Chapter VI

Conclusion and Suggestion

Conclusion

The Indian economy grew at a higher-than-expected 8.9 per cent in the first half of 2010-11, driven by strong growth in the services sector from the supply-side and household consumption from the demand-side. Services grew at an accelerated rate owing to increased government spending and a pick-up in trade, hotels, transport, communication and related sub-sectors. Industrial growth, as measured by change in index of industrial production was driven by robust private-consumption demand and resurgence in investment demand.

Industrial growth has however now become volatile and is slowing in recent months - from an average 16 per cent growth in the fourth quarter of 2009-10, industrial growth considerably slowed to 12 per cent in the first quarter and 9 per cent in the second quarter of 2010-11. CRISIL expects the overall decline in industrial growth to slow GDP growth to about 8.3 per cent in the second half of 2010-11. Good monsoons during the year have benefited the agriculture sector.

The recent years have witnessed rapid transformation and vigorous profits in Indian retail stores across various categories. This can be contemplated as a result of the changing attitude of Indian consumers and their overwhelming acceptance to modern retail formats. Asian markets witness a shift in trend from traditional retailing to organized retailing driven by the liberalizations on
Foreign Direct Investments. For example, in China there was a drastic structural development after FDI was permitted in retailing. India has entered a stage of positive economic development which requires liberalization of the retail market to gain a significant enhancement.

The Indian consumption patterns are slowly converging with global norms. The Indian consumer is now spending more on consumer durables, apparel, entertainment, vacations and lifestyle related activities. Entertainment, clothing and restaurant dining are categories that have been witnessing a maximum rise in consumer spending since 2002.

India is on the radar screen in the retail world and global retailers and at their wings seeking entry into the Indian retail market. The market is growing at a steady rate of 11-12 percent and accounts for around 10 percent of the country's GDP. The inherent attractiveness of this segment lures retail giants and investments are likely to sky rocket with an estimate of Rs 20-25 billion in the next 2-3 years, and over Rs 200 billion by end of 2010. Indian retail market is considered to be the second largest in the world in terms of growth potential.

The Indian White Goods sector is the fourth largest sector in the economy with a total market size in excess of $13.1 billion. It has a strong MNC presence and is characterised by a well-established distribution network, intense competition between the organised and unorganised segments and low operational cost. Availability of key raw materials, cheaper labour costs and presence across the entire value chain gives India a competitive advantage. The White Goods market is set to treble from $11.6 billion in 2003 to $33.4 billion in 2015. Penetration level as well as per capita consumption in most product categories like washing Machines, Owens, air conditioners, dish washers etc. in India is low indicating the untapped market potential.
Burgeoning Indian population, particularly the middle class and the rural segments, presents an opportunity to makers of branded products to convert consumers to branded products. Growth is also likely to come from consumer 'upgrading' in the matured product categories. With 200 million people expected to shift to White Goods by 2010, India needs around $28 billion of investment in the White Goods industry. India has enacted policies aimed at attaining international competitiveness through lifting of the quantitative restrictions, reduced excise duties, automatic foreign investment and laws resulting in an environment that fosters growth. Cent per cent export oriented units can be set up by government approval and use of foreign brand names is now freely permitted.

Pre-Recession Buying Trends in India
The rapid rise in the country’s middle and high income classes’ is likely to lead to an even sharper rise in the demand for both consumer durables and consumables. Between 1995-96 and 2001-02, the demand for automobiles, for example, rose by 9.8% annually and is projected to rise 1.5 times faster between 2005-06 and 2009-10 to nearly touch 13 million units by the end of the decade. Demand growth rates for TV’s are expected to more than double during the two periods (from 4.6 to 9.7 per cent annually to 9.2 per cent) between the 1995-96 to 2001-02 and the 2005-06 to 2009-10 period. Demand growth for consumables, however, is expected to decline till the end of the decade.

“The anticipated rise in demand for consumer durables is largely driven by changing pattern of demand between one income class and another in comparison with the rise in the number of households in each income group. While India had just 5000 families that earned over Rs. 1 Crore a year in
1995-96 this rose four times by 2001-02 and projected to grow up to 140000 by the end of the decade”
User ship of White Goods increased by 1.8 times between the years 2001-02 and 2009-10, demand was more than double during this period. By the end of the decade demand is estimated to 13.2 million pieces. In term of growth this rose from 9.8 during the period 1995-96 to 2001-02 to 10.8 in the period 2005-06 to 2009-10.

Around 25 percent of all households owned White Goods in 2001-02 and this rose by over 45 percent by the end of the decade. Rural arrears have a user-ship of under a tenth that is of urban areas, perhaps because of the energy requirements of such equipment’s. This can best be seen by the sharp differences in usage pattern across rural and urban India for the same income groups. So while 97 percent of urban households in the Rs. 90000 to Rs. 135000 income group have some kind of White Good or the other in 2009-10 and the rural had only 13 percent as compare to urban areas. 45 percent of all families at the all India level had White Goods as compare to 25 percent in 2001-02.

Little change is expected in the top few states, and Maharashtra, which was the top ranked in 2001-02, will remain in this position in 2009-10 as well. Accounting for over 15 percent of demand. Gujarat similarly remained the number two state for White Goods and accounted for over 9 percent of demand in 2009-10. Andhra Pradesh is the surprise entrant, and will emerge as the number three state after not even figuring in the top five in 2001-02.
Challenges facing the Organized Retail Industry in Marathwada:

Despite the rosy hopes, some facts have to be considered to positively initiate the retail momentum and ensure its sustained growth. The major constraint of the organized retail market in India is the competition from the un-organized sector. Traditional retailing has been deep rooted in Marathwada for the past few centuries and enjoys the benefits of low cost structure, mostly owner-operated, therein resulting in less labor costs and little or no taxes to pay. Consumer familiarity with the traditional formats for generations is the greatest advantage to the un-organized sector. On the contrary, organized sector have big expenses like higher labor costs, social security to employees, bigger premises, and taxes to meet.

Availability and cost of retail space is one major area where Government intervention is necessary. Liberalizing policy guidelines for FDI needs focus as well. Proper training facilities for meeting the increasing requirements of workers in the sector would need the attention of both Government and the industry. Competition for experienced personnel would lead to belligerence between retailers and higher rates of attrition, especially during the phase of accelerated growth of the retail industry. The process of avoiding middlemen and providing increased income to farmers through direct procurement by retail chains need the attention of policy makers. Taking care of supply chain management, mass procurement arrangements and inventory management are areas that need the focus of entrepreneurs.

Marathwada is now on the radar of global retailers. Accelerated development of retailing industry in the country and building brand value of domestic products is essential not only for marketing our consumer products more efficiently, but also for the development of our own retailing industry.
According to KSA Technopak 300 million odd middle class - the Real consumers - is catching the attention of the world with over 600 million effective consumers by 2011. Marathwada is bound to emerge as one of the largest consumer markets of the world by 2011.

About one-third of households in Marathwada can afford white goods, such as washing machines, refrigerators and air conditioners. However, consumers are price-conscious, and demand for many white goods is restrained by long replacement cycles in urban areas.

As per India's Marketing White book (2006) by Business world, India has around 192 million households. Of these only a little over six million are 'affluent' – that is, with household income in excess of INR 215,000. Another 75 million households are in the category of 'well off' immediately below the affluent, earning between INR 45,000 and INR 215,000. This is a sizable proportion which offers excellent opportunity for organized retailers to serve.

**Consumer Profile:** One of the key reasons for the increased consumption is the impressive growth of the middle class. Around 70 per cent of the total households in Marathwada reside in the rural areas. The total number of rural household is expected to rise from 135 million in 2001-02 to 153 million in 2010-11. This presents the largest potential market in the world. According to the study conducted by NCEAR, the number of `lower middle income' group in rural areas is almost double as compared to the urban areas, having a large consuming class with 41% of the Marathwada middle class and 58% of the total disposable income.

The Marathwada rural market has been growing at 3-4% per annum, adding more than 1 million new consumers every year and now accounts for close to 50% of the volume consumption of fast-moving consumer goods (FMCG) in
Marathwada. The market size of the fast moving consumer goods sector is projected to be more than double to 2010 by 2011. As a result, it is becoming an important market place for fast moving consumer goods as well as consumer durables.

There were nearly 7 mn households (33% of the total) with an income of more than 15,000 in 2006. These "well-off" households already own relatively expensive consumer durables, such as air conditioners and refrigerators.

**Consumer Behavior:** Availability of lifestyle spending options is increasing for Marathwada consumers and that inducing higher spends on "status acquisition". Traditionally, Marathwada consumer is cautious about debts. In recent past, this attitude has changed radically and in recent year's credit is no more a feared entity.

Consumer buying behavior to a large extent has a western influence. Foreign brands have gained wide consumer acceptance in Marathwada and they are much more open for experimentation. Beauty parlors in cities, eateries, designer wear, watches, and hi-tech products are a few instances which reflect these changes.

Purchasing priorities of respondent also influence the level of sales of individual products. Penetration data bear this out: televisions in use in 2006 were estimated at 95 per 1,000 populations, far higher than the level for white goods. This reflects the growing demand for entertainment in Marathwada.
Consumer Spending: The rate of growth of spending on electrical & electronic items has been growing at an average of 9 per cent per year over the past five years. A nation of savers, Marathwada has now altered into a nation of spenders.

The study reveals that an average respondent spends 40% of his monthly salary on food and grocery and 8% on personal care products.

Marathwada consumer spending pattern: (2010)

- Consumer durables – 53%
- Books & Music – 32%
- Movies & Theater – 38%
- Vacation – 32%
- Home Textiles – 29%
- Mobile phones – 96%
- Payment Household help – 48%
- Computer / peripherals – 10%

Total Consumer Spend in India (Year 2010)

- Total Consumer Spend: Rs. 20,00,000 cr ($ 445 bn)
- Retail: Rs. 12,00,000 cr ($ 270 billion) double digit growth expected
- Organized Retail: Rs. 55,000 cr ($ 12.4 bn) at current prices 40%+ annual growth expected
- Scope for Organized Retail: Rs. 2, 00, 000 cr ($ 45 bn) by 2011. Av. Salary hike of 15+ per cent: there will be lot more consumption.
- Leading retailers' sales growth: 50-100% in 2005-06
Urban-Rural divides in Spending (%) (Year 2010)

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<td>Food</td>
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*Source: KPMG/Research 2011*

The demanding assertive Marathwada n consumer is now sowing the seeds for an exciting retail transformation that has already started bringing in larger interest from International Brands / formats.

With the advent of these players, the race is on to please the Marathwada n consumer and its time for the Marathwada n Consumer to sit back and enjoy the hospitality of being treated like a King

Durable goods are those which don’t wear out quickly, yielding utility over time rather than at once. Examples of consumer durable goods include electronic equipment, home furnishings and fixtures, photographic equipment, leisure equipment and kitchen appliances. They can be further classified as either white goods, such as refrigerators, washing machines and air conditioners or brown goods such as blenders, cooking ranges and microwaves or consumer electronics such as televisions and DVD players. Such big-ticket items typically continue to be serviceable for three years at least and are characterized by long inter-purchase times.
Performance

In the past 10 years, the global market has witnessed a surge in demand as economies such as Brazil, Mexico, India and China have opened up and begun rapid development, welcoming globalization with élan. The consumer durables industry has always exhibited impressive growth despite strong competition and constant price cutting, and the first contraction since the 2001 dot-com bust has been due to the global recession. Given the strong correlation between demand for durables (both new and replacements) and income, the industry naturally suffered during the 2008-2009 period. However, projections for current year going forward are very optimistic, as consumers resume spending, and producers launch new enticing variants to grab new customers. Leading players include Sony Corporation, Toshiba Corporation, Whirlpool Corporation and Panasonic Corporation.

Developing countries such as India and China have largely been shielded from the backlash of the recession, as consumers continued to buy basic appliances. In fact, China has been ranked the second-biggest market in the world for consumer electronics. Despite the recession, their strong domestic economy and growing high-income population have buoyed demand leading to aggressive market growth.

There is growing interest for new age products such as LCD-TVs and DVD players. Meanwhile, the penetration of the basic, largest dollar items such as ovens, washing machines and refrigerators is also increasing. Marathwada too, has witnessed a similar phenomenon, with the urban consumer durables market growing at almost 10 %p.a., and the rural durables market growing at 25% p.a. Some high-growth categories within this segment include mobile phones, TVs and music systems.
The Marathwada n consumer durables industry has witnessed a considerable change in the past couple of years. Changing lifestyle, higher disposable income coupled with greater affordability and a surge in advertising has been instrumental in bringing about a sea change in the consumer behavior pattern. Apart from steady income gains, consumer financing and hire-purchase schemes have become a major driver in the consumer durables industry.

In the case of more expensive consumer goods, such as refrigerators, washing machines, color televisions and personal computers, retailers are joining forces with banks and finance companies to market their goods more aggressively. In addition, change in policy, such as the WTO FTA in 2005 resulted in zero customs duty on imports of all telecom equipment, thereby improving the pricing and affordability of imported goods.

**Challenges**

The biggest threats to the local industry going forward are supply-related issues pertaining to distribution and infrastructure, as well as demand issues due to competition from imported goods. The lack of well developed distribution networks makes it especially challenging to penetrate the fastest growing rural areas economically. In addition, regular power cuts and poor road linkages make systematic production, assembly and delivery problematic.

On the demand side, customers have increasing choice from both domestically produced and imported goods, with similar features. This homogeneity makes it difficult for players to remain ahead of the competition.

MNCs hold an edge over their Marathwada n counterparts in terms of superior technology combined with a steady flow of capital, while domestic
companies compete on the basis of their well-acknowledged brands, an extensive distribution network and an insight in local market conditions. The largest MNCs incorporated in India are Whirlpool India, LG India, Samsung India and Sony India and homegrown brands are Videocon, Godrej Industries and IFB.

**Future Prospects**

India will be the world’s fastest growing market, fueled by rising standards of living, which will spur first-time appliance ownership. Gains in developing areas such as the Africa/Mideast region will also be stimulated by rising standards of living. Advances in Western Europe will benefit from strong increases in the number of new housing units, but will lag the overall global average due to the relative maturity of most appliance types. Although growth in China will be strong in the immediate future, advances through 2015 will lag the global average, reflecting a cool down from the torrid pace of increase from 2005 to 2010. Gains will be constrained by the large stock of white goods that has been sold in recent years. Ownership rates in some categories have grown tremendously, limiting the potential for new ownership. In addition, the Chinese government’s stimulus incentives for the purchase of white goods will expire in 2012. This program will continue to boost ownership in rural areas through that year, dampening potential gains in 2015.

Overall, the industry’s future remains robust, and interested applicants will benefit from a holistic learning experience; Many of the research, sales, marketing and advertising related roles will necessitate a good on-the-job learning of target audiences, who may well be a totally new segment, based in never-before visited Class II and III towns. In addition, those with technical backgrounds will be able to leverage their knowledge and experience to constantly develop and innovate the product variants. With more MNCs
growing their Marathwada businesses, there is great potential to also learn best-in-class systems and management skills.

Findings:

- Out of the total respondents of male and female from the sample cities of Marathwada enormous majority said yes, that white goods was affected by recession.
- All the respondents of various age group agreed that there was a serious impact on the sale of White Goods due to recession.
- Answering to the same question various respondents divided by different levels of educational qualification agreed that the sale of White Good was affected in some way or the other.
- All the levels of respondents which were divided according to their profession fully agreed that global financial crises had a serious impact on the sale of White Good.
- All the sample respondents of Marathwada invested throughout the ten years with few exceptional years like the year of recession 2008-09, in which a majority of respondents did not invest at all.
- A majority of respondents agreed purchasing of White Goods during occasions, and very few respondents invested in White Goods regularly.
• A large number of respondents regularly spend less than a quarter of their income on White Goods.

• Most of the respondents got the news of global financial crises (recession) through television and shop owners.

• An enormous number of respondents agreed that recession were directly responsible for the decline in demand of White Goods during the 2008-09 followed by increased in prices.

• The major factor that forced a majority of respondents to stop buying White Goods during recession was financial crunch.

• Only need and necessity were the factor responsible for the buying behaviour of respondents related to White Goods at the time of Recession.

• Umbrella extra quantity and banners buy2 get 1 free prompted the respondents to invest in White Goods during recession.

• Majority of respondent’s believed that recession was only fear or cyclic effect.

• Near to every dealer agreed that the strategy that worked for attracting customers during the global financial crises were lucky draws, unseasonal discount and complimentary gifts.

• All the dealers of major eight cities of Marathwada agreed that the sale of white goods was overall good with a few exceptions like the year of recession and the succession year.
• The respondent’s dealers unanimously agree that recession had definitely affected the sale of White Goods.

Suggestions:
There is always a scope to avoid problems in circumstances by educating the people. The financial crises could have been controlled or minimized by educating public in case of crises lies upon government and different stake holders.

The only source of reliable information for public in any country is the media. To spread awareness that crises is only a time being bubble and which will evaporate on its own was the core responsibility of media in India and abroad.