Introduction

India was relatively insulated from the events in the global economy over the last few years. India’s GDP grew by 6.1 per cent in 2008-09, as compared to 9 per cent plus growth in the previous few years. This growth was primarily led by government spending and growth in the rural areas. While the impact of the slowdown on overall GDP was limited, private consumption was impacted substantially. Private consumption growth, which was largely tracking GDP growth till before the slowdown, took a significant dip on account of poor consumer confidence.

Exhibit 1.1
In the first few quarters of 2008-09, growth in GDP came down from 9.1 per cent to 8.5 per cent and growth in private consumption went down from 6.1 per cent to 2.9 per cent. This dip significantly impacted the consumer products and retail sectors. Organised retail, which was growing at over 30 per cent year on year in 2005-06 and 2006-07, slowed down to around 16 per cent in 2008-09. With the revival of economic growth from the second quarter of 2009-10 (GDP grew by 7.9 per cent), private consumption growth has returned (grew by 5.6 per cent), on the back on stronger consumer confidence. As a result, growth in organised retail has returned and we estimate the sector to have grown by 21 percent in 2009-10. On the basis of various projections that India’s GDP will grow at over 8 per cent in the coming years, return in consumer confidence and growth in private consumption tracking GDP growth, we expect organised retail to see 30 per cent plus growth in the coming years. This trend is already visible and is substantiated by data in the below table.

Exhibit 1.2
Changes in Private Consumption and Retail Growth

Private consumption in India currently adds up to about `34 lakh crore and accounts for 60 per cent of GDP. With growth in GDP expected at over 8 per cent, inflation expected at 6-7 per cent, and private consumption expected to stay at 60 per cent of GDP, nominal growth in private consumption is expected to be 14-15 per cent. This means a doubling in private consumption in five years time, to reach about `67 trillion by 2015. This provides a very significant opportunity for Indian and international companies to develop and create large business in the consumer products and retail sectors in India.

Exhibit 1.3

<table>
<thead>
<tr>
<th>Categories</th>
<th>Description</th>
<th>Impact of Recession</th>
<th>Product examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Durables</td>
<td>Heavy goods intended to last 3 or more years</td>
<td>Highest impact</td>
<td>Refrigerators, Washing Machines, Automobiles</td>
</tr>
<tr>
<td>Semi-durables</td>
<td>Goods that are neither perishable nor lasting</td>
<td>High impact (dependent on discretionary spends)</td>
<td>Clothing, Furnishing, Home Textiles, etc.</td>
</tr>
<tr>
<td>Non-durables</td>
<td>Goods that do not last for long, so need be continually replaced</td>
<td>Limited impact (due to basic nature of products)</td>
<td>FMCG, Food Products</td>
</tr>
<tr>
<td>Services</td>
<td>Services that are becoming essential</td>
<td>Limited impact (necessity based services)</td>
<td>Healthcare, Education, Telecom, etc.</td>
</tr>
</tbody>
</table>
### Market Statistics: Indian White Goods Market

**Refrigerator Market**  
Market Size : 3.75 mn (Units) . Rs 3781.92 Crore (Value )  
Growth : 7.1% (Units) 10.70% (Value)  
Direct Cool  
Market Size : 2.73 mn (Units) . Rs 2239.83 Crore (Value )  
Growth : 6.19% (Volume) . 7.7% (Value)  
Frost Free  
Market Size : 1.02 mn (Units) . Rs 1542.09 Crore (Value )  
Growth : 9.0% (Volume) . 15.2% (Value)  

**Washing Machine**  
Market Size : 1.67 mn (Units) . Rs 1,46,803 Crore (Value )  
Growth : 6.7% (Volume) . 10.6% (Value)  
Fully Automatic  
Market Size : 0.53 mn (Units) . Rs 727.27 Crore (Value )  
Growth : 18.2% (Volume) . 19.7% (Value)  
Semi Automatic  
Market Size : 1.14 mn (Units) . Rs 739.68 Crore (Value )  
Growth : 3.3% (Volume) . 3.4% (Value)  

**Microwave Oven**  
Market Size : 0.63 (Units) . Rs 472.24 Crore (Value )  
Growth : 49.6% (Volume) . 39.0% (Value)  

**Air Conditioner**  
Market Size : 1.05 mn (Units) . Rs 1998.39 Crore (Value )  
Growth : 51.6% (Volume) . 49.8% (Value)  

*Source Market size according to AC Neilsen as in Jan Dec 2006 : Business World 28 May 2007*

Exhibit 1.4

### Changing Investment Pattern of Indian Consumer

As a country of enormous economic and social contrasts, India offers a complex marketing arena and demands high specificity in the assessment of its market opportunities for various classes of goods. India’s complexity goes beyond sheer numbers: its one-billion people inhabit four climatic zones—from the temperate north to the tropical south, from the parched west to the
inundated east; speak one or more of at least 15 official languages, follow several religious and personal beliefs, differ enormously in their food habits and social customs, and live together under varying states of human development, from the highly affluent to the utterly destitute. Besides internal contrasts, India is culturally different from several other markets including Asian markets for historical and social reasons. Consumer goods marketers find India a very unique market that may defy replication of strategies used successfully in other emerging markets, and must be dealt with on its own terms. In the experience of many transnational companies, dealing with India is like dealing with several small markets, at the same time.

**Demographic Classifications**

India officially classifies its population in five groups, based on annual household income (based on year 1995-96 indices). These groups are: Lower Income; three subgroups of Middle Income; and Higher Income. However, the rupee income classifications by themselves do not present a realistic picture of market potential for a foreign business enterprise, because of significant differences in purchase power parities of various currencies. In fact, the Indian rupee has a very high purchase power parity compared to its international exchange value. For instance, while the exchange rate of one US dollar is 46 rupees, the domestic purchasing power of a US dollar in the US is closer to the purchasing power of six rupees in India, for equivalent needs and
services. As a result, India ranks fifth in the world, on purchase power parity terms, despite being having low per capita notional income (US$ 340 per capita). This inherent feature of the Indian economy is very useful to market planners considering business opportunities in India.

**Consumer Classes:**

Even discounting the purchase power parity factor, income classifications do not serve as an effective indicator of ownership and consumption trends in the economy. Accordingly, the National Council for Applied Economic Research, India’s premier economic research institution, has released an alternative classification system based on consumption indicators, which is more relevant for ascertaining consumption patterns of various classes of goods.

<table>
<thead>
<tr>
<th>Consumer Classes {Annual Income in }</th>
<th>1996</th>
<th>2001</th>
<th>2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Rich ( 215,000 &amp; More)</td>
<td>1.2</td>
<td>2.0</td>
<td>6.2</td>
<td>416%</td>
</tr>
<tr>
<td>The Consuming Class( 45-215,000)</td>
<td>32.5</td>
<td>54.6</td>
<td>90.9</td>
<td>179%</td>
</tr>
<tr>
<td>The Climbers ( 22-45,000)</td>
<td>54.1</td>
<td>71.6</td>
<td>74.1</td>
<td>37%</td>
</tr>
<tr>
<td>The Aspirants( 16-22,000)</td>
<td>44</td>
<td>28.1</td>
<td>15.3</td>
<td>-65%</td>
</tr>
<tr>
<td>The Destitute (Below 16,000)</td>
<td>33</td>
<td>23.4</td>
<td>12.8</td>
<td>-61%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>164.8</td>
<td>180.7</td>
<td>1999.2</td>
<td>21%</td>
</tr>
</tbody>
</table>


Table 1.1

According to the NCAER, there are five classes of consumer households, ranging from the destitute to the highly affluent, which differ considerably in their consumption behaviour and ownership patterns across various categories.
of goods. These classes exist in urban as well as rural households both, and consumption trends may differ significantly between similar income households in urban and rural areas. The target market segments for aspiration and lifestyle goods are the 35 million homes representing the consuming classes and the rich, or some 150 million people. Consumer classifications based on consumption trends reveal the spread of economic development as reflected in ownership patterns of goods and durables and penetration levels of various classes of goods, which differ considerably with income as well as between urban and rural populations, as they relate to lifestyle.

**Socio Economic Classes**

Besides income groupings, Indian households are also categorised by the education and occupation levels of the chief earning member of the household. These groupings are referred to as SEC classes, and are used extensively by market planners of new products in establishing the target market segments for their goods and services. It is interesting to note that in 1997, the population of upper strata consumers (Sec A and B) was estimated to be 5.85 million households, concentrated in 16 Indian cities. The top seven cities Mumbai, Delhi, Chennai, Kolkata, Hyderabad, Ahmedabad Bangalore and consisting of, account for more than 80% of the total population of SEC A and B households. With increasing economic prosperity, this population of
Urban and Rural Trend in Consumer Consumption

Urban consumer consumption: The levels of disposable income reveal the potential for further consumption of goods and services in an economy. Developing economies, expectedly, reveal a higher share of expenditure on essential goods and services than developed countries, where higher disposable incomes generate some demand for lifestyle and leisure-related pursuits. Indians spent close to 53% of their net income on food and beverages alone, 10.1% on essential services (power, rent, water and fuels), 4.7% on clothing, 0.55% on footwear, 4.4% on medical care, and 13.66% on personal transport services. Recreation, education and culture accounted for less than 4% of expenditure.

However, consumption trends have changed structurally in the latter part of the 1990s. Private consumption (at constant prices) has increased by an average 5.8% during 1995-2000, compared with 4% in 1990-1995 and 4.6% in 1985-90. Within product classes too, the changes are interesting compared with 1993-94 (midpoint of the first half of the decade), expenditure shares in 1998-99 show significant changes. Shares of essential goods have come
down: food essentials from 50.4% to 45.68%, clothing from 5.4% to 4.9%, and footwear from 0.7% to 0.63%. On the other hand, shares of lifestyle products and services have risen: transport and communication from 11.26% to 14.51%, medical care and health services from 3.38% to 4.25%, and home goods from 3.05% to 3.25%.

**Geographical Dispersion of Market Potential**

There is considerable variance in economic prosperity levels among various Indian states, linked to the overall wealth creation from agriculture, trade and industrial development. Accordingly, there are affluent and poor districts in most states, classified according to their market potential. At a national level, India has 500 active districts (excluding Jammu and Kashmir), of which the top 150 districts (Class A) account for 78%, while the next 150 (Class B) account for 15% of the national market potential for a wide category of goods. The remaining 200 districts (Class C), which have 40% of the geographical share, are backward and account for only 7% of India’s market potential. The spread of affluent and non-affluent districts is uniform in all the four regions. However, the Eastern, North-eastern and Central regions of India have the largest share of backward districts.
Rural Consumer Consumption:

An important phenomenon in India’s consumer culture is the emergence of the rural market for several basic consumer goods. Three-fourths of India’s population lives in rural areas, and brings one-third of the national income. This rural population is spread all over India, in close to 0.6 million villages. Nearly 45% of rural Indians are literate (men 59%, women 31%), and 33% of all villages (0.21 million) are connected by good roads. In all, there are more than 3.8 million retail outlets in rural India, averaging 5.8 shops per village (the term ‘shop’ refers to any type of premises - huts, stalls, shacks, included-that sell goods). With nine consecutive good monsoons resulting in improved returns from agriculture (which is India’s largest economic sector and accounts for 30% of GDP), spending power in India’s rural areas has increased in recent years. Overall, the 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 India. As a result, it is becoming an important factor in the market development strategies of all FMCG companies, including multinational companies in FMCG as well as consumer durables businesses.

Simultaneously, the increased enrolment in schools and increased reach of mass media, especially television, has generated a wave of rural demand for
several lifestyle and aspiration products. For instance, branded food products grew between 4 and 4.2% last year, while all categories of toiletries and cosmetics (including insect repellents, personal hygiene products like sanitary tissues) grew more than 16% in rural areas. Sales of disposable razors rose by 8%, while sales of razor blades fell by 1%, indicating the aspiration and lifestyle-determined consumption trends in such products.

Rural Market Penetration levels of selected goods

<table>
<thead>
<tr>
<th>Durable</th>
<th>Rural share %</th>
<th>Product</th>
<th>Penetration %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refrigerator</td>
<td>24.30</td>
<td>Coffee</td>
<td>7</td>
</tr>
<tr>
<td>Black and white TV</td>
<td>62.65</td>
<td>Biscuits</td>
<td>60.1</td>
</tr>
<tr>
<td>Washing machine</td>
<td>14.64</td>
<td>Toilet soap</td>
<td>91.6</td>
</tr>
<tr>
<td>Pressure cooker</td>
<td>51.51</td>
<td>Toothpaste</td>
<td>35.6</td>
</tr>
<tr>
<td>Instant Water heater</td>
<td>2.04</td>
<td>Talcum powder</td>
<td>16.4</td>
</tr>
<tr>
<td>Mixer/Grinder</td>
<td>27.43</td>
<td>Hair oil</td>
<td>16.0</td>
</tr>
<tr>
<td>Colour television</td>
<td>28.77</td>
<td>Shampoo</td>
<td>39.8</td>
</tr>
<tr>
<td>Scooter</td>
<td>38.56</td>
<td>Razor blade</td>
<td>47.1</td>
</tr>
<tr>
<td>Motorcycle</td>
<td>47.87</td>
<td>Skin cream</td>
<td>15.5</td>
</tr>
</tbody>
</table>

*Source: National Council for Applied Economic Research (NCAER) year 2008-09

Table 1.2

At the same time, given the total dependence on agriculture output, rural consumers are highly sensitive to price, prefer small consumption packages, and tend to discount intangible benefits and aesthetics to more functional product attributes. This often calls for a segmented marketing mix tailored at specific niches including well-differentiated brands for the rural market, rather than ‘a single-size-fits-all’ approach. India’s rural areas also have a high incidence of weekly floating and assembly markets besides seasonal markets linked to special occasions, festivals, and harvest seasons, etc. Given the lower quality of infrastructure (all weather roads, telecommunications density, organised banking and finance and credit systems) in rural markets,
cost-effective marketing and distribution of goods in rural areas is a continuing challenge in India. The growth of the rural market is considered very important to the overall growth in all essential and basic consumer goods as well as white goods.

Recession & its Origin

The Federal Reserve, the central bank of the United States of America [US] during early 2000, had started reducing its benchmark lending rates to the Commercial Banks operating in America. This made availability of credit easier for the borrowers which in turn resulted in a situation where commercial banks started lending to sub prime borrowers who are known as NINJAs [No Income, No Job and No Assets]. Here, the commercial banks did not bother about the credit worthiness of the subprime borrowers as these loans were pooled together under asset securitization mode. Such securities known as Collateralized Debt Obligations [CDOs] were traded among the banks, financial institutions, Hedge funds and other players in the financial markets. These CDOs were credit rated by leading rating agencies in the US and are insured by Insurers like the American International Group [AIG] using another complex product namely the Credit Default Swaps [CDS]. The availability of easy credit without collaterals led to the boom in housing market such that the value of houses had given the confidence to the sub prime lenders, which encouraged them to lend more and more sub prime loans which means more and more business in the CDOs and CDS markets.
All these came to an end when the NINJAs started defaulting in their loan cum interest repayments. They could not repay the instalments as the Federal Reserve hiked its rates to a higher level in order to cool down the inflationary pressures and housing bubble prevailed during 2006-07 and 2007-08. The bigger names in the Wall Street started filing for bankruptcy one after the other as victims of the subprime contagion [Fannie Mae, Freddie Mac, Lehman Brothers, Washington Mutual. AIG are some of the many victims of SPC]. The coupling theory had spread the subprime effect throughout the globe such that the global Gross Domestic Product growth is estimated to be less than 1% [0.5%] for the FY 2009-2010.

As far as India is concerned, the picture is quite confusing as the GDP growth estimates differ among various official reports. The Central Statistical Organization estimates the GDP growth rate of Indian economy for the FY 2009-2010 at 7.1%, International Monetary Fund estimates the number at 6%, while it is 7.4% by CMIE, RBI’s number is at 6.8% and the estimate by Goldman Sachs and Citigroup foresee the growth rate between 5.5% and 6%. One similarity among all these estimates is that Indian Economy’s growth rate has fallen down from the 9% range to 5.5% - 6% range. The “R” factor is evident for the Indian Economy from its highly fluctuating Index of Industrial Production numbers [Negative in 2 months and fluctuating in the past few months]. In addition to IIP indicators, the top line and bottom line figures of
India Inc for the last 3 quarters are in the declining trend on a year on year basis. [93 out of 500 CNX 500 companies have reported negative Net Profit margin in the December 2008 quarter].

**Organized Retail market of white goods in India:**
Organized retail account for less than 1% of the US$108 billion Indian market, in terms of final consumption value of retail goods. Even in food products, which represent a market size of US$8.7 billion, less than 1.5% is sold in organized retail formats. However, with shopping becoming a convenience as well as an enjoyable experience for India’s supermarket consumers, white goods retailing is fast - becoming an industry by itself, and attracts corporate attention from Indian as well as international players. Retail shelf space is slated to explode from the present level. The above indicators assist in feeling the pulse of India’s white goods consumer psyche and developing the framework to analyse market opportunities for new categories of essential and lifestyle goods.
Market Opportunities in Selected Sectors {Imports/Exports}

India’s home goods can be broadly classified in three classes: home appliances; furniture and lighting, and ceramic and sanitary ware. The total value of the Indian market in these categories is close to US$5.43 billion.

Table 1.3

<table>
<thead>
<tr>
<th>Sector</th>
<th>Indian Market</th>
<th>Import</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Products</td>
<td>$ 6.2 bn.</td>
<td>$0.15bn</td>
<td>$0.35bn</td>
</tr>
<tr>
<td>House hold Goods</td>
<td>$ 5.4bn</td>
<td>$ 0.8bn</td>
<td>$0.17bn</td>
</tr>
<tr>
<td>Personal Products</td>
<td>$16.2bn</td>
<td>$1.72bn</td>
<td>$6.2 bn</td>
</tr>
</tbody>
</table>

*Source the Commercial and Economic Section Embassy of Italy in India 2008

The overall value of the Indian (domestic) market formed by the above table is estimated to be in the region of US$ 27 billion. Personal products are the largest sector of interest to this study, with a sector market value of US$ 16.2 bn, followed by processed foods (US$ 6.2 bn) and household goods (US$ 5.5 bn). The market estimates pertain only to specific products of relevance to the study and do not contain market sizes for essentials like cereals and coarse food grains, which would alter the rankings significantly.

Table 1.4

<table>
<thead>
<tr>
<th>Sector</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Goods</td>
<td>US $ 1.30bn</td>
</tr>
<tr>
<td>Brown Goods</td>
<td>US $ 260mm</td>
</tr>
<tr>
<td>Furniture</td>
<td>US $ 3.25bn</td>
</tr>
<tr>
<td>Lighting</td>
<td>US $ 400mm</td>
</tr>
<tr>
<td>Ceramic &amp; Sanitary Ware</td>
<td>US $ 300mm</td>
</tr>
</tbody>
</table>

*Source the Commercial and Economic Section Embassy of Italy in India 2008
India’s economic liberalization is most visible in the homes of the Indian people, which have seen more white goods entering their doorways in the past five years than in the preceding forty years of independence. In the consumer sector, liberalization has brought about transformation by generating new lifestyle needs, and bringing the latest world-class products to meet those needs. That many of these needs are being met by foreign brands is a reminder the entry barrier that had existed between the Indian market and international manufacturers.

**Major types of Goods in India:** In economics and accounting, a good is a product that can be used to satisfy some desire or need. More narrowly but commonly, a good is a tangible physical product that can be contrasted with a service which is intangible. As such, it is capable of being delivered to a purchaser and involves the transfer of ownership from seller to customer. For example, an apple is a tangible good, as opposed to a haircut, which is an (intangible) service. One usage that preserves the distinction between goods and services by including both is commodity. In microeconomics, a 'good' is often used in this inclusive sense of the word. A good is any object that increases the utility of the consumer/product directly or indirectly. Goods are usually modeled as having diminishing marginal utility. Some things are useful, but not scarce enough to have monetary value, such as the Earth's atmosphere, these are referred to as 'free goods'.
Normal goods is a term that defines the change in demand for different goods and services that takes place when there is some sort of shift in the amount of income available to consumers. While typically this is related to situations where the demand for goods increases when income levels rise, the same general concept can be applied when income levels drop and certain goods actually increase in demand, owing to their lower cost. The basic idea behind this consumer theory is that the amount of income available will have a direct impact on the quantity of specific goods that are sold in the marketplace.

When considering normal goods, it is important to realize that the actual quality of the products in question does not enter into the equation. There is no distinction between inferior goods versus superior goods. The focus is on
the quantity that is moved when income is at a given level, and not with the
relative merits of one product over a similar product.

Understanding the current status of normal goods is helpful in several ways.
First, considering shifts in demand that occur as income levels shift can often
provide insights into how various sectors of the marketplace will be affected
by those shifts. For example, if income levels increase significantly, this may
mean that more consumers will purchase new vehicles, an event that increases
the demand for new vehicle production. At the same time, this shift may mean
that a number of consumers who previously relied on public transportation
will no longer do so, creating a decrease in the demand for those services.

Suppliers and retailers can also utilize data related to normal goods when it
comes to launching new products. If one takes the time to assess the current
consumer priorities as they exist at the present income levels, it is easier to
gauge if a new product will be economically feasible for those consumers,
and if there is a good chance that demand can be sustained over the long term.
From this perspective, understanding normal goods also makes it easier to set
prices at a level that is attractive to consumers, but also likely to generate a
decent profit for the seller. As part of the range of goods known as soft or
nondurable goods, dry goods are products that require no special storage, but
are considered to have a limited shelf life. In general, dry goods are not anticipated to last more than three years.

**Dry goods** are also usually considered to include what is known as sundries. Essentially, sundries are any item that have a limited shelf life, tend to be somewhat small, and require no special type of storage in order to remain useful during that relatively short life. Sundries can include items such as writing paper or most other types of paper products.

In its original usage, dry goods referred to textile products. Many of the old time general stores carried a line of nondurable goods that included bolts of cloth that could be used to create everything from clothing to bed coverings to curtains. In time, ready to wear articles of clothing came to be thought of as dry goods. A general store would be likely to carry work clothing for men, and women’s dresses that were considered appropriate attire for day wear. Along with outer garments, goods of this type also included undergarments as well as sleeping attire for people of all ages and genders.

Today, many larger discount retailers include departments that are dedicated to the sale of various types of dry goods. Where once the general store had a small section that carried towels, bolts of material, and a limited line of ready to wear clothing, modern retailers usually have specific sections or departments for menswear, ladies apparel, bathroom textiles, bedding items,
and general household textiles like draperies, curtains, and tablecloths. Many of the larger discount retailers also maintain a sewing department that carries a wide range of bolts of cloth, allowing people who wish to create their own stylized clothing or household goods using various types of fabric.

A **luxury good** is a good for which demand increases more than proportionally as income rises, and is a contrast to a "necessity good", for which demand is not related to income. Luxury goods are said to have high income elasticity of demand: as people become wealthier, they will buy more and more of the luxury good. This also means, however, that should there be a decline in income its demand will drop. Income elasticity of demand is not constant with respect to income, and may change sign at different levels of income. That is to say, a luxury good may become a normal good or even an inferior good at different income levels, e.g. a wealthy person stops buying increasing numbers of luxury cars for his automobile collection to start collecting airplanes (at such an income level, the luxury car would become an inferior good).

A **Giffen good** is one which people consume more of as price rises, violating the law of demand. In normal situations, as the price of a good rises, the substitution effect causes consumers to purchase less of it and more of substitute goods. In the Giffen good situation, cheaper close substitutes are
not available. Because of the lack of substitutes, the income effect dominates, leading people to buy more of the good, even as its price rises. Evidence for the existence of Giffen goods is limited, but microeconomic mathematical models explain how such a thing could exist. Giffen goods are named after Sir Robert Giffen, who was attributed as the author of this idea by Alfred Marshall in his book Principles of Economics.

For most products, price elasticity of demand is negative (note that, although they are negative, price elasticity’s of demand are often reported as positive numbers; see the mathematical definition for more). In other words, price and quantity demanded pull in opposite directions; if price goes up, then quantity demanded goes down, or vice versa. Giffen goods are an exception to this. Their price elasticity of demand is positive. When price goes up, the quantity demanded also goes up, and vice versa.

**Non-durable goods** are any type of manufactured items that are not intended to last for an extended length of time. While there is some difference of opinion on how long a good can last and still be classified as non-durable, the general consensus is that any good that is not intended to last any longer than three years does fall into this category. Under the broad scope of non-durable goods, there are subclasses, such as perishable goods, semi-durable goods, and soft goods. Within the non-durable goods family, soft goods include most
textile products. Clothing, bedding, towels, and similar items are generally considered to have a useful life of less than three years. While it is certainly true that some of these goods can and do last longer, there is an expectation of constant wear and tear on most forms of textiles, assuming they are used for their intended purposes on a continuing basis.

**Perishable goods** are another sub-category of non-durable goods. Food is easily the best example. Most types of foods, even frozen foods, are designed for use within three years of production. This includes canned goods, fresh produce, any type of meat product, and packages of frozen foods. As with other sub-categories, there are exceptions to this three-year standard, such as foods that are vacuum-packed and considered safe for consumption for up to five years.

**Semi-durable goods** are also part of the non-durable goods family. Of all the sub-categories, goods of this type are expected to last the longest. Items in this group would include many types of electronic devices, like cell phones, stereo equipment, television sets, and most other types of consumer electronic gadgets. Classing products as non-durable goods does not in any way imply they are of inferior quality. In fact, many semi-durable goods are manufactured to provide the highest quality and performance possible with that particular type of product. The classification has more to do with the
anticipated life of the product in general, based on such factors as frequency of usage, ease of maintenance, and the life of the individual components that are used to construct the product.

It is important to note that a number of non-durable goods can and do have a useful life that exceeds the generally accepted three-year limit. For example, a small radio or DVD player can easily last for five to seven years, even though the device is thought of as non-durable. For this reason, referring to any product as non-durable is more of a means of managing industrial organization, since a given non-durable product may last ten years for one consumer, while providing no more than a couple of years of service to a different consumer.

Capital goods are a specialized term which refers to real objects owned by individuals, organizations, or governments to be used in the production of other goods or commodities. Capital goods include factories, machinery, tools, equipment, and various buildings which are used to produce other products for consumption. This term also refers to any material used or consumed to manufacture other goods and services. Capital goods are generally man-made, and do not include natural resources such as land or minerals, or "human capital", the intellectual and physical skills and labor provided by human workers. In most cases, these goods require a substantial
investment on behalf of the company making a product; the purchase of these goods is usually considered a capital expense. Capital goods are important to businesses, because they use these items to make functional goods for the buying public or to provide consumers with a valuable service. As a result, capital goods are sometimes referred to as "producers' goods" or "means of production." The economic term "capital goods" should not be confused with the financial term "capital," which simply means money. An important distinction should also be made between "capital goods" and "consumer goods," which are products directly purchased by consumers for personal or household use.

Capital goods, then, are products which are not produced for immediate consumption. Rather, they are objects that are used to produce other goods and services. These types of goods are important economic factors because they are keys to developing a positive return from manufacturing other products and commodities.

**Home appliances** are electrical/mechanical appliances which accomplish some household functions, such as cooking or cleaning.

Traditionally, home appliances are classified into.

- Major appliances (or "White goods")
• Small appliances (or "Brown goods")

Appliances may be divided into categories called "white goods" and "brown goods" in British English. Appliances may be divided into categories called "small appliances" and "major appliances" in American English.

Brown goods/small appliances are typically small household electrical entertainment appliances such as: CD and DVD players, camcorders, still cameras, clocks, alarm clocks, video game consoles, Wi-Fi and home cinema, telephones and answering machines.

White goods / major appliances comprise major household appliances and may include: air conditioner, dishwasher, clothes dryer, drying cabinet, freezer, refrigerator, kitchen stove, water heater, washing machine, trash compactor, microwave ovens and induction cookers. Some types of brown goods were traditionally finished with or looked like wood or bake lite. This is now rather rare, but the name has stuck, even for goods that are unlikely ever to have been provided in a wooden case (e.g. camcorders). White goods were typically painted or enameled white, and many of them still are. The addition of new items to these categories shows that the categories still serve a purpose in marketing.

This division is also noticeable in the service area of these kinds of products. Brown goods usually require high technical knowledge and skills (which get
more complex with time, such as going from a soldering iron to a hot-air soldering station), while white goods need more practical skills and "brute force" to manipulate the devices and heavy tools required to repair them.

The term white goods or white ware is also used for these items, primarily where British English is spoken, although definitions for the term "white goods" can differ around the globe, but now a day the term white goods is normally used for specifically capital household good and electrical appliances.

**Classification of White Goods in India:**

White goods are household items of two distinctly different groups. Household linens are most commonly referred to as white goods, but the term can also refer to major household appliances, such as the stove and refrigerator, which are often factory-finished in white enamel. It is common to refer to all household linens as white goods, hence the ever-popular department store “White Sale.” Most people are familiar with their favorite department store White Sale. These sales are given the blanket name “White Sale” because they place their inventory of white goods on sale. Originally, household linens such as sheets, towels, tablecloths, and curtains were made of white cotton or linen fabric. Though modern day White Sales do not limit their repertoire of goods to white sheets and other household linens, they have
stuck with the name. White goods can also be the household appliances that accomplish everyday housekeeping tasks, whether active or passive. White goods in this capacity are all the large, typically electrically powered appliances in the home. The refrigerator, stove, washer, dryer, dishwasher, and water heater can all be called white goods. White goods recycling are the proper and environmental disposal of these appliances.

Major appliances may be roughly divided as follows:

- **refrigeration equipment**
  - freezer
  - refrigerator

- **stoves**
  - cooker, also known as range, stove, oven, cooking plate, or cooktop
  - microwave oven

- **washing equipment**
  - washing machine
  - clothes dryer
  - drying cabinet
  - dishwasher

- **miscellaneous**
  - air conditioner
  - water heater
  - trash compactor
**Items Classified As White Goods**

The following items are representative examples of additional appliances which are classified as white goods:

1. Vending machines (refrigerated, heated, no refrigerated and non-heated types – does not include gumball and similar small dispensers).

2. Large floor-model oil, gas and wood fired heaters and fireplace inserts (not small portable space heaters).

3. Trash compactors.

4. Large floor-model humidifiers (not small vaporizers).

5. Water treatment equipment (not small faucet-mounted or under sink filtering devices).

6. Dish sanitizers.

7. Commercial fry cookers.

8. Drinking water coolers.


10. Built-in stove surface units.


12. Floor-model popcorn machines.

13. Hot food bar used to keep food hot.

14. Refrigerated soft ice cream dispensers.
15. Commercial refrigeration equipment manufactured and sold as a self-contained unit.

16. Steam tables used to keep food hot.¹

Major International Appliance brands include such companies as Siemens, Bosch, Hitachi, Toshiba, Fujitsu, Haier, Whirlpool Corporation, GE, Electrolux, Indesit, Fagor, Samsung, Beko, Blomberg, LG, and Fulgor, whereas for India the major home appliances brands include Godrej, Videocon, Wirlpool, Voltas Etc..

In general sense the term “white goods” includes refrigerators ranges, water heaters, freezers, unit air conditioners, washing machines, dishwashers, clothes dryers and other similar domestic and commercial large appliances. There is difference in the definition of the term white goods it may differ accordingly to the different status of the country, but in general mostly everyone agree that those home appliances that are enamel in white are known as white goods.

**Meaning of White Goods:** A major appliance, or domestic appliance, is usually defined as a large machine which accomplishes some routine housekeeping task, which includes purposes such as cooking, food

¹ “North Carolina Department of Revenue, Sales and Use Tax Technical Bulletin”
preservation, or cleaning, whether in a household, institutional, commercial or industrial setting. An appliance is differentiated from a plumbing fixture because it uses an energy input for its operation other than water, generally using electricity or natural gas / propane. An object run by a watermill would also be considered an appliance. The term white goods or white ware is also used for these items, primarily where British English is spoken, although definitions for the term "white goods" can differ. In the United States, the term white goods more commonly refer to linens rather than appliances.

“Dry goods for household use that are typically made of white cloth”

“Large electrical home appliances (refrigerators or washing machines etc.) that are typically finished in white enamel.”

White goods products and their share in the Indian market:

A perceptible harbinger of the economic reform era in India is the white goods segment. The US$ 1.30 bn white goods market is expanding by 8 - 10% a year with a product range covering air conditioners, refrigerators, microwave ovens, washing machines, vacuum cleaners, dryers and freezers, etc. The large brands tend to be present in a wide range of home goods. The more important Indian and international brands in the market are BPL -


comprises six business divisions - consumer electronics, consumer non-durables, components, power, medical electronics and communications. Godrej -GE Appliances - a 60:40 joint venture between the Godrej group and GE of the US. Voltas - a Tata group company manufactures refrigerators and washing machines in the white goods segment Voltas has technical tie-up with Samsung Electronics of Korea for manufacturing washing machines. Its Allwyn brand of refrigerators is manufactured in technical collaboration with Hitachi of Japan. Videocon - a major player in market of washing machines and refrigerators. Electrolux AB, a Swedish white goods major, has finalised a deal with Voltas to buy out the latter's 26% equity stake in their joint venture, Electrolux Voltas. Whirlpool - expanded its sales by 26% in 1999 while the white goods industry grew by a mere 8%. It is the market leader in the refrigerator segment with 24% market shares both in direct - cool and frost-free segments. National Panasonic, which invested over US$. 21.7mn for setting up fresh manufacturing facilities for washing machines and air conditioners. BSH of Germany, Europe's largest white goods manufacturer has since remained confined to southern and western Indian markets. Samsung and LG have set up 100% subsidiaries in the name of Samsung India Electronics Ltd, and LG Electronics India Pvt. Ltd.
**Washing Machines**

The overall market for washing machines is estimated to be over 1.2 million units. Semi-automatic machines form the bulk of the business, with a share of 64%, and are priced at the lower end. Top loading models are more popular than front loading models in India. Fully automatic machines make up a market of some 360,000 units (around 30% of the total market). The premium washing machines, on the other hand, are estimated to constitute only 6% of the market. The urban market accounts for 82% of the market. Leading Players in the segment are: Bosch, BPL, Videocon, and Whirlpool. IFB with a share of over 22 to 24% is the leader followed by BPL (20 to 22%), Videocon and Whirlpool (both at over 16 to 18%). Other brands, such as Godrej - GE,
Electrolux, LG, Daewoo and Samsung have small shares below 5% each. The others make up for some over 20% share.

History of Washing machine in India:

The earliest record of washing machines was in 1691 when a washing machine appeared in an English patent although it's not known if it was ever actually built. Three other machines are found on record in the 1700s although no information on their actual use can be found. These were in the forms of a drawing in The Gentleman's Magazine in England in 1752, Jacob Schaffer in 1967 had a design published and in 1782 a patent for a revolving drum machine was given to Englishman Henry Sidgier. Although technically not a machine the scrub board is credited as being the first washing machine on record dating back to 1797 which was used and can still be found in use today. In the 1800s the main contributions towards advancing the design of washing machines were James King's introduction of the first drum type machine in 1851 which looked slightly more like today's machines. Hamilton Smith got the rotary washing machine patented in 1858 and this was one of over 2000 patents that were recorded by the end of the 1800s. The majority of these never worked with some very odd contraptions being invented one such device was a machine powered by 12 donkeys that could wash a dozen items at a time. The biggest success was in 1874 when Mrs. Blackstone got the ultimate birthday gift when her husband presented her with a washing
machine that he had designed and built himself. Her husband William Blackstone an Indiana corn machine manufacturer found it worked so well that many people wanted to buy it and you started to produce and sell the machine. It was a success and within 5 years he had moved to New York and opened a factory which is stills their today.

Washing Machines demand in India is increasing with the changing status of women. It is now one of the basic utilities at home. Most of the women in India are working so there is less time left with them to do this drudgery work with hands. These types of appliances really help her a lot by providing swift to the work. The leading names in the sector of washing machines in India have really lowered the prices of their product thus increasing the sale of washing machines in India. Their sale further increases during the festival seasons as different companies offer discount rates and gifts along with washing machines and some of the best deals can be made. From a very crude look in
the beginning it has transformed into very stylish one. Now it ranges from washing machine to washer dryers with front loading, top loading etc. In earlier times market for washing machines in India was not very lucrative. But with the introduction of the Japanese product in the country this sector has got boost. Videocon introduced India's first washing machine in 1988 in collaboration with Matsushita Electric Industrial Co. Ltd, Japan. Now there are many brands operating at present in India covering almost all the segments of the society.

Refrigerators

Among consumer durables, the refrigerator ranks only next to a TV and a grinder in Indian middle class homes. Therefore, the companies are looking forward to penetrate wider and deeper into Indian market. The market for refrigerators in 1999 was estimated at more than 3 million units. The home market represents 85% of the demand, and urban homes account for 78% of refrigerator sales. By capacity, the market is dominated by 165-litre capacity,
which accounts for 75% of volumes. However, the emerging trend is in favour of larger sizes, between 200 and 300 litres, and advanced features especially frost-free. Replacement demand has increased with the introduction of such features. Frost-free models account for 15 to 20% of the market at present, within a few years of introduction. In the direct cool segment, Godrej-GE and Electrolux (formerly Kelvinator) run neck-to-neck, and together, account for 50% of the market. In the frost-free refrigerator segment, the Indian major BPL constituting 30% of the segment leads the market, closely followed by Godrej - GE at 20% and Whirlpool at19%. New entrants LG and Samsung have attractive shares close to 10% each.
History of Refrigerator in India:

Godrej pioneered the refrigerator industry in India in 1958 – in fact, it was the first Indian company to manufacture refrigerators. Over the next few decades, the company garnered a lion's share of the market on the back of its demonstrable reliability and performance.

Supported by a philosophy of innovation, Godrej launched refrigerators with Poly Urethane Foam (PUF) in 1989, which went on to become an industry benchmark. Market expansion and competition from foreign brands in the 1990s only helped to invigorate it and once again brought to the fore its pioneering spirit. Godrej Refrigerators met these challenges with its own product development. In 1996, it unveiled the first-of-its kind refrigerator model in India, the 260-litre deep door refrigerator; it followed this in 1998 with the roll out of a 400-litre refrigerator in the frost-free range. This was, at the time, the largest refrigerator ever to be manufactured in India. Godrej raised the bar yet again in 2001 with the launch of the all-new Pentacool range. With its 5-side cooling; these refrigerators were generations ahead of several brands in technology. The spate of innovations continued with the
launch of Godrej Eon in 2006 – once again setting new benchmarks in the cooling space. Having more than held its own against global competition the company is today, set to accelerate its growth by catering to the needs of the young Indians with its promise of brighter living. It is basing its success on the strength of the fact that no one knows the Indian consumer better than Godrej and no one can, therefore, make products that truly touch their hearts and souls.

**Air Conditioners**

India’s air conditioner market is estimated close to 300,000 units, valued at US$0.32 billion. The market remained largely in the hands of unorganized
assemblers, due to their preferential status: they were exempt from the 100% excise duties (VAT) levied on the product, which was held to be a luxury good. The reduction in excise duties, from 110% in 1991 to 40% in 1996 and further to 30% in 1997, has helped in bridging the price gap between the organised and informal sectors.

The big branded players seem to have succeeded in making deep in roads into the unorganised segment of the US$0.32 bn market AC market. The emerging trends indicate that the unorganised sector’s market share could come down to a mere 30% in the near future. According to industry estimates, the air conditioner market touched 390,000 units in 2000-01 as against 300,000 units in 1999 - 2000, suggesting a 30% growth rate. Corporate and industrial customers account for 55%, while government account for another 20% of the market. Penetration of split units is higher in these segments, close to 15%.

The North and West are the principal consumption regions, accounting for 72% of the demand. The Indian air conditioners market is predominantly for window-mounted room air conditioners, accounting for 65% of the market value and 81% of volumes. The recently introduced ‘split’ air conditioners have 18% by value and 13% by volume of the market. Carrier is the market leader in the unitary product segment with 30% market share in the window AC and mini-split market. Other international brands include National, LG,
Samsung, Mitsubishi and Hitachi, while the major Indian players are Voltas, Videocon and BPL.

**Vacuum Cleaners** In keeping with the changes in general life styles of urban middle class, vacuum cleaners are yet another product that finds an increasing acceptability in India. The overall market was placed at around 270,000 units in 1998, and growing at 20% annually.

Eureka Forbes, an Indian company, under licence from Electrolux pioneered the vacuum cleaner’s entry into the Indian household through its door-to-door marketing campaigns, and was the market leader for a long time. Following the success of Eureka Forbes, other brands have entered the segment. Important competitors are Indian white goods major, BPL (Sanyo), Rowenta and Maytag Corp of US (Hoover), all focusing on the home market, and Diversey Lever, which is targeting heavy-duty vacuum cleaners for industrial and commercial usage.
Brown goods and home appliances:

Brown goods- electric irons, toasters and, and other domestic appliances are indicators of the changing consumer scenario. The major international players in the sector are Philips, Rowenta, Moulinex, Black & Decker, and Sheffield,

While several Indian players have a serious presence in some categories. Until recently, several classes of home appliances were reserved for small-scale enterprises, resulting in functional but technologically poor products, in general. Until recently, most brown goods - electric irons, toasters, mixers, room heaters, and ovens - were reserved for the small-scale sector. Given the reservation constraints, most brands were sourcing their products from smaller units, sometimes launching identical products, too. However, even after de-reservation, the unorganised sector has a 50% share of the market. Reliable production data is not available on these products due to the dominant role of the unorganized sector. However, some indications of
market volumes are available. The total market is estimated to be US$0.26 billion, growing at 12-14%. Mixer/grinders are the most important group, with a market value of Rs 4 billion. It is estimated that nearly 5 million mixer/grinder/juicers and 75,000 food processors are sold every year in India. Toaster/grills, electric irons, rice cookers and water heaters have substantial volume sales, but are a low value group, accounting for US$ 0.02 billion sales together. The gift market is fairly strong as a cultural phenomenon in these low-value brown goods, as they make excellent festival or house-warming gifts. The most interesting development in recent times has been the emergence of the microwave as a convenient and versatile home appliance, given its combination properties of cooking, heating and warming. The microwave market is estimated to be touching a level of 100,000 units, with a market value of US$ 0.028 billion. LG, Bosch, Sanyo, Panasonic and Samsung are serious players in the segment. The size of kitchenware market, including pressure cookers, pans, electric cookers, and
non-stick wares, is estimated at over `1.3 billion. The largest segments are pressure cookers with 5 million units, non-sticking cookware with 5 million pieces, and thermo ware casseroles, with 3 million pieces. The market is ruled by Indian brands in all the three categories. The European company Group SEB, the global leader in the non-stick kitchenware, entered the market in 1996 and was active in the domestic market for three years, promoting its Tefal brand non-stick cookware products, but has withdrawn from India, due to the competitive pricing of domestic competitors.

**Major Players of White Goods**

Inalsa Appliances and Sumeet, both Indian brands, are major players in mixers, although they have added new products including pressure steam irons, toasters and pressure cookers. Bajaj Electricals, a joint venture with Black & Decker, is another major player in electric irons, heaters and ovens. Philips is the market leader in the electrical iron segment with 65% share. LG Electronics is the market leader in microwave ovens, with a 23% market share, followed by Samsung with 12% market share. Laminox, and
DeLonghie, two leading Italian brands, are present in the heat radiators segment; DeLonghie has a joint venture in India for home goods. Faker Heathcraft, a joint venture of Italian manufacturer Faker Raber Flamiria, has plans to launch a set of cooking ranges, electric chimneys and gas bobs shortly, aiming to sell about 30000 pieces.

The major players in non-stick cookware are Nirlep (30%), TTK Prestige (20%), Milton Plastics, and Classic Cookware. TTK, Hawkins and Elite are major players in the hard-anodised cookware category. In the pressure cooker segment, Hawkins and TTK, two Indian brands, are leaders, with market shares of 30-35% each. Both brands are successful in the international market, especially in the US, where they are sold through the large retail chains like Sears Roebuck.