

Classifications of consumer durables marketing essay



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The consumer durable market is mostly defined by hard goods , often termed as durable as their expected life span is at least three years. Driven by huge middle class population of India with access to disposable income and various easy finance options, the consumer market is riding the top of the country's economic boom. The major target for consumer durable product is the growing middle class of India. The Indian companies compete based on the firm grip of the local market, their well-recognized brands, and hold over a broad distribution network whereas multinational companies are putting forward most advanced technology to the consumers.

2. 2 Segmentation of the Consumer Durables Industry:

The consumer durables industry can be categorized into mainly three segments: consumer appliances (Television, refrigerator etc.), consumer electronics (Mobile phones, DVD players) and others (wristwatches, shoes etc.). Consumer Appliances can be further classified into white goods and brown goods. The product lines under each segment are as follows:

Consumer durables

Consumer electronics

Consumer appliances

Others like watches, jewelry

Brown goods

White goods

Mobile phones

Fig. 2. 1 classifications of consumer durables (source)

2. 2 Overview of India's consumer durable market

The annual growth rate of urban consumer durable market is 9-12 percent where as the rural consumer durable market has a sharp growth rate of 30 percent annually, expeted it will reach up to 40 percent in FY12. This is an immense opportunity ahead for the Indian arm of the world's fastest growing industry, which has not been able to achieve its full potential. Electronics manufacturing in India has been hindered by a lack of policy uniformity at central, state, and regional levels; an import duty structure wherein it is cheaper to import the finished product than to manufacture in India; poor infrastructure and logistical difficulty; and inadequate attention to research and development. Indigenously developed products, created with an understanding of domestic requirements, can contribute significantly to growth and profitability. The consumer durables industry is highly capital intensive. Tough competition further delays the break-even for the company and often the projects are closed before reaching stability. In India, many companies were merged or acquired by consumer durables giants in the past few years. Brand promotion via commercial advertisements, festive discounts, exchange offers, etc. have been implemented by almost all players from time to time. Companies have opened their exclusive outlets to enhance brand loyalty among the consumers. There has been a significant transformation in the Indian consumer durables industry since past two decades and it is yet to see more. The rate of this change is expected to

increase more rapidly in the near future. Apparently saturated, the Indian consumer durables market has potential to attract more players with innovated technology and the exit of the obsolete ones.

Reason behind selection

Organizations are continuously facing new equations in their operating environment in every direction (Bettis & Hitt, 1995). Complex competitive status, vulnerable demand forecast, varying consumer preference, the existence of too many brands, the changing attitude of channel intermediaries, shortening of the product Lifecycle, (Hammer, 1997) is making marketing decisions extremely difficult and risky. Here we feel the need of multidimensional analysis of a particular field.

The consumer durable industry represents durable goods for domestic use such as televisions, air conditioners , refrigerators, and washing machines. This category also includes instruments such as kitchen appliances like microwave ovens, grinders etc . The Indian consumer durables industry, potential to grow is expected to reach Rs. 52, 000 billion by 2015 according to ASSOCHAM. Following this huge opportunity in the consumer durable market , marketers require a more thorough understanding of consumer behavior that provide a basis for making better strategic decisions about the target market and product positioning. It also gives them the right orientations in taking decisions like a new product launch. The level of consumer's satisfaction provides the base for brand loyalty and scope for repeat purchase that lead to optimum profitability. Consumers' buying behavior is different and situational. For consumer durables, such behavior got different dimensions. A firms key asset to enhance market productivity is <https://assignbuster.com/classifications-of-consumer-durables-marketing-essay/>

brand knowledge created in consumer's mind through the marketing programs executed previously. To make the present study simple as well as informative, main three segments (mentioned in figure 2. 1) are used to represent the consumer durables industry.

2. 4. Growth scenario in consumer durable industry

Indian crowd officially is classified into 5 groups based on annual net family income(as per year 1995-96 indices) . Those are higher income, lower income and middle income which again have three sub categories. Increase in demand is a result of increase in income of the people and increase in discretionary income too (Arora, 1995). Gross family income of the residents of the top 20 cities is forecast to increase by 10 percent annually over next 10 years, that is clearly indicating a higher chance of a significant growth on spending on durable products. With the innovation of concepts like pre approved easy loans; EMI options ; loan on credit cards; loans through phone banking made it easy to afford expensive durable products to the Indian consumers. Moreover, an inclination towards using their income for more comforts and facilities is also developing among Indian consumers. Intense competition among the marketers of consumer durables (Sontaki, 1999) and the increasing awareness of consumers about their own needs is making a major difference in the marketing of consumer durables (Kumar, 1998). India, with its huge middle- class population and speedy economic growth, is one of the largest spenders in consumer durables in Asia. During FY 03-10, the industry expanded at a CAGR of 11. 7 per cent. The consumer durables market recorded revenues of USD 6. 3 billion in FY10.

2. 5. Opportunities in consumer durable industry

1) Growing Disposable Income:

The demand for consumer durables has been increasing with the growth in disposable income and transition of consumers falling into the category of families with a double income source. Also, the growing Indian middle-class plays a major role in increasing the demand. This, along with a fall in the prices of durable goods mainly due to the advancement of technology, easy import of components has led to an increase in the consumption expenditure on durable goods.

2) Easy-availability of consumer financing:

Apart from steady growth in income of consumers, aggressive marketing of retailers through easy financing by partnering with banks has become a major driver in the consumer durables industry especially in the case of more expensive consumer goods, such as television , washing machines , mobiles, refrigerators, and personal computers. The easy-availability of consumer financing is beneficial mainly for the lower and middle income group, especially when the cost of capital and flexibility of the scheme is in their favor.

3) Existing Potential in Rural Markets:

Growth is coming in a big way from the smaller towns and rural markets and is expected to be the next growth opportunity for the consumer durables market. In the last year ~30-35% of the total sales of consumer durables were from the rural market. This is expected to grow by 40-45% in the near
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future. Mainly due to the growing economy and affordability the rural durables market has been growing by ~30% annually . Products like mobile phones, televisions and music systems are the ones which have witnessed high growth among the rural market. To further cater to this market many manufacturers have started using local languages while offering products to the rural crowd.

4) Increasing share of Organized Retail:

For the last couple of years there has been an increasing shift towards organized retail (brands) from the unorganized (Unbranded) products. With rising income and purchasing power, and the younger generation preferring branded products, the share of organized shopping is increasing. Shopping in malls is considered more of an experience these days. According to estimates, organized retail which constituted ~4% of the total buying till 2010, is expected to grow to over 10% by 2013.

5) Entertainment and Media to boost growth:

Recent report published by KPMG shows Indian Media and Entertainment (M &E) industry achieved a growth rate of 11 % and projected a growth rate of 13% in 2011 and 14% in 2012 . The television segment of the consumer durables industry sees high growth coming from high-end flat panel TV, LCD TVs and Plasma TVs. All of these were expected to register a 100%+ growth in the last year. Hence, the growing importance of entertainment and media on our lifestyles is expected to boost the demand for products like Plasma TVs , LCDs, DVD Players.

6) Consumer Preferences:

Consumers purchase goods by looking at the brand, pricing, and discount schemes available at the time of buying. The following are important growth drivers for the consumer durables industry:

Availability of new and innovative products - A company that upgrades its technology and comes out with new and innovative products catches the attention of consumers. Especially in the consumer electronics segment, manufacturers have to make sure they are updated with the latest technology that has entered the market. For the higher income groups the brand, technology and the product features play an important role

Pricing of the products - For the lower and middle-income groups, price is the deciding factor especially in a price-sensitive industry like consumer durables.

People consider it auspicious to purchase goods like LCDs, Televisions, Washing Machines, etc during festivals like Diwali, Gudi Padwa, etc. **Festive discount schemes** - The sales of many consumer durables goods are driven by festive discounts.

With easy availability of finance, fall in prices due to increased competition, the growth of media . The consumer durables industry needs to constantly focus on innovation and needs to come out with product variations across categories to meet the different expectations of a varied class of customers.

As per a working paper of Indian Council for Research on International

Economic Relations (ICRIER) organized retail is about to grow at a sharp rate
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of 45-50% annually and quadruple its market share in retail sector capturing 16% in the total retail pie. Hence, we can say that the consumer durables sector is expected to grow with a good growth rate and have a bright future.

2. 5. 1. Brand extensions opportunities in consumer durable market

In the fiercely competitive consumer markets, it is necessary to differentiate one's products. Products' physical characteristics might be relatively easy to copy so something else is needed. It is brands that give them the differentiating personality, says Tridibesh Bandopadhyay, professor of marketing at United World Business Schools. A powerful brand is one that has high name awareness, loyalty and perceived quality. A powerful brand carries high brand equity, allows a company to protect itself against price competition as well as demand instability. A powerful brand, can its associated brand equity. Brand extension is just that process of leveraging brand equity across a number of product areas as well as markets. An Indian brand like Wipro, associated with the growth of Wipro Systems, for engineering products like hydraulic cylinders for construction machinery, has extended their brands of medical equipment, lighting and computer hardware and software. Similarly, Mahindra & Mahindra, the trusted automobile manufacturer has succeeded in building the Scorpio brand, associated with a rough-and-tough driver image. It extended the Scorpio brand to lifestyle merchandise with the slogan " Scorpio Spells- Nothing Else Will Do". The range of accessories includes Polo neck & Round neck T shirts, coffee tumblers, stylized key chains, stylized caps, and miniature Scorpio model toy cars - all playing to the rough-and-tough driver image. Tata Other

global auto majors like Audi and Mercedes have extended their brands to bicycles, clothing and other forms of merchandise.

In the U. S. market in 2005, only 5% of new food and household products were new brands, ten years ago this number was 20%. One factor that is driving brand extensions is the desire of mass retailers such as Wal-Mart to limit shelf space for new brands. These retailers' strong preference is to stock well-established brands rather than take a chance on an unknown name (Wall St. Journal, July 6, 2006).

Market research agency, IMRB, has recently reported that Indian consumer goods companies have resorted to brand and product line extension for launching new products in a more cost effective way (FEB 2009). Several multinational industries have increased their domestic market share to take this opportunity . Success in the long-term will require firms to develop a wide and robust distribution network, differentiate their products in areas of relevance to the consumer and innovate in the areas of product, promotion, financing, etc. It will be interesting to observe the strategy opted by the consumer durables industries to sustain growth in the context of the above mentioned scenario.