

Headline: The race for 'cool' just got better

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The race for 'cool' just got better

Air-conditioner and refrigerator makers are gearing up to tap the market with products that are innovative, have star-ratings and are high on aesthetics.

When Haji Akbar Ali, a jewellery businessman from a small mofussil town near Kozhikode was scouting around for a new air-conditioner and refrigerator to replace the old ones (that were in good condition), his wife had a big say in the matter. The usually reticent purdah-clad housewife wanted something that would impress her Dubai-based son-in-law and also help her upgrade to a better model. They finally settled on an AC and refrigerator that promised to cleanse the air of harmful viruses, were star-rated and even matched their interiors, thanks to interchangeable panels.

Y. V. Verma, Chief Operating Officer, LG Electronics India, notes that each month the company is adding a slew of such customers seeking to replace durables in perfect running condition with the latest models in the market. Unthinkable even a decade ago!

Verma attributes this to a growing Indian consumer base with higher disposable incomes, improved lifestyles and the desire for products that pack in performance with aesthetics. "Indian consumers are not price-conscious but value-conscious. The replacement cycle has fallen from 9-10 years to four-five years. Eighty per cent of the AC market is in favour of split ACs. Similarly, we see demand for large frost-free refrigerators. Sales of our premium range of refrigerators are growing in double digits," he adds.

For the current season, the company targets a turnover of Rs 4,000 crore from refrigerators and Rs 3,500 crore from ACs.

Recently, LG introduced its premium-end 'wonder door' refrigerator. Price: Rs 1.77 lakh. Verma says India is the second market after Korea where LG has launched its premium range.

Manufacturers across the board are whetting the appetite of consumers looking to upgrade with a massive range of products. As for aesthetics, bolder colours such as maroons, pinks, copper, gold and metallic shades are replacing whites and greys. And the accompanying mass media blitz is ensuring that consumers are being informed and educated on brands and their performance.

ADVERTISING SPEND AT A HIGH

The ad spends of most manufacturers too are at an all-time high. According to AdEx, a division of TAM media research, print advertising for cooling and refrigeration durables registered 7 per cent growth in 2010 vis-à-vis 2009.

The top 10 brands contributed 57 per cent share of total ad volumes, with LG ACs accounting for 11 per cent share. In terms of the percentage share of print ad volumes by cooling and refrigeration durables, ACs claimed 51 per cent of the pie, followed by refrigerators at 20 per cent.

Late entrant Mirc Electronics' Onida's latest AC, sold with the tagline 'SMS gone, AC on' seems to have struck a chord with consumers for its innovation - the first ever AC to be operated through SMS. The PreCool range of ACs enables consumers to operate their ACs no matter where they are in the world, so when they come home, the AC would have cooled the room even before they stepped in. Vipul Mathur, GM and Business Group Head, Onida Air-conditioners, notes, "The hot summers in India and the growing Indian economy have created strong growth triggers for the Indian AC market. At the height of summer, if a consumer has to wait even 10 minutes for the AC to cool the room, it is a very painful 10 minutes." Stating that the company has tested the PreCool extensively with consumers and traders, he said Onida's new range is an example of how consumer-led innovations are at the forefront of its business. The company expects its AC business to grow by 60 per cent in 2011 and achieve 19-20 per cent market share in split ACs.

According to the Consumer Electronics and Appliances Manufacturers Association (CEAMA), the overall room AC market in India was estimated at 3.2 million units last year and will touch 4.6 million units by 2011. In value terms, it stands at Rs 5,500-6,000 crore. The market size of refrigerators was 9.5 million units in 2010 and is pegged at 12 million units for the current year.

"Appliances, and ACs in particular, have seen a price rise. Consumer durables manufacturers are developing products based on rural consumer insights. Also, consumers are aware of the benefits and are ready to shell out more for a star-rated product, especially for ACs and refrigerators. Premium products are the focus across categories," CEAMA added.

Most manufacturers are also expanding capacity to meet the growing demand. LG has invested Rs 800 crore in manufacturing, while Samsung added a 1.4-million capacity refrigerator facility in Chennai at an investment of Rs 350 crore. Also, new lines for split ACs were added in Chennai and Noida last year, while Panasonic's new Haryana facility will start manufacturing ACs by 2012. The Tata-owned Voltas Ltd has said it is scaling up its R&D centre for ACs and refrigeration products at Pantnagar in Uttaranchal.

“We are currently importing products from Malaysia, which takes care of the huge demand. However, we will start manufacturing in India by 2012 and set up our manufacturing plant in Jhajjar. Panasonic has decided to enter mass product segments such as direct cool refrigerators and semi-automatic washing machines in an attempt to penetrate India. The company has just set up a market research lab in India, which will undertake lifestyle analysis of small-town consumers for such products. Panasonic aims to increase its retail points from 2,200 to 6,000 by March 2011,” said Manish Sharma, Director, Marketing, Panasonic India. The demand for frost-free refrigerators is not limited to SEC A+ consumers; of late, a number of mid-segment consumers have shifted to them and split ACs, he added.

INPUT COSTS

Manufacturers and dealers agree input costs have been rising steadily. Also, even the slightest change in season skews the balance and can lead to a considerable drop in sales.

“The AC market was growing at around 30 per cent between January and March 2011. However, secondary sales in April have been below expectations. This is due to weather disturbances. Thanks to a delayed summer, May will see improved sales. Overall, we are optimistic about the AC industry and expect over 25 per cent industry growth in 2011,” Onida's Mathur said.

North India, which accounts for a chunk of AC sales, has seen a dip. Against a growth plan of 35-40 per cent, most brands are having difficulty matching last year's volumes.

Also, higher input costs have made ACs and refrigerators costlier by Rs 1,500-4,500 since last season.

“Compared to last season, prices have gone up by 10 per cent due to input costs,” said R. Zutshi, Deputy Managing Director, Samsung India, adding the company expects split ACs to contribute at least 70 per cent of the total AC sales.

Meanwhile, Panasonic's Sharma says in other countries, the Government subsidises manufacture of energy-efficient products. “We hope India too follows this trend. It will help improve penetration levels.”

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