pricing for households in lower income levels
 - Promoting innovation through investments in R&D

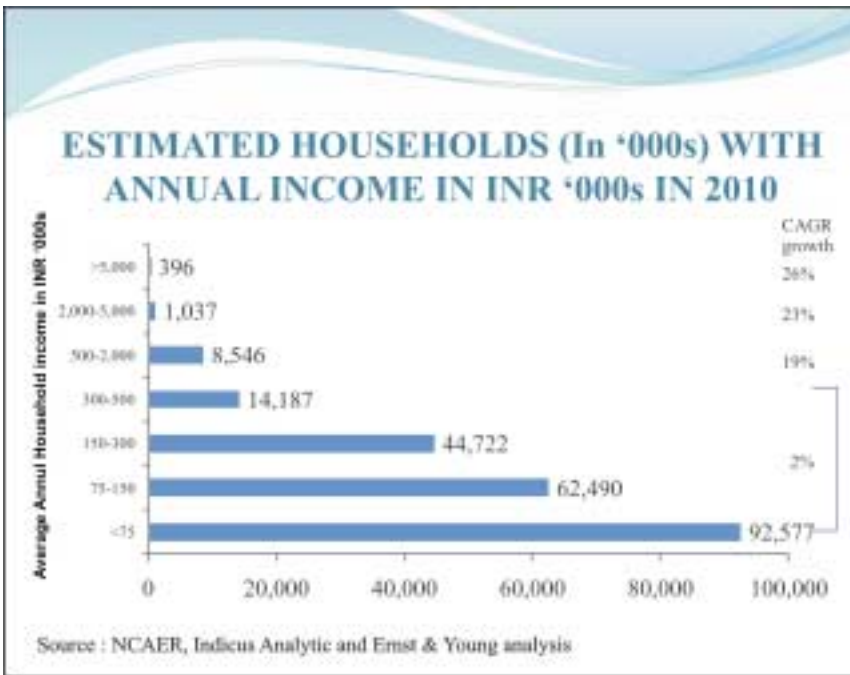
Export Market

- Attract relocation or new manufacturing facilities by global companies to India
 - Import of components from NEs and ASEAN-4 countries, manufacture of finished goods and export to developed countries
 - Manufacturing of components and export to China, Japan and other manufacturing destinations
- Attract investments in manufacturing of low-cost products for exports to countries with low per-capita income

Domestic Market

The penetration price point for every product is the critical success factor to penetrate the lower income levels and they hold huge volume as is given below. An analysis of the affordability of

For benchmarking, a mix of developed and developing countries constituting USA, UK, Japan and China are selected. A lower Gini3 Index of India compared to the US, China and Japan, indicates a more equitable distribution of wealth.



A basket of branded goods constituting color television, refrigerator, washing machine and air conditioner was selected for cost comparison.

The cost of the basket with comparable features (as presented the graph) varies from US\$ 774 China to US\$ 1,693 in UK. The pricing of the products in India is US\$ 1,516, which is 95.8% higher than that in China.

In terms of affordability, this translates to 114% of the average annual household income in India compared to 32.3% in China, 3.93% in UK, 1.1% in Japan and 2.4% in the US.

consumer appliances goods in India vis-à-vis benchmark countries is carried out to understand the potential penetration possibilities.

If the affordability level in China has to be matched, then the basket in India should be priced at US\$ 427 (at 32.2% of the average annual household income in India).

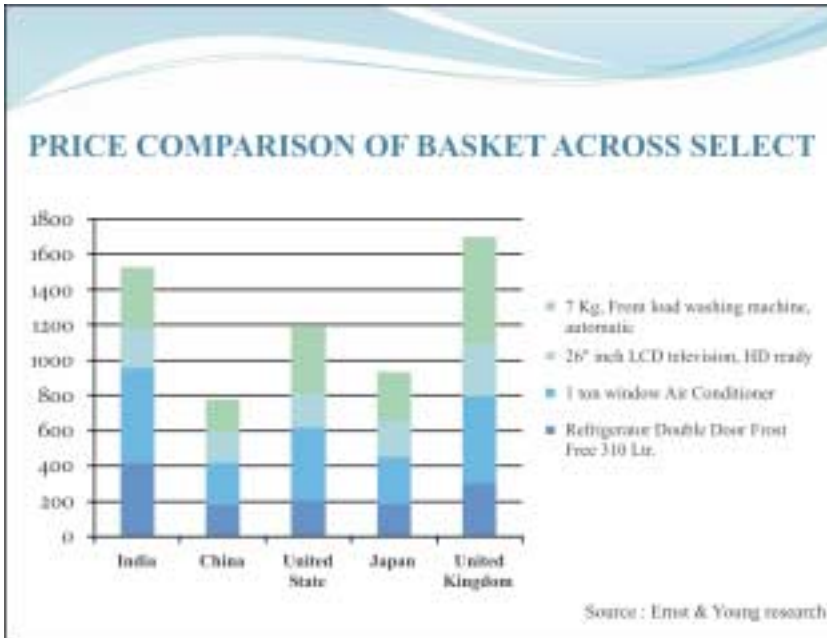
Table 1

Country	Gini Index	Year
India	36.8	2004
Japan	24.9	1993
China	46.9	2004
UK	36	1999
USA	40.8	2007 (est)
Singapore	42.5	1998

Source: United Nations

The basket of goods with reasonable features as described in the table 4 is available at a price of US\$ 944, translating to 71% of the average household income in India. Research should be done to bring down the price of the basket referred in the table 4 to the level of US\$ 427 or 32.2% of the per capita income in India.

The current Indian market size of the basket of goods considered is around US\$ 6.2 billion in the year 2008. If the desired pricing of US\$ 427 can be arrived through a customized basket offering, then an additional market of US\$ 18 billion to US\$ 37 billion can be generated based on the penetration levels achieved as shown in the table.



Even the bottom-up analysis from India's national savings and consumer expenditure trends supports the estimate. The average household savings rate in India is estimated at 24.3%; around US\$ 84 is spend on electronic goods, furniture and related services annually. Assuming 80% share of spend on the basket and on average lifecycle of six years, it comes to US\$ 400.

The indicated estimate of US\$ 427 translates to less than INR10 a day for the basket of goods with an estimated life-cycle of six years (excluding the interest). Such affordability is possible through

The potential penetration level for the basket of goods is assumed to be in the range of 20% to 40% of the total households, spread over a period of six years (assuming the life-cycle of the basket as six years). This translates to a potential market of US\$ 18-37 billion.

combined efforts of the government and industry; the former in reducing taxation burden and the latter in innovating or customizing their product portfolio.

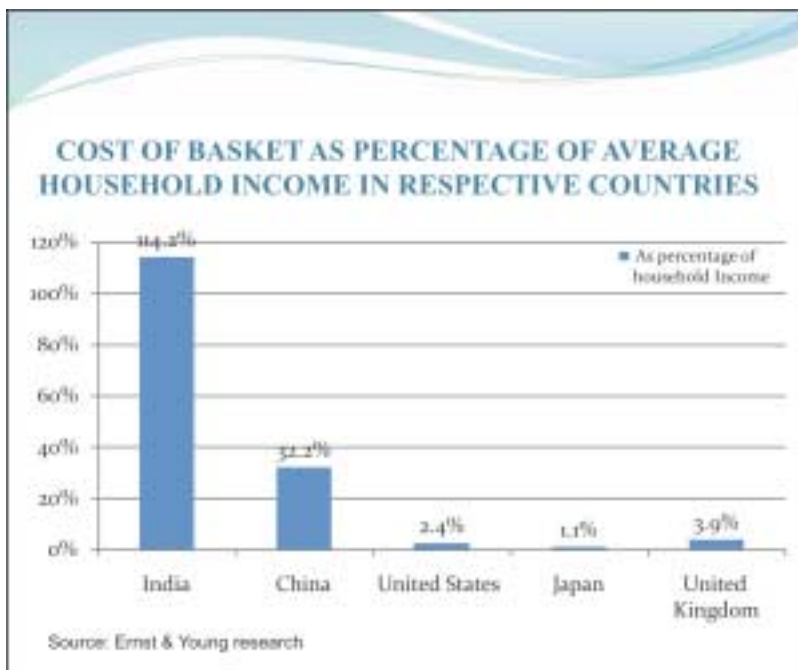
Export market

An export-oriented production will provide the following advantages:

1. The export market can complement the domestic market in building production volumes, thus making the manufacturing facilities viable.
2. It will facilitate knowledge of the market needs, across different markets
3. It will help develop technology know-how and build technical capabilities for manufacturing

Low-cost products manufacturing

The basket of goods proposed for India would have a much wider



Basket of goods with cost in US\$

190 litre refrigerator - single door	245
1 ton window AC	204
5 kg top load washing machine, automatic	245
21" Flat television	248
Total Cost	944
As a % of average household income	73%

Market size for US\$ 427 basket

Penetration %	Market size (in US\$ billion)
20	18.3
30	27.4
40	36.6

market across Africa, Latin America, Some Asian countries and others with low per-capita income levels.

Nokia, which started its operations in India in the year 1995, has a production facility with exports to more than 50 countries. As of 31 December 2008, India is the second-largest market for Nokia worldwide, after China. A key turning point has been the launch of mobile handset model number 1100 for INR1100 (~US\$ 23). A brief on Nokia India is presented in the box 1.

Relocation of manufacturing facilities

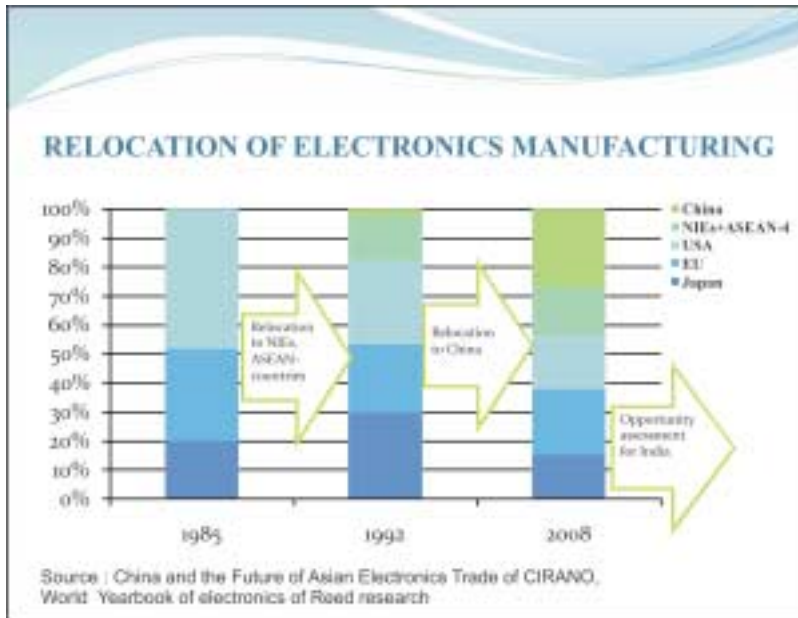
Over the last four decades, manufacturing activity has become global with the relocation of some processes from developed countries to developing countries with low-cost proposition. China, NIEs, ASEAN-4 (Malaysia, Indonesia, Philippines and Thailand) countries have built more than one-third of the global production.

Share in the electronics market. The key drivers for such relocation of manufacturing have been:

- The manufacturing value-chain of electronics and appliances products has become fragmented, making it feasible to outsource
- Some Asian countries have come up with a low labor-cost proposition to attract labor-intensive operations from developed countries.
- With employment generation as a key motive, some Asian countries have come up with economic zones and incentive packages to attract manufacturing facilities of technology led companies
- The competition to lower the cost of hardware during the IT boom has given a thrust to the periodic relocation of manufacturing
- Improvement of shipping infrastructure has brought down the supply chain costs supporting the outsourcing trend.
- Advancement in IT has reduced the cost of communication and supported the project management of manufacturing across multiple locations

There are generally two paths available to build the production share. They are innovation and relocation of labor-intensive processes. In 1985, the US and UK were the manufacturing hubs with the world's electronic production share of 45% and 21% respectively, followed by Japan with 24% primarily driven by innovation and constituting audio and video equipment. The drive for competitiveness made Japan outsource labor-intensive jobs and develop component manufacturers in the NIEs and ASEAN-4 countries.

By 1992, the NIEs and ASEAN-4 countries captured 14.2% of the world electronics production and built component manufacturing technology transfer from the leading foreign companies. China sourced components from the ASEAN4 and NIEs, manufactured finished goods



domestic consumption through systematic lowering of indirect taxes. All of these resulted in building a global production share of more than 25%. From being a net importer in 1980s, China is currently the largest exporter in the global electronics market.

Leading firms in the world are now mitigating the risk of excessive concentration of all facilities in one country by adopting the diversification strategy. Also, with the China Corporate Income Tax Law, there is a tax revision impacting some of the foreign enterprises⁷. This is an opportune time for India to capitalize and attract foreign

and exported them to developed nations. Around the same time the Chinese government promoted

companies for setting up their new manufacturing facilities or relocate their facilities to India.

DTH SUBSCRIBER'S BASE CROSSES 13 MILLION MARK

According to the Telecom Regulatory Authority of India (TRAI), DTH subscriber base is growing at 17.93 per cent quarter-on-quarter and India had 11.10 million DTH registered subscribers by 31 December 2008.

However the total number of registered subscribers being served by the five private direct-to-home operators had gone up to 13.09 million by the end of March 2009.

The five players in this field, Dish TV, Tata Sky, Big TV, Sun Direct and Airtel Digital TV have already rolled out their services while consumer electronics major Videocon has delayed its launch.

The growing number of DTH subscribers is posing a threat to digital cable TV which is growing at a snail's pace in the CAS (conditional access system) notified areas, TRAI said.

Cable TV operators, on the other hand, have marginally increased the seeding of set top boxes

(STBs) in the CAS areas of Delhi, Mumbai, Kolkata and Chennai during this period.

According to TRAI, the total number of STBs installed increased to 770,053 in the quarter ended March 2009, as compared to 767,616 STBs in the previous quarter.

The cable industry, however, has introduced STBs in non-CAS areas at a relatively brisker pace. But data is not available on how many boxes have been installed across the country by the cable operators. A growth comparison with the DTH sector is thus, not possible.

TRAI has also released the data on the number of pay TV channels in India till 31 March, 2009. There are 130 pay channels in India, as per the sector watchdog's report based on the data received from 19 broadcasters / distributors across the country.

— Electronics Today, July 2009

LG SEES HUGE DEMAND FOR LIFESTYLE PRODUCTS

— *Mr. Moon B Shin, MD LG Electronics*

India looks a promising market in the eyes of LG Electronics and the company has come out with a range of products after years of research on consumer behaviour. Moon B Shin, Managing Director of LG Electronics shares the trend in Indian consumer market with Mohammed Shariff of TNIE.

What are the challenges LG business face in the consumer market?

The major challenge before us is to keep providing our customers high quality products while maintaining the price at more or less the same level. Consumer durables companies across the world are struggling with prices amid increased raw material costs, the challenge therefore for us is to innovate in our manufacturing processes so that we are able to provide sleek, stylish, state-of-the-art technology enabled products, which are affordable at the same time.

How did you begin to identify that India would become the largest consumer market?

India looks a promising market considering the ever-increasing base of potential buyers. Secondly, as India is taking rapid strides towards becoming a developed nation, the per capita income is steadily increasing which bodes increase in the demand of life-style products. Also, India has a vast untapped market in semi-urban and rural areas that hold immense potential if tapped the right way. Tapping it the right way means selling products as per the needs of the local population.

How do you approach the Indian customers who have multiple brands to choose from?

Whatever be the number of brands, the consumer chooses only that product which suits his/her needs and requirements. Considering the same in mind, we have come up with a range of products

called 'Stars of India' or India Insight products, which have been designed for the specific requirements of the Indian consumers. Years of research on consumer behavior have helped us in developing these important consumer insights.

Keeping in mind our love for thrilling entertainment experience LG came out with Jazz with 500 watts PMPO of great sound, "Stereo Centre Speaker" with 3.1 channel effect for live sound effect & speakers. As for our love for Indian food, we have introduced Microwave Oven with up to 56 Indian Auto Cook Menu. Making the daily washing procedure simple LG's unique Top Loading Washing Machine comes with the first-of-its kind auto assistance speech technology. To avoid waking up in the middle of the night to switch between the AC and the ceiling fan LG has introduced the Aero Comfort System.

How the purchasing culture of India is different from other country?

Consumer behavior varies from region to region and purchasing pattern keeps on changing with changing geographical and climatic conditions.

However, there are some peculiar characteristics that could be attributed to purchase behavior of Indian consumer. Indian consumer is very demanding. Customer expects First Visit Response on the day of the complaint registration, irrespective of the location whether within the city where ASC is located or in cities / towns located up to 150 km from the ASC city. Secondly customer purchasing high value product or purchasing multiple product of same brand expect special / differential treatment and they also expect the product not to fall for 5 years from purchase even though the warranty period has expired.

Contd. to page No. 22

DELHI, BANGALORE, MUMBAI TOP LIST OF MOST AFFLUENT CITIES

Delhi, Bangalore and Greater Mumbai have been named as the top three most affluent cities in the country, based on lifestyle and consumption habits of the people residing there, according to a survey by The Nielsen.

The Nielsen Upper Middle and Rich (Umar) survey has ranked Delhi at the top of the chart of 10 most affluent cities, followed by Bangalore at the second place, Greater Mumbai (third), Chennai (fourth) and Hyderabad (fifth).

The survey has initiated a new method of defining 'affluence' based on lifestyle and consumer durables' ownership of a household rather than monthly income and education.

Three distinct segments of affluence emerged by such lifestyle and consumer durables mapping- upper middle, upper-upper middle and rich. They are quite distinct in their consumption habits, the survey said. The grouping was done based on the ownership of a car, a computer, an LCD, and a holiday abroad, the survey said.

"The primary reason for conducting Nielsen Umar was to obtain first of all a realistic estimate of this segment, and secondly, to profile their media and consumption habits," Parbha Rakshit, company managing director (South Asia) of The Nielsen, said.

The Nielsen Survey estimates that there are a total of 2.5 million affluent households in the country of which 2.2 million belong to the upper-middle segment - these households own car and a computer.

The upper-upper middle segment consists of some 0.2 million households and are owner of a car computer, an LCD, while the rich segment make about 0.1 million of households in the affluent pie, who own all the things above in addition have taken a holiday abroad.

Other cities in the list are Kolkata (sixth) Kochi (Seventh) Pune (eighth) Jaipur (ninth) and Ahmedabad (10th).

According to the survey, even though nearly half of the affluent Indian consumers have studied in an English-medium school, the languages spoken at home are regional languages, the survey revealed.

Nine in 10 affluent households own a house, three-quarters have a fully-automated washing machine and nearly two in five have a home theatre and modular kitchen.

It said English is a preferred language when it comes to reading newspapers, but people prefer to watch soaps in regional languages on the television.

— Financial Chronicle Delhi, Sept. 3, 2009

Contd. from page No. 21

Given the stress competition, how do you see the Indian market?

Indian market has a lot of potential because of untapped semi-urban and rural markets. Also as the per capita income of consumer is increasing, demand for lifestyle products is bound, to increase. Young generation now demand products, which

are sleek, stylish and empowered with the latest technology. Last but not the least; the market is growing for mass customized products. These are products that have been manufactured keeping in mind the consumer insights. These consumer insights have been developed after years of research in consumer behavior.

— The New Indian Express Chennai,
August 31, 2009

CONSUMER ELECTRONICS NEWS

White goods majors expect good festival sales

With the onset of the festival season, consumer durable majors Whirlpool, LG and Samsung are expecting sales to go up by 20 to 30 per cent over last year. The companies have increased their investments and rolled out promotions for new products starting with Onam this month. Whirlpool is planning to sell 100,000 appliances in Kerala during the Onam season with a sales target of Rs. 100 crore. For this year, the company has set a target to sell 250,000 appliances amounting to turnover of Rs. 265 crore from Kerala alone.

— Financial Chronicle Delhi, August 06, 2009

Haier to make Pune facility an export hub

Electronics goods manufacturers Haier Appliances India Pvt. Ltd. plans to make its Pune manufacturing facility as one of its exports hub for the Middle East and African regions. The company has considered doubling its refrigerator-making capacity in its Pune-based facility besides entering into new segments such as water-heater. The company will focus more on the refrigerator segment to increase its foot print in India and is also looking at exporting refrigerators to nearby regions.

— Mail Today Delhi, August 07, 2009

Consumer go for high-end duables

The shift towards top-end appliances is also reflected in the overall industry. According to industry officials, who quote research body ORG-GfK figures, in 2008, when the entire colour TV category grew by 13 per cent over the previous year, flat panel TVs - dominated by LCD TVs - grew 65 per cent. In the refrigerator segment, 350-litre and higher capacity fridges grew 15 per cent against the overall segment growth of 8 per cent. The growth of direct cool was only 9 per cent. In the air-conditioner category, which grew 15 per cent, split ACs registered a growth of 22 per cent while window ACs posted a growth of only 5 per cent. Ditto with washing machines; the fully automatic front-loading machine range (which is considered to be the top-end segment) grew at 20 per cent against the overall washing machine category growth of 9 per cent.

— Business Line Delhi, August 10, 2009

Whirlpool plans to invest Rs. 300 Cr. in India over 3 years

Having weathered the downturn with success, Whirlpool of India has decided to completely alter its business strategy for the fiscal. The Indian arm of the world's leading home appliances maker, the \$19 billion Whirlpool Corp of US, plans to increase its investment on product development, marketing, sales and service infrastructure. Towards this, Whirlpool plans to invest around Rs. 300 crore in India over the next three years. The Rs. 2,100 crore company has also revised upward its revenue growth from 15% to more than 20% for this fiscal. Talking to reporters here on Thursday, Whirlpool of India vice president (corporate affairs and strategy) Shantanu Dasgupta said the company wants to ensure that it can drive growth, now that the market and consumer sentiments are improving.

— The Economic Times Mumbai, August 17, 2009

Electronic majors focus on service

LG Electronics India recently launched its first direct-service centre in India in Chennai. The company has invested \$4 million (about Rs. 20 crore) for the initiative. The move is also a means to build brand image through direct interaction with customers, said Moon B Shin, managing director of LG. The company already has about 1100 authorized service centres with over 6,000 engineers covering 250 towns.

— Financial Chronicle Delhi, August 18, 2009

Consumer durables see bounty this festive season

Bright Signs

LG Electronics is targeting Rs. 2,800 crore

Godrej & Boyce is expecting & 700 crore

Whirlpool expects to earn Rs. 500 crore

Nielsen data reveals consumer sentiment improving

But analysts put out cautionary note against misplaced optimism

— Business Standard Delhi, August 22, 2009

FMCG cos line up ad blitzkrieg to cash in on festive mood

Slow down is over, at least for the consumer durable companies in the country with all major players eyeing 25- 30% growth during the festive season this year. While a good part of it will come from introduction of new products in the market across different categories, companies have lined up higher expenditure for advertising and promotion to garner a bigger pie of market. For instance, LG Electronics India is eyeing around 25% growth and expects to generate revenue of Rs. 2,800 crore in the festive season starting September, as against the corresponding period last year. Likewise, Godrej Appliances is eyeing 30% growth in September - December period this year and revenue of nearly Rs. 700 crore vis-à-vis Rs. 500 crore last year. Whirlpool India is planning to increase its advertising and marketing spend by 10-15% this year from Rs. 45 crore spend last year. The company is eyeing a revenue of Rs. 500 crore this year during the festive months beginning from September, a growth of 25-30% over the corresponding period last year. Samsung Electronics is also eyeing 30-35% growth in this festive season and expects to close this calendar year at \$2 billion as compared to \$1.7 billion in 2008.

— The Financial Express, Delhi, August 24, 2009

Consumer Electronics cos bank on festive season to boost sales

With the India consumer electronics market growing by merely 6-8% this year as against the usual 15%, industry biggies like Samsung, LG, Godrej and Whirlpool are taking to chances for the upcoming festive season. As the market is yet to fully pick-up, the companies are unlikely to increase product prices during festive season. This is despite the hardening of input cost which is creating pressure on margins. For instance, while prices of copper and steel have gone up by 70% and 25%, respectively, polymer and insulation material prices too have risen. We will absorb the hike in input cost till the festival period is over," Godrej Appliances COO George Menezes told ET. Corroborating this, LG Electronics India MD M B Shin said the company is even absorbing the hike in import costs due to increasing crude oil price. "There is no point taking risks during the festive season," he said LG the

largest player in the Indian market, is eyeing around 25% growth in festive season sales over last year. According to latest ORG figures, refrigerator sales growth is down at 9% in June 2009 as compared to 12% last year. Similarly, AC sales has grown by 7% as compared to 35% last year, washing machine at 6% as against 14% and TV at 5% as compared to 12% last year.

— The Economic Times Delhi, August 24, 2009

With its new look, Videocon is eyeing a 40% rise in sales.

Unveiling Big Plans

Penetrate deep into Tier - II metros, semi - urban and rural towns with its retail network in the next six months. Set up more than 100 Digiworld stores and around 500 small format digihome stores around the country. Launch products with more features across product categories in order to top the entry level as well as the upmarket consumers. Launch a number of combination offers on product categories that are meant for the entry level markets. Moved into a new segments such as inverters and batteries which offer higher volumes and fatter margin.

— Mail Today Delhi, August 24, 2009

White Goods companies bet on cities to overcome demand shortfall in villages

The consumer electronics companies are looking at a strong urban demand to overcome any shortfall in the demand from rural areas due to deficient monsoon. "We hope that strong growth in urban India will mitigate any fall in demand in rural India due to the poor monsoon," said LG Electronics India, director (sales and marketing), Mr. V. Ramachandran. For consumer electronics companies like LG, urban areas constitute about 80 per cent of their market and rural is only 20 per cent. Mr. Ramachandran said that the urban market is growing strong due to various stimulus provided by the government like the sixth pay commission and the removal of surcharge on the income tax. "The urban consumer has a disposable income to spend," he said. Samsung India Electronics, deputy managing director, Mr. Ravinder Zutshi, said that it is too early to say if there will be any impact of the poor monsoon on the consumer demand.

— The Asian Age Delhi, August 25, 2009

LG plans to set up Rs. 500 - cr unit in South

LG Electronics India (LGEIL) is scouting for a suitable location in the South, possibly Hyderabad or Chennai, to house a new facility. "Transport is a critical factor in the home appliances segment. We are looking at setting up a facility in the South to augment production of our home appliances products," LGEIL MD MB Shin told ET during a recent visit to its plant at Noida. To be operational in the first half of 2010, the new plant will focus on home appliances, mainly washing machines, refrigerators and air conditioners. The investment could be around Rs. 500 crore, Mr. Shin Said.

— The Economic Times Mumbai, August 25, 2009

Betting on festival season

Consumer durable companies are cheering up before the festival season. They have drawn up fresh plans and lined up new launches to perk up sales during the upcoming festival season (September to December), which typically accounts for over 40% of their total annual sales. They are optimistic that they will be able to reverse their declining sales owing to the economic slowdown and credit crunch

and now the looming threat of drought. Says Kamal Nandi, vice president, marketing, Godrej & Boyce, "This festival season we are optimistic of a growth rate of 30% over last year. Let us not forget that there was a dip in the sales last year because there was a slump in the market."

— The Financial Express Delhi, August 29, 2009

Electronics market to reach \$40 bn

The \$27.38 billion electronics and Home Appliances Industry in India could become a \$ 40 billion Industry by 2012, growing at a CAGR of 11 per cent, provided there is support from the government, said a joint study conducted by Assocham and Ernst & Young. The study titled 'Electronics and Appliances Manufacturing - the India Opportunity' said the Industry has growth by 7.1 per cent over the previous year in rupee terms.

— Mail Today Delhi, August 29, 2009

Samsung sees 30% spurt in festival sales

Samsung India expects better sales this festive season, riding on the twin engines of price realization and volume. The company is bracing for a 30% growth in festive season sales against 25% a year ago. "2008 was not bad for Samsung.... It continued to grow," company officials said. This is despite consumers tightening their purse strings in view of the global meltdown. Plans are afoot to sell six lakh units of LCDs in calendar 2009, of which 10% is targeted from the just launched LED television models.

— DNA Mumbai, August 29, 2009

Electronics Industry may touch \$40 bn by 2012

Country's electronics and appliances industry may touch USD 40 billion by 2012, provided a department is created to focus on domestic market and promote the sector internationally, a joint study compiled by Assocham and Ernst and Young said. The size of electronics and appliances industry may reach USD 40 billion by 2012 with a CAGR of 11 per cent provided a dedicated department for electronics and appliances is created by the government, the study was released by Minister of State for Communication and IT Sachin Pilot said. The report pointed out that the two objectives - promotion of the domestic market and export market should be worked upon simultaneously aimed at increasing the sector's share in the world market. "The market size of electronics and appliances industry in India is estimated to be at USD 27.38 billion for 2008-09," it said.

— The Assam Tribune Guwahati, August 30, 2009

Electronics leaders eye festive bonanza

Consumer goods companies that sell televisions and washing machines are betting big on the upcoming festive season. The Rs. 82,500 crore industry is expected to generate around Rs. 11,000 crore to Rs. 12,000 crore till October, according to experts. Experts also said that market conditions remained gloomy for the last few quarters due to an uncertain economic environment and as a result buyers deferred purchases. "Buyers had deferred purchases during the last few quarters due to uncertainty in the environment and they are likely to spend now as the festival and marriage season comes up," Pinakiranjan Mishra, partner and industry leader, retail and consumer product practice, Ernst & Young told Hindustan Times.

— Hindustan Times Delhi, September 01, 2009

Godrej hopes to sell 30% more appliances this year

Backed by a growth in demand for refrigerators, washing machines and air-conditioners, the appliance division of Godrej & Boyce Manufacturing Company Ltd. hopes to achieve a 30 per cent jump in sales this year on a pan-India basis, said Mr. Kamal Nandi, Vice President Sales and Marketing of the division. "We grew by almost 23 per cent in 2008-09, higher than the industry average of 6 per cent and this year we expect to grow by 30 per cent, which will also be higher than the projected 10 per cent growth for the industry as a whole," Mr. Nandi told newsmen at the launch of EON i-Fresh refrigerator. Godrej, Mr. Nandi said, would look at undertaking the task of manufacturing of electronic goods in-house in two to five years.

— Business Line Delhi, September 3, 2009

Godrej to set up Rs. 120-cr television plant in Himachal

Godrej Appliances plans to invest Rs. 120 crore in setting up a television facility in Himachal Pradesh by the middle of next year to meet supply as it goes ahead with a national distribution of its recently launched television brand Eon. The market for televisions in India is dominated by brands such as LG, Samsung, Videocon, Onida and Soni. Godrej Appliances traditionally known for its refrigerators had over the last few years expanded into various new product categories such as air conditioners, washing machines and DVD players.

— The Economic Times Delhi, September 7, 2009

Godrej plans 'Nano' fridge

What tatas did to Auto sector, Godrej is doing to refrigerators! The company has designed a six litre refrigerator, which is less than two feet in dimension and would be priced at less than one third of the standard model. The refrigerator will cost Rs. 2,500 and is currently being test marketed in Andhra Pradesh.

— The Asian age Delhi, September 7, 2009

Ondia to bid adieu to devil

In the face of India's changing consumer tastes, Onida has decided to re-launch the brand and say goodbye to the 'devil' the company's mascot that for years aroused envy of neighbor who didn't own its TV sets. The company's 'devil' ad campaign, whose tagline was 'neighbour's envy, owner's pride, was a rage at one point, but the Indian multinational feels it has outlived its objective due to change in taste and financial capability of the consumer.

— The Asian Age Delhi, September 7, 2009

Samsung, LG tout differing technologies

The world's top two makers of flat-panel televisions are stressing the energy saving virtues of different display technologies in their race to dominate a huge global market. With liquid crystal display (LCD) models storming the world market, attention is focusing on developing a greener version that needs less power. South Korea's Samsung Electronics is talking up its LED (light-emitting diode) - backlit model. Korean rival LG Electronics hails what it calls next generation technology using AM OLEDs (active-matrix organic light emitting diodes). Each firm is, however, developing both types of flat panel to meet ever growing demand.

— Financial Chronicle Delhi, September 7, 2009