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A study of varying tendency of the populace & its impact on home appliances market

Prof. Nisha S Tatkar - Assistant Professor
Sasmira's Institute of Management Studies and Research, Mumbai

Abstract: *The home appliances market in India will see a significant growth due to lower penetration, increasing incomes, and growing urbanization. Also, the number of middle class households (earning between INR2 lakh and INR10 lakh a year) will increase more than fourfold nationwide from 32 million to 147 million in 2030.*
According to a McKinsey Global Institute (MGI) 2010 report, India's fast growing cities will drive a near fourfold increase in the country's per capita income between 2008 and 2030.
With the rising disposable income (per capita disposable income of the urban segment is expected to grow at a CAGR of 6.4% between 2008 and 2030), consumer's discretionary expenditure is also likely to increase significantly.
Going forward, rising disposable income would provide more room for expenditure in discretionary items. According to PwC-Ficci, the discretionary spend as a proportion of total spend is expected to improve by ~10% by the end of 2019-20. We believe the demand for appliances will be driven by rising disposable incomes.
Globally, the demand for kitchen appliances has been increasing over last decades, predominantly due to the rising per capita income and busier lifestyle of consumers. With strong economic growth and increasing employment opportunities in India, the country's kitchen appliance market is witnessing continuing growth. Expanding working class, especially working women, increasing nuclear families coupled with busy lifestyles are among the major factors supporting the growth of kitchen appliance market in the country. Super markets, convince stores and hyper markets are emerging as the key point-of-sale offering a wide range of kitchen appliances of various major appliance manufacturing in India.
This paper concentrates on how the kitchen appliances company will work to sharpen the financial returns by riding on the opportunities available with increasing disposable income through growing per capita income. It will be an empirical study based on the secondary data for fact finding.
Keywords: *Kitchen appliance, economic growth, disposable income*

I. Introduction:

With strong economic growth and increasing employment opportunities in India, the country's kitchen appliance market is witnessing continuing growth. Expanding working class, especially working women, increasing nuclear families coupled with busy lifestyles are among the major factors supporting the growth of kitchen appliance market in the country. Super markets, convince stores and hyper markets are emerging as the key point-of-sale offering a wide range of kitchen appliances of various major appliance manufacturing in India.

According to a recently published report by Tech Sci Research "**India Kitchen Appliances Market Forecast & Opportunities, 2019**", the kitchen appliances market in India is projected to grow at a CAGR of more than 25% during 2014-19. India has a large base of young consumers who form majority of the workforce and hardly find time for traditional cooking due to their busy schedules, thereby creating huge demand for western kitchen appliances that facilitate easy and quick cooking.

Objectives:

- To analyze how Favorable demographics support strong growth for branded kitchenware
- To underline the largest product portfolio and highest number of innovations are the strong drivers for the growth in kitchen appliance industry.
- To understand how International alliances contributes for the future growth in kitchen appliance industry.
- To identify Kitchenware industry moving from 'being functional' to 'being fashionable'

II. Literature Review:

"Retail chains such as Big Bazar, Easyday, Croma, Relaince Digital, etc. are significantly contributing towards increasing the product awareness among consumers, thereby boosting the demand for kitchen appliances in India. However, such chains are not currently present in semi-urban and rural pockets of the country. To overcome this issue, various retail majors are focusing on expanding their reach in rural areas over the coming years, which is expected to drive the kitchen appliances market until 2019." said Ms. Varsha Singh, Research Consultant with TechSci Research, a research based global management consulting firm. Major players currently operating in the Indian kitchen appliances market include Glen, TTK Prestige, Bajaj Electricals, LG, Samsung, Inalsa, IFB, Panasonic, Phillips, etc.

"**India Kitchen Appliances Market Forecast & Opportunities, 2019**" has evaluated the future growth potential of India's kitchen appliances market and provides statistics and information on market structure, consumer behavior trends, market projections and demand forecasting. The report is intended to provide cutting-edge market intelligence and help decision makers to take sound investment evaluation. Besides, the report also identifies and analyzes the emerging trends along with essential drivers, challenges and opportunities in kitchen appliances market in India.

III. Finding & Analysis

Drivers To The Growth Of Kitchen Appliance Industry

Disposable Income	
2005	113744
2010	147255
2015	190639

The disposable income of consumers has show an upward trend which is therefore enhancing the growth of domestic kitchen industry.

Discretionary Spending and Necessity Spending

	1995	2005	2015
Food, beverages tobacco	56%	40%	34%
Apparel	5%	6%	5%
Housing & utilities	14%	12%	12%
Household products	2%	3%	4%
Personal product & services	4%	8%	9%
Transportation	11%	17%	19%
Communication	3%	2%	3%
Education	1%	5%	6%
Healthcare	4%	7%	9%
(Blue discretionary spending)			
Total of Discretionary Spending	25%	28%	50%

Discretionary spending has increased from 25 % in 1995 to 50% in 2015 and is expected to further rise in the future.

Female Working Population Chart
(MC Kinsey Global Institute)

	2005	2011	2015	2025
Total Population (in cr.)	**112**	**121**	**125**	**140**
(%) Employed Population	63%		66%	68%
Employed Population (in cr.)	**70.56**		**82.5**	**95.2**
(%) Female Working Population	2		30%	40%*(assumption)
Female Working Population (in cr.)			**24.75**	**38.08**

Consuming class expected to expand from 50% currently to 85% over FY 10-30

Income division	2000	2010	2020	2030
Deprived (<0.9 lk)	64%	50%	26%	15%
Aspirers (0.9-2 lk)	31%	34%	40%	32%
Seekers (2-5 lk)	4%	12%	25%	29%
Strivers (5-10 lk)	1%	2%	6%	17%
Globals (>10 lk)	0%	2%	3%	7%

- Increasing Income level has lead to the Increase in the Purchasing Power which therefore has given rise to the growth of Kitchen Appliance Industry
- Shift from joint to nuclear (average household size 5.3 1991 declined to 4.9 in 2011)
- Rapid urbanization (increased from 28.2% in 2001 to 31.2% in 2011,26% in 1991)
- Rise in working couples (female participation in organized sector has risen from 17.8% in 2001 to 19.9% in 2009)
- The modular kitchen market in India is currently growing over 30% a year.
- Increase in the female working population will also drive growth for the kitchen appliance industry.
- Rise in per capita income of middle class Indian households will lead to consumer upgrading to branded products.
- Higher Growth (2530% pa) in under penetrated rural market will help to drive over al growth momentum.
- Increasing affordability and improving educational level will lead to reducing replacement cycle to 2-3 years for small appliances.
- We believe the demand for appliances will be driven by rising disposable income.

- Urbanization, Fast Growing middle class, rising number of nuclear families in India Coupled with higher

Urban population

	1991	2001	2008
Total population (mn)	856	1040	1156
Urban population	26%	28%	30%

disposable incomes sets the stage for a long term structural industry growth opportunity. We expect this to further expand the consumption pie. Further, the share of women in workforce is also growing which implies the need for more efficient and safe cooking appliances and kitchen ware.

- This will be significant growth catalysts, as the shift in preference for branded products leads to faster replacement cycle. Also, housing growth and modernization of kitchen leads to the demand for fashionable kitchen products, from an earlier consumer perception of "more functional" products.
- We believe consumers will up-trade from unbranded products to branded even in Kitchen products categories.
- In the Pressure Cooker segment consumers will up-trade driven by need of safety, efficiency of products and innovation. While in the Cookware and Appliances categories, quality and brand perception will be an important factor for up-trade.

Modular Kitchen to be the growth driver

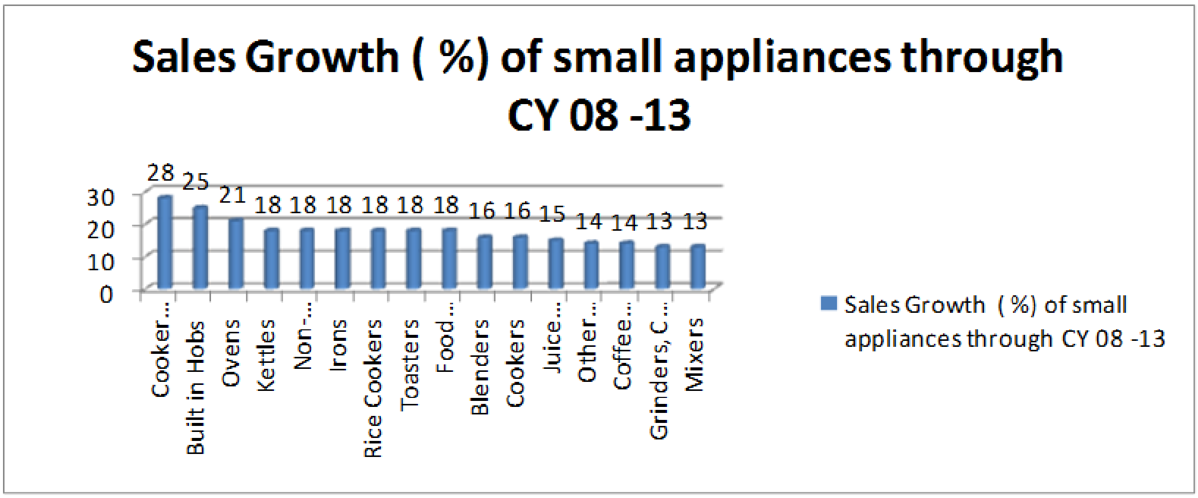
Only 1% of the total homes are equipped with modular kitchen so there is further scope for penetration in the market.

Consumer good penetration (2015)

	Urban	Rural
Fans	89%	48%
TV	56%	19%
Refrigerator	46%	19%
2- wheelers	34%	8%
Cars	12%	3%
Kitchenware Products	**40%**	**25%**

- There is a high scope for further Penetration in Kitchenware Products in Urban and Rural markets both.

- The disposable income of consumers has show an upward trend which is therefore enhancing the growth of domestic kitchen industry.



Small appliances have interestingly grown faster than large ones, due to low penetration, bundling of products, schemes and innovative marketing incumbents.

- Industry sales CAGR through CY08-13 at 13 – 28%.
- LPG Connections are increasing.

LPG connections	2006	2007	2008	2009	2010	2011	2012	2013
in mn	89	95	102	107	116	127	133	150

- Also Pressure Cookers reduce the usage LPG gas.
- LPG penetration is low at 20% rural market,88% urban market.

	Market size	Realization per piece	Organized/Unorganized	Key players
LPG	Rs 25 bn (17mn pieces p.a)	Rs.1470	40%/60%	Butterfly Gandhimati, Sun flame, TTK prestige
Pressure cooker	Rs 17bn (20mn pieces p.a)	Rs.850	60%/40%	TTk Prestige, Hawkins
Mixer Grinder	Rs 16bn (4.8mn pieces p.a)	Rs.3300	70%/30%	Preeti, Bajaj Electric, Philips
Induction Cook top	Rs. 12 bn (5 mn pieces p.a)	Rs.2400	-	TTK, Bajaj Electric, Preethi
Table top grinder	Rs 2 bn		70%/30%	Butterfly Gandhimati, Elgi, Ultra

- The Kitchen Appliances and cookware industry in India is fragmented across smaller categories and also in terms of number of players. The share of unorganized players is estimated at 40 to 50 % in FY14, which has continued to decline over years.
- Consumer preferences have increasingly shifted to more reliable , safe and better functional products. TTK is poised to benefit significantly from this trend due to its large product range , market leadership and dominance in large categories coupled with sustained investment in brand building and advertisement.

IV. Conclusion:

Various changes in demographics like (1) shift from joint to nuclear families (average household size has declined from 5.5 in 1991 to 4.9 in 2011), (2) rapid urbanization (increased from 28.2% in 2001 to 31.2% in 2011, but still much below the world average), and (3) rise in working couples (female participation in organized sector has risen from 17.8% in 2001 to 19.9% in 2009) are increasing the number of households, and more importantly, creating a need for convenience. A decline in available cooking time has increased demand for efficient (like pressure cookers and other kitchen electrical appliances), innovative (like microwave pressure cookers) and quality (like nonstick cookware) kitchenware.

With rising affluence and aspiration levels, consumers are willing to pay a premium for branded kitchenware, which offers assurance of quality and a reliable service network. Also, kitchens are rapidly changing from being functional to being fashionable. Consumers are increasingly spending time and resources to build convenient, organized and fashionable kitchens. Growing usage of modular kitchens points to consumers' increasing interest in making kitchens lifestyle statements. While most of the demand is from upper middle class urban households, middle class families (even in tier-II/III cities) are also adding to demand. Consumers are spending not just on furniture and modular kitchens, but also on branded kitchenware.