2.1. Advertising Industry – An Overview

The origin of advertising lay thousands of years back. One of the first known methods of advertising was an outdoor display, usually an eye-catching sign painted on the wall of a building. As much as some three thousand years ago Papyrus sheets were used in Thebes in Egypt for announcing the reward for return of runaway slaves. Egyptians used papyrus to make sales messages and wall posters. Commercial messages and political campaign displays have been found in the ruins of Pompeli and ancient Arabia. Lost and found advertising on papyrus was common in Ancient Greece and Ancient Rome. Wall or rock painting for commercial advertising is another manifestation of an ancient advertising form, which is present to this day in many parts of Asia, Africa, and South America. The tradition of wall painting can be traced back to Indian rock art paintings that date back to 4000 BC. History tells us that Out-of-Home advertising and Billboards are the oldest forms of advertising.

As the towns and cities of the Middle Ages began to grow, and the general populace was unable to read, signs that today would say cobbler, miller, tailor or blacksmith would use an image associated with their trade such as a boot, a suit, a hat, a clock, a diamond, a horse shoe, a candle or even a bag of flour. Fruits and vegetables were sold in the city square from the backs of carts and wagons and their proprietors used street callers (town criers) to announce their whereabouts for the convenience of the customers.

The first advertisement was somewhat in the form of stenciled inscriptions, which were found on earthen bricks prepared by the Babylonians about three thousand years before Christ. The bricks carry the name of the temple in which they were used and the name of the king who built it, just as a modern public building which contains a corner stone or stone tablet with the names of officials in office

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when the structure was erected. The method was to cut a stencil in hand stone and with it each brick was stamped while the clay had been in its son stage. The kings who did this had advertised themselves to their subjects which could be read in hieroglyphics.\footnote{F. Pres Berg (1980), The History and Development of Advertisement, Doubleday & Co. Inc, Garden City, New York, p.2.}

Evidences suggest that the Romans practiced advertising; but the earliest indication of its use in this country dates back to the middle Ages, when the use of the surname indicated a man’s occupation. The next stage in the evolution of advertising was the use of signs as a visual expression of the tradesman’s function and a means of locating the source of goods. This method is still in common use. The seller in primitive times relied upon his loud voice to attract attention and inform consumers of the availability of his services. If there were many competitors, he relied upon his own personal magnetism to attract attention to his merchandise. Often it became necessary for him to resort to persuasion to pinpoint the advantages of his products. Thus, the seller was doing the complete promotion job himself. Development of retail stores, made the traders to be more concerned about attracting business. Informing customers of the availability of supplies was highly important.

As education became an apparent need and reading, as well as printing, developed advertising expanded to include handbills. In the 17th century advertisements started to appear in weekly newspapers in England. These early print advertisements were used mainly to promote books and newspapers, which became increasingly affordable with advances in the printing press; and medicines, which were increasingly sought after as disease ravaged Europe. However, false advertising and so-called "quack" advertisements became a problem, which ushered in the regulation of advertising content.

As the markets grew larger and the number of customers increased, the importance of attracting them also grew. Increasing reliance was placed on advertising methods of informing about the availability of the products. These advertising methods were more economical in reaching large numbers of consumers. While these advertising methods were useful for informing and reminding and
reminding, they could not do the whole promotional job. They were used only to reach each consumer personally. The merchant still used personal persuasion once the customers were attracted to his store.

The increased recognition which the advertising organizations attained as a part of the total fabric of the society had enabled such organizations all over the world to establish them as an integral factor in the dissemination of vital information pertaining to various products and services beneficial to the society. Advertising has also become an institution of persuasion to promote such social and economic values as safety, health, education benevolence.

A recent advertising innovation is "guerrilla marketing", which involve unusual approaches such as staged encounters in public places, giveaways of products such as cars that are covered with brand messages, and interactive advertising where the viewer can respond to become part of the advertising message. Guerrilla advertising is becoming increasing more popular with a lot of companies. This type of advertising is unpredictable and innovative, which causes consumers to buy the product or idea. This reflects an increasing trend of interactive and "embedded" ads, such as via product placement, having consumers vote through text messages, and various innovations utilizing social network services such as My Space.

Today, advertising is widespread all over the world in different countries. But advertising trends vary from country to country. The turbulent environment of the 20th century, with rapid changes in technology, products, processes, methods. Cut throat competition and emergence of new marketing challenges only indicates the significant role of advertising, which is expected to play in the survival and growth of business units.

2.1.1 History of advertising in India

Advertising in India dates back to the Indian civilization. Relics of Harappa, Mohenjo-Daro indicates names engraved on exquisite earthen, stone or metal works, which is comparable to the present trade mark system. Paintings or writings on wall indicating slogans or stone engravings indicate a form of advertising. The earliest

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forms of advertising were mostly used for religious purposes. That is, advertising was in the form of propaganda. To spread the teachings of Buddha, the emperor Ashoka of Kalinga set up rock and pillar edicts all over the Indian Territory between 563 and 232 B.C. These rock and pillar edicts can be called the forerunners of poster advertising of today. Thus it was the outdoor advertising that came to light with the point of sale display in market places. The indoor visual communications were the wall paintings in the cave temples of Ajanta, Sanchi and Amraoti. Literally the Indian Advertising starts with the hawkers calling out their wares right from the days when cities and markets first began. The growth of Indian advertising too has been slow with the pre-independence era. During the post war period Indian market was flooded with foreign goods that gave a lot of spurt to newspaper advertising so that more and more space had been reserved for advertising.

In 1945, the Association of Advertising Agencies of India (A.A.A.I) was formed to raise the standard of advertising and regulation of advertising practices through a code of conduct. In 1948 Audit Bureau of Circulations of India (A.B.C.I) was started on the lines of A.B.C of America. In 1952. The Indian society of Advertisers was formed to promote the interests of advertisers so as to raise the standard of Indian advertising. Until independence, the number of large - scale industries in India were limited. After independence, the Five Year Plans were implemented and several factories and large - scale projects have emerged. Consequently, production and transportation facilities have increased tremendously. These spurts in various activities enabled the distribution of products anywhere in the country and this marked the beginning of the 'Golden Age' of advertising in India.

Advertisements in the Indian print media achieved a considerable importance only from the beginning of the Twentieth century. Educational development and the popularization of media had also contributed much to the expansion in the field of advertising in India. Advertisers' Club of Bombay was started in 1955 and such clubs had emerged later in all the metropolitan cities in India. The telecasting of

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131 Chunnawalla. Kumar, Sethia and Subramanniam (1999), 'Advertising Theory & Practice, Himalaya Publishing House, Bombay, p.18

132 Esther Thorson(1992), 'Advertising Age - The Principles of Advertising at Work', Chicago, pp.22-26
programmes through TV had commenced in India on 15th September 1959 at Delhi. Besides these, there are some other forms of publicity used by the advertisers, which include the use of short films, slide shows, messages on the radio and in TV. TV advertising has become popular in India as it is abroad. Film Advertising has also attained popularity among the advertisers and the consumers alike in India to a large extent as these could be exhibited through cinema theatres even in the remotest hamlets in the country by many advertisers. Radio Advertising has been introduced by the All-India Radio at Bombay from 1st November 1967\textsuperscript{133}. Advertisements have been accepted in many languages as tape recorded 'spot's of various durations Sponsored programmes have been introduced in radios since May 1970. Now more than 85 percent of the total population in the country is covered by the All India Radio (AIR).

The television age has now dawned on India. It started in a very humble fashion by way of experimental transmissions at Delhi on 15th September 1959 the early television advertisements were merely stills with voiceovers or short versions of cinema advertisements. Regular TV was first introduced in 1965. And there has been a large scale expansion. The television set up in India was delinked from the All India Radio on 1\textsuperscript{st} April 1976 under its new name 'Doordarsan'. A separate department meant for the full development of the medium and specialized skills peculiar to television. Presently there are eight TV stations in the country. The year 1976 -77 was a turning point in the history of Indian advertising. It was in this year that the Doordarsan (DD) started accepting advertisements.

The first burst of public sector advertising was in the 1980's but what catapulted the industry on to a higher plane was the landmark launch of colour television on August 15. 1982. Colour printing in Newspapers and Magazines also brought about a new hue to their readability. To proclaim the serious role of advertising in competitive scenarios, the Advertising Standards Council of India (ASCI) was born. The 1980's also witnessed the first round of sponsored television programming. From a Rs.100 million Industry in 1955, to Rs.1600 million in 1978 and to a Rs. 50,000 million industry in 1999, the advertising

industry has traversed a long way\textsuperscript{134}. Satellite TV has ushered in epochal changes in entertainment in awareness of trends and lifestyles abroad. It has also dramatically expanded media options and influenced the styles and substances of advertising, which is now richer and stronger in imagery and emotional appeal\textsuperscript{135}. The economic liberalization of the past twelve years has created challenges as well as opportunities for advertising. Indian products and services face fierce competition, both nationally and internationally. Advancements in printing technology and colour processing have enabled the Indian advertisers to bring out hi-fidelity advertisements of International standards in various magazines and periodicals.

\textbf{2.1.2 Advertising growth in India}

There has been a long tradition of advertising in India since the first newspapers published in India in the 19th Century carried advertising. There was a massive expansion in advertising in India in the mid 1990s and increased competition among multinationals made big budgets a necessity. New entrants in the market, for example Samsung, had to spend heavily to raise brand awareness\textsuperscript{136}. Another figure from Zenith Media put expenditure in 1992 at US$415 million\textsuperscript{137}. Advertising expenditure in 1996 was US$1052 million and in 2001 US$1748 million, with a slight dip in 1998 after the Asian economic crisis\textsuperscript{138}. These increases are also reflected in per capita growth in the 1990s, though expenditure is still very low compared to other countries. In 1990 advertising expenditure per capita was US$.60c. In 2000 it had increased to Rs. 70.07 or US$ 1.55 per capita\textsuperscript{139} and by 2002 had reached US$2.1\textsuperscript{140}. India’s total advertising expenditure will be Rs. 26,532 crore in 2008 in comparison with Rs. 22,721 crore last year and Internet advertising is expected to increase by 150 per cent\textsuperscript{141}.

\begin{thebibliography}{99}
\bibitem{136} India Business Intelligence, (1997, August). Growing Up. The Economist Intelligence Unit Limited.
\bibitem{137} Hargrave-Silk, A.. (2002, June 28th). Privatisation expected to fuel adspend. Media Asia, p. 11.
\bibitem{138} Ibid
\bibitem{140} Global ad spend per capita. (2002). International Journal of Advertising, 21, (2) p.287.
\bibitem{141} Advertising Growth, The brand reporter, December, 16 -31, 2007, p.21.
\end{thebibliography}
In 2011, the advertisement industry rebounded well on account of improved economic conditions and showed a healthy growth. After showing almost flat growth in 2010, these were positive signs for the E&M industry which depends heavily on this revenue stream. In 2011, the advertising industry witnessed a 14.3% growth and stood at INR 247.5 billion as compared to INR 216.5 billion in 2010. In the last four years, the industry recorded an overall growth at a CAGR of 11.4%. All industry segments showed healthy growth in advertisement with print and OOH recovering well from the dip in 2010 to register a growth of 13.5% and 12% respectively. Internet advertising, with 28% growth, remained the fastest-growing segment as an increasing number of advertisers are looking to use the online platform to connect with the youth. Radio also showed a healthy growth of 20% and is fast catching up with OOH. Print advertising remained the largest segment in the advertising industry at 46% followed by television at 41%.  

Table 2.1
Growth of the Indian advertising industry in 2007-11

<table>
<thead>
<tr>
<th>INR billion</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>CAGR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television advertising % change</td>
<td>66.2</td>
<td>78.0</td>
<td>84.2</td>
<td>89.0</td>
<td>101.5</td>
<td>11.3</td>
</tr>
<tr>
<td>Print advertising % change</td>
<td>78.0</td>
<td>94.0</td>
<td>103.5</td>
<td>100.0</td>
<td>113.5</td>
<td>9.8</td>
</tr>
<tr>
<td>Radio advertising % change</td>
<td>5.0</td>
<td>6.9</td>
<td>8.3</td>
<td>9.0</td>
<td>10.8</td>
<td>21.2</td>
</tr>
<tr>
<td>Internet advertising % change</td>
<td>1.6</td>
<td>2.7</td>
<td>5.0</td>
<td>6.0</td>
<td>7.7</td>
<td>48.1</td>
</tr>
<tr>
<td>OOH % change</td>
<td>10.0</td>
<td>12.5</td>
<td>15</td>
<td>12.5</td>
<td>14</td>
<td>8.8</td>
</tr>
<tr>
<td>Total % change</td>
<td>160.8</td>
<td>194.1</td>
<td>216.0</td>
<td>216.5</td>
<td>247.5</td>
<td>11.4</td>
</tr>
</tbody>
</table>

Source: PwC Analysis and Industry Estimates

PwC’s India entertainment and Media Outlook, 2011
2.1.3 History of advertisements in Kerala

Before 1890, advertisements in this region were mainly in the forms of Government notifications. During that period the people were informed of such notifications put by the authorities through the beating of drums. In addition to the Government notifications and the proclamations of the king, advertisements of Pharmaceuticals, Watches, Religious books, Electric galvanic rings and lockets had appeared in the newspapers\(^{143}\). Dailies were not popular during that period and the newspapers at that time had been brought out without any regular periodicity. Rates of advertisements, both the rates per insertion and for a long duration, were also published in these newspapers. During 1948-1950, Malayalam magazines and periodicals like *'Naradan', 'Vikatan'* etc. were flooded with a variety of advertisements\(^{144}\).

By 1971-1980 there are a lot of advertisements had started appearing in various media, especially in the Malayalam dailies and periodicals. Classified advertisements covering matrimonial, real estates, private financers, auto consultants, decorative items, spare parts, hotels, household utensils, situations vacant, rentals, personal, thanksgiving for favors received, etc., had become the major sources of the revenue to the publishers of the leading newspapers of Kerala. In the beginning of 1970s large number of the educated youth and skilled workers of Kerala had started migrating to the Middle East in search of jobs. The massive remittances of Keralites from the Middle East had led to the progressive demand in various consumer non-durables, both indigenous and imported, luxury items such as fridges, television sets, audio equipments, mixies, ornamental electrical fittings and plumbing materials. Besides these there was also a high demand for real estates and structural materials. Consequently, many of the advertisements of these items started flooding into the advertisement columns of almost all the print media in Kerala. Print media in the State have become one of the dependable sources for those who are in need of certain socially inevitable services like the matrimonial, educational avenues, health and

\(^{143}\) anon. (1896). Nazrani *Deepika* (Malayalam Newspaper), January 10, 1896, p.3.

sanitation and for those who are desirous of the direct purchase of a variety of items, especially the luxury items.

Commercial broadcasting on the radio came into existence in 1982. Before that period license fee were levied from the owners of radio sets. Once the license fee was withdrawn by the Government, advertisements have been telecasted along with the radio programmes. Telecasting of TV programmes in Kerala have also started on November 14, 1982. Only the national programmes in Hindi were telecasted in Kerala during this period. The first Malayalam programmes have started appearing in TV from January 1, 1985.

Since then radio and TV have started playing their dominant roles in the popularisation of advertisements of various products in every nook and cranny of the State. A revolutionary change took place in the arena of advertisements in the State due to the wider geographic coverage of these media and their ever increasing popularity among the public. These have also created a sense of brand building consciousness among the advertisers of various products in the state of Kerala. During this period many advertising agencies in Kerala were satisfied with Cinema advertisements and retail advertisements in an unprofessional manner.

The development in the field of Agriculture and Industry, improved infrastructural facilities, the coming up of new educational institutions, development of Banks (Branch expansion), the revival of the co-operative sector, growth of health Centres, high rates of remittances by Keralities working abroad, the nuclear family system, etc. have made the State's economy to a consumerist economy. The improvement in the economic status and the aspiration for attaining a high standard of living have necessitated the purchase of several costly consumer non durables and items of luxuries by a majority of the households in Kerala. The emergence of banks and other financial institutions offering various credit schemes at low rates of interest and easy methods of remittances have further increased the consumption propensity of the people of Kerala to a great extent. All these have led to a growth in the sales of

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new products, which were widely advertised through newspapers, journals, radio and TV.

By 1992, Dish Antennas became popular in different parts of Kerala, especially among majority of the households of foreign immigrants. Later, it had spread to the High and Middle-income groups. Installation of such hi-tech electronic devices provided ample opportunities to Keralites for viewing hundreds of TV channels flooded with the advertisements of various brands of consumer durables and non-durables. Those advertisements tempted many of the viewers in purchasing such items.

In 1993, several national Advertising Agencies had opened their branches in Cochin, the industrial capital of Kerala, with a view to exploit virgin market of retail advertising. This, in fact, has initiated the boom in the arena of advertisement in Kerala. The opening up of branches by the nationally reputed Advertising Agencies in the State has led to the appearance of a large number of eye-catching advertisements of international standards. With the arrival of private agencies, Government and public sector units have also gained wide popularity ‘Asianet Cable Vision’ was the pioneer in the field of Private Malayalam TV channel in Kerala. Though they had started telecasting the Malayalam programmes at the end of the year 1993, they were able to widen their network within a short span of two years.

Developments in the styles and designs of advertisements to the international standards had led to the formation of the 'Advertising Club' in Kerala in 1995\textsuperscript{146}. Several advertising companies had succeeded to a large extent in their attempts as is evidenced from the increased sales of these goods. Because of growth in economy, many foreign advertising agencies came to India. They had also collaborated with the advertising agencies of Kerala \textsuperscript{147} by opening their branches in Kerala. This had resulted in bringing out very attractive advertisements of international standards with a professional touch.

\textsuperscript{146} anon. (1995), "Puraskarangalute Thilakkamthotta Parasyalokathun (Mal.), Dhanam, Industrial and Commercial Bi-weekly (Malayalam), January 15, 1995, p. 33

Kerala market, consequently witnessed the cut-throat competition between companies over the same products. Due to these significant developments in the sphere of advertising, the number of advertisements and its quality underwent drastic changes.\textsuperscript{148}

By 2001, an array of advertisements had started appearing in all the media, offering sale of various consumer durables and semi-durables such as flats, four wheelers, two wheelers, fridges, computers, washing machines, colour TVs, etc., on hire purchase basis and on the basis of low rates of interests. Banks and other financial institutions had also started to put their advertisements regarding various schemes for the acquisition and purchase of such items at very low Equated Monthly Installments (EMIs). These sorts of advertisements had created an ever-increasing consumption propensity even among the low and middle-income groups of a consumerist state like Kerala.

Kerala witnessed several Industrial and Consumer Expos during 2002, sponsored by manufacturers and dealers of different consumer durables and non-durables, in association with the financial institutions like I.C.I.C.1, K.S.F.E, Sundaram Finance, GE Countrywide and leading banks such as the State Bank of India, State Bank of Travancore, South Indian Bank, Federal Bank, etc. Several advertisements appeared in the newspapers, radio and TV. Besides these advertisements in the forms of notices, banners, hoardings, posters, etc. began to appear in plenty with a view to sensitise the masses. A visible change that can be observed during recent years, in the styles of advertisements, is the organization of Cultural Programmes along with such Expos to attract and entertain the prospective consumers.

Kerala is a favorite market for both national and international brands. During recent years the arrival of international brands at cheap rates, popularisation of credit cards, the liberalised policy of banks and other financial institutions towards consumers, etc., have tempted even the middle class to go in for international brands. The growth of market for several national and international brands of consumer

products have become stagnant in many of the metropolitan cities in India due to the failure in canvassing customers through advertisements, while Kerala has become a favorite market for many of these national and international brands.

Advertisements in Kerala have been assuming new dimensions through the appearance of the advertisements of 'Doordarsan' in leading Malayalam newspapers, the coming up of the advertisements of the 'All India Radio' in Doordarsan and the eye-catching advertisements of Malayalam dailies and in various Malayalam channels. Thus, the advertisement scenario of Kerala had undergone tremendous changes over the past few decades.

2.2 Consumer Durables Industry – An overview

Consumer durables industry in India is one of the fast growing, at the same time, competition oriented industries of the country. The growth of this industry is really attributed to the most distinct feature of Indian economy – population explosion. In the modern times when the life of the men becomes mechanical, he finds more utility in consumer durables such as TV, Refrigerator, Washing Machine, Mixer Grinder etc. Even though, the ultimate users of the kitchen appliances are house wives and house maids, the purchase decisions and brand preferences are done by husbands and wives together. Unlike in the past, its consumers in this industry are more educated and enlightened today through advertisements and promotional strategies and therefore ask for greater assured performance from products and companies.

The Consumer Durables industry consists of durable goods and appliances for domestic use such as televisions, refrigerators, air conditioners and washing machines. Instruments such as cell phones and kitchen appliances like microwave ovens are also included in this category. The industry is represented by major international and local players such as BPL, Videocon, Voltas, Blue Star, MIRC Electronics, Titan, Whirlpool, etc. The consumer durables industry can be broadly classified into two segments: Consumer Electronics and Consumer Appliances. Consumer Appliances can be further categorised into Brown Goods and White Goods. The key product lines under each segment are shown in the table 2.1.
Table 2.2

Classification of consumer durables

<table>
<thead>
<tr>
<th>White goods</th>
<th>Brown goods</th>
<th>Consumer electronics</th>
</tr>
</thead>
<tbody>
<tr>
<td>· Air conditioners</td>
<td>· Microwave Ovens</td>
<td>· TVs</td>
</tr>
<tr>
<td>· Refrigerators</td>
<td>· Cooking Range</td>
<td>· Audio and video systems</td>
</tr>
<tr>
<td>· Washing Machines</td>
<td>· Chimneys</td>
<td>· Electronic accessories</td>
</tr>
<tr>
<td>· Sewing Machines</td>
<td>· Mixers</td>
<td>· PCs</td>
</tr>
<tr>
<td>· Watches and clocks</td>
<td>· Grinders</td>
<td>· Mobile phones</td>
</tr>
<tr>
<td>· Cleaning equipment</td>
<td>· Electronic fans</td>
<td>· Digital cameras</td>
</tr>
<tr>
<td>· Other domestic appliances</td>
<td>· Irons</td>
<td>· DVDs, Camcorders</td>
</tr>
</tbody>
</table>

Sources: IBEF, GEPL Capital Research\textsuperscript{149}

2.2.1 Consumer Durables Industry Size, Growth, Trends

The development of consumer durables industry has been a powerful stimulant to the industrial growth in the economically developed as well as developing economies. Some of the earlier features of the industry have been low production and sales. High dependence on the import of components of inferior quality and the existence of seller's market. Now the picture has almost changed. Recently the industry has made tremendous progress both in size and quality. The consumer durables market in India was estimated to be around US$ 5.4 billion in 2010-11. More than 9 million units of consumer durable appliances have been sold in the year 2010-11 with colour televisions (CTV) forming the bulk of the sales with 40 per cent share of volumes. CTV, refrigerators and Air-conditioners together constitute more than 60 per cent of the sales in terms of the number of units sold.

In the refrigerators market, the frost-free category has grown by 8.3 per cent while direct cool segment has grown by 9 per cent. Companies like LG, Whirlpool and Samsung have registered double-digit growth in the direct cool refrigerator market. In the case of washing machines, the semi-automatic category with a higher base and fully-automatic categories have grown by 4 per cent to 526,000 units and by

\textsuperscript{149} http://www.ibef.org/download/consumer_durable_28feb_2007
8 per cent to 229,000 units, respectively. In the air-conditioners segment, the sales of window ACs have grown by 32 per cent and that of split ACs by 97 per cent. Since the penetration in the urban areas for these products is already quite high, the markets for both Colour Televisions and refrigerators are shifting to the semi-urban and rural areas.

The growth across selected product categories in different segments is assessed in the following sections.

2.2.1. (a) Consumer Electronics - Television

The Colour Television production was 15.10 million units in 2010-11 and is expected to grow by at least 25 per cent. At the disaggregated level, conventional Colour Television volumes have been falling while flat TVs have grown strongly. Market sources indicate that most Colour Television majors have phased out conventional TVs and have been instead focusing more on flat TVs. The flat segment of Colour Televisions now accounts for over 60 per cent of the total domestic TV production and is likely to be around 65 per cent in 2010-11. High-end products such as liquid crystal display (LCD) and plasma display Colour Televisions grew by 400 per cent and 150 per cent respectively in 2010–11 following a sharp decline in prices of these products and this trend is expected to continue.

2.2.1. (b) White Goods

Increased consumer demand is expected to boost the white goods segment to achieve production levels of US$ 5.09 billion by the end of 2011-12 against US$ 4.54 billion in 2006-07, with a growth rate of 12.5 per cent.

Washing Machines

The sales of washing machines have grown from about 780,000 units to 1,948,000 units during the period, fiscal year 1999 to 2010, registering a near 12.2 per cent annual growth rate. The washing machine market may be segmented into semi-automatic and fully automatic machines. Semiautomatic washing machines enjoy a dominant share of 85 per cent. Fully automatic washing machines have been gaining share as a consequence of product improvement, competitive pricing and resultant convenience. However, semi-automatic machines will continue to play a major role in
the Indian market for quite some time. Fully automatic washing machines have been growing at 44.5 per cent and semi-automatic segment, at about 18 per cent. The entry of MNCs has widened the range to more than 10 brands with a proliferation of models, while ensuring technology upgradation. A visible impact of this churn has been the exit of a few established players from the market.

Refrigerators

Refrigerators are one of the most sought after appliances in Indian middle class homes. The refrigerator market has two segments: Direct Cool and the relatively new Frost-Free type. The market for refrigerators in 2010-11 was about 6.5 million units. The growth of refrigerator segment is projected to be between 18 to 22 per cent over the next 5 years. A critical success factor for the refrigerator market, given its widespread use, is deeper reach into the market and increased penetration. Recently, the market is getting reinforced by the replacement segment as well.

2.2.1. (c) Domestic Electrical Appliances

Brown goods or domestic kitchen appliances are indicators of the changing consumer scenario in post-liberalisation economic environment. The major products constituting the brown goods market are mixers, grinders, irons, microwave-ovens, Induction Cookers, rice cookers, water heaters or geyser, electric fans and exhausts. The branded brown goods market has expanded at a significant pace and is expected to retain the momentum into the future as well. The market has been transformed by the entry of over a dozen new brands, moreover competition has intensified. While focus on price competency remains a key priority, players have also started focusing on other product features such as safety and total cost of ownership of the device.

Mixer Grinder

Growth in the brown goods segment was largely driven by the Mixer Grinder segment. Within this, Mixies have been the main growth drivers, recording a growth of over 90 per cent in 2011. Growth, albeit at a slower rate of 32 per cent, has also been experienced in the segment of Grinders. The market for Mixer Grinders are divided quite uniformly across rural, urban and semi urban household segments, with
about 45 per cent share for urban areas, 30 per cent for semi urban and 25 per cent for rural areas.

**Induction Cooker**

Induction cookers are an emerging segment in the Indian market, still at a nascent stage. The drivers for demand have been the improvement in lifestyle and higher aspirations of urban middle class and the top income brackets. While the market has been growing, this segment is not expected to reach significant volumes soon. Part of this could be attributed to the lifestyle compatibility of Indian customers with the product. Goods, like the induction cooker have been continuously growing in a slow and steady manner over a significant period of time, while microwave ovens have grown exponentially after the initial period of customisation to local requirements.

The electrical appliances industry, which had been focused on the urban market, is now reaching out to semi-urban and rural markets as well, because of the shift in living style of the population, increasing electrification of villages and relatively higher purchasing power of consumers. As the market penetrates into the core middle class segment in both urban and rural areas, it is expected to expand phenomenally, offering large volumes to the industry.

**Table 2.3**

**Market Size**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat Panel TV</td>
<td>2.8</td>
<td>4.5</td>
<td>61</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>9.0</td>
<td>12.0</td>
<td>33</td>
</tr>
<tr>
<td>Washing Machines</td>
<td>5.0</td>
<td>6.0</td>
<td>20</td>
</tr>
<tr>
<td>Air Conditioners</td>
<td>3.4</td>
<td>4.4</td>
<td>29</td>
</tr>
<tr>
<td>Mixer Grinder</td>
<td>11.2</td>
<td>13.7</td>
<td>69</td>
</tr>
<tr>
<td>Induction Cooker</td>
<td>1.0</td>
<td>1.5</td>
<td>44</td>
</tr>
</tbody>
</table>

Source: CEAMA, MOSPI, GEPL Capital Research
Table 2.4

Household appliances industry size (in Rs. billion)

<table>
<thead>
<tr>
<th>Appliances</th>
<th>FY 2004</th>
<th>FY 2009</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colour TV</td>
<td>68</td>
<td>110</td>
<td>185</td>
</tr>
<tr>
<td>Room air conditioners</td>
<td>23</td>
<td>47</td>
<td>95</td>
</tr>
<tr>
<td>Refrigerators</td>
<td>13</td>
<td>51</td>
<td>81</td>
</tr>
<tr>
<td>Washing machines</td>
<td>11</td>
<td>21</td>
<td>36</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>133</strong></td>
<td><strong>229</strong></td>
<td><strong>397</strong></td>
</tr>
<tr>
<td>Five year CAGR</td>
<td>-</td>
<td><strong>11.5%</strong></td>
<td><strong>11 – 12%</strong></td>
</tr>
</tbody>
</table>

Source: National Council for Applied Economic Research (NACER)

Figure 2.1

Household appliances industry size (in Rs. billion)

Sources: IBEF, GEPL Capital Research

2.2.2 Market Analysis

The market for consumer durables has expanded over the years. The household income of Indian houses has experienced significant improvement in the past decades and as a result the demand for durables has also risen. The current projection shows that household income of the population in top 20 cities of India is expected to grow by 10 per cent in the coming years\textsuperscript{151}. This is likely to increase the demand for consumer products as well.

The middle income group section (household with disposable income between 200,000 to 1,000,000) which currently constitutes 5 per cent of the population is expected to become 41 per cent by 2025. Rural poverty is expected to decline to 26 per cent by 2025\textsuperscript{152}. All these factors are expected to contribute towards improving the market scenario for consumer durables.

The market has recently experienced around 30 per cent growth rate in demand for electronics and home appliances. Categories like Flat panel TVs, Microwave ovens, Air Conditioners and Refrigerators are likely to post strong growth. Urban growth is likely to be driven by new technology/innovative products, lifestyle products and replacement demand such as LED TVs, Laptops, Split ACs, etc. Rural markets are likely to outpace growth in the urban markets led by increasing penetration across categories such as Refrigerators and Washing machines.

With the increase in income levels, easy availability of finance, increase in consumer awareness, and introduction of new models, the demand for consumer durables has increased significantly. Products like washing machines, air conditioners, microwave ovens, color televisions (CTVs) are no longer considered luxury items. However, there are still very few players in categories like vacuum cleaners, and dish washers. Consumer durables sector is characterized by the emergence of MNCs, exchange offers, discounts, and intense competition. The market share of MNCs in consumer durables sector is 65%. MNC's major target is the growing middle class of India.

\textsuperscript{151} http://www.ncaer.org/ growing- market – for durables/India
\textsuperscript{152} ibid
MNCs offer superior technology to Consumers whereas the Indian companies compete on the basis of firm grasp of the local market, their well-acknowledged brands, and hold over wide distribution network. However, the penetration level of the consumer durables is still low in India. An important factor behind low penetration is poor government spending on infrastructure. For example, the government spending is very less on electrification programs in rural areas. This factor discourages the consumer durables companies to market their products in rural areas.

2.2.3 Trends Favoring the Growth of the Consumer Durables Industry

The key trends that impact the Indian Consumer Durables Industry today are reflected in the diagram and discussed separately in the following sections.

Increasing Share of Organised Retail

The urban and rural markets in India are growing at an annual rate of 7 to 10 per cent and 25 per cent respectively. One of the key enablers of this growth has been the increasing penetration of organised retail. While there are established distribution networks in both rural and urban India, the presence of well-known brands and organised sector is increasing. At present around 96 per cent of the more than 5 million retail premises of all types in India are smaller than 50 sq mtrs. This situation is, however, transforming. Shopping malls are becoming increasingly common in Indian cities, and based on plans announced by key developers, a proliferation of new malls is expected over the next three years. Although many of the new malls would be much smaller than their western counterparts, Indian consumers will have a far larger number of attractive, comfortable, brand-conscious outlets in which to shop. As a result, the organised retail industry is expected to cover a market share of 15 to 18 per cent by the end of 2011\textsuperscript{153}, from just 3 per cent at present. This will have a positive impact on the consumer durables industry, as organised retailing would not only streamline the supply chain, but also facilitate increased demand, especially for high-end and branded products

Narrowed Price Gap and Increased Affordability of Products

Advanced technology and increasing competition is narrowing the price gap between products in this sector, which has driven demand and enabled high growth. Products that were once beyond the reach of the middle class Indian are now affordable to many. Growth in demand for products, once considered luxuries, such as air-conditioners, washing machines and high end CTVs, is a reflection of this phenomenon.

Entry of Large Players Increasing Competition

With potential heavyweight retail stores like Croma, E Zone and Reliance Digital, the high-end segment has been exposed to a new form of purchase, allowing the consumer to feel/experience the product in a suitable ambience (significant in decision-making). Part of the growth momentum in high-end segments of consumer electronics could be attributed to the competitive evolution of organised retail, stimulating the demand through exposure to high end shopping experiences.

Rupee Appreciation

Raw material cost constitutes more than 75 per cent of expenditure incurred by consumer durable manufacturers in India. The rapid appreciation of rupee vis-à-vis the US dollar in 2007 is expected to ease raw materials costs for Indian manufacturers and benefit those addressing the domestic market.

Income Growth and Structural Changes

Apart from steady growth in income of consumers, consumer financing has become a major driver in the consumer durables industry. In the case of more expensive consumer goods, such as refrigerators, washing machines, colour televisions and personal computers, retailers are marketing their goods more aggressively by providing easy financing options to the consumers by partnering with banks. While this is aimed at the lower and middle income groups, the higher income groups are also being attracted by opportunity.
Critical Success Factors for Manufacturers in the Sector

All key segments of the Indian consumer durables industry are growing and the industry offers an attractive investment option. Success would require players to address a few key factors, based on the industry drivers and trends.

Distribution and Service Network

As the market spreads out from saturated urban regions to low penetration rural areas and tier II/III towns, distribution network and brand recognition will continue to play ever more significant roles in determining market share and profitability. The market for consumer durables is moving towards a stage where it could soon be defined “as broad as it can be reached”. The central government plans of making electricity available for all by 2012, will also open up immense opportunities for the consumer durables segment.

Product Technology

While the market is continuously expanding, there are several concerns that will have to be addressed while moving the focus towards tier III towns and rural areas. Total cost of ownership would be a key factor that would drive purchase in these regions. From an organised industry’s perspective, success would be determined by superiority of product technology, which could provide added benefits to the customer, for example; low power consumption, low service requirement and low cost of operation.

Innovation in Advertising and Promotions

Increasing competition and technology adoption hassled to a situation where the basic function of most of the consumer durable goods has been largely commoditized. This has created a situation where identifying a unique differentiating factor and promoting it effectively has become imperative. The advertising and promotions spends in the industry have been growing steadily. Significant focus has been laid on mapping key concerns, that could act as demand drivers and proactive marketing campaigns aimed at addressing specific concerns of prospective customers. For instance, instead of focusing on the basic space conditioning attribute, LG’s AC marketing campaigns focus on health benefits resulting from their superior air
filtering technology, thus striking a chord with urban consumers for whom safety from pollution and dust is perhaps as significant a need as air-conditioning.

Consumer financing has become a major engine of growth in the consumer-durables industry. In the case of more expensive consumer goods, such as refrigerators, washing machines, colour televisions and personal computers, retailers are joining forces with banks and finance companies to market their goods more aggressively.

Among department stores, other factors that will support rising sales include a strong emphasis on retail technology, loyalty schemes, private labels and the sub-letting of floor space in larger stores to smaller retailers selling a variety of products and services, such as musical recordings and coffee.

Attractive locations

Since raw materials account for more than 75 per cent of the manufacturing cost of consumer durables and with a significant part of it being imported, Maharashtra’s, Gujarat’s and Tamil Nadu’s proximity to ports, high demand for durable goods and factor consolidation in manufacturing sector make them amongst the more considered destinations for investment in manufacturing154.

Opportunities for Investing in Consumer Durables Industry

The rapid growth in the consumer durables industry offers several attractive investment options. Based on the industry size, growth trends and key drivers, the following segments can be outlined for their sustained growth:

- High End CTV
- Mobile Phones
- Distribution & Retail
- Air-conditioners

154 Cygnus Quarterly Report 8/2007, Consumer Durables Industry
2.2.6 Growing Market for Durables in Kerala

Malayalees seem to have embarked on a consumption binge with vengeance and their expenditure on consumer durables - television, refrigerators, washing machines - are three to four times the national average. While average all India monthly spending of people in urban areas on consumer durables is Rs 3,414.41, in Kerala, per capita spend is 200% higher at Rs 104.95 per month. Similarly, in the rural areas of Kerala, the average per capita monthly spend on consumer durables at Rs 63.27 is 311% higher than the national average of Rs 15.38\textsuperscript{155}.

The Kerala’s consumers remain one of the most upbeat compared with other states of India. With easy availability of finance, emergence of double-income families, fall in prices due to increased competition, government support, growth of media, availability of disposable incomes, improvements in technology, reduction in customs duty, rise in temperatures, growth in consumer base of rural sector, the consumer durables industry is growing at a fast pace. The penetration level of consumer durables is very low as compared with other product categories. This translates into vast unrealized potential. Given these factors, consumer durables industry have a good growth is projected in the future, too.

From the preceding discussion we can see that the fact that consumer durables industries have been and are spending crores of rupees for promotional activities. Besides, it also reveals that the advertising strategies are very useful for boosting the brand image in the minds of consumers. In the next chapter the researcher endeavors to give a detailed analysis in a cogent and coherent manner.