

ROLE OF MULTI NATIONAL COMPANIES IN INDIAN CONSUMER DURABLE INDUSTRY – AN EMPIRICAL STUDY

Aluregowda*

INTRODUCTION

There is lot of opportunities in the Indian consumer durable market in the next 8 years, the household income in the big cities significantly increasing. The loan facilities from the banks and other finance schemes from the companies and dealers help to more access to purchase durables. More than 60 % of market share is dominated from MNCs particularly targeting growing middle class consumers. MNCs emerged with advanced technology, well branded products and wide availability of the products in the market place, it results they directly compete with Indian companies in the market place. This paper reveals that role of MNCs and how they are different in the durable industry.

THE INDIAN CONSUMER DURABLE MARKET

Consumer durables involve any type of product purchased by consumers that is manufacturing for long term use. As opposed to many goods that are intended for consumption in short term, to endure regular usage for several years or long before their replacement is required. Before the liberalization of the Indian economy only few companies are the major players in the consumer durables market, accounting no less than of the market. After liberalization entry of foreign players are easily penetrating their goods better than Indian goods. Today, these players control a major share of the consumer durable market over the last 20 years with entry of several multinational players especially those from North Asia. Mobile phones,

* Assistant Professor, Department of MBA, P E S college of Engineering, Mandya, India

personal computers (used for household consumption) and televisions are the largest companies of the consumer durable spaces with aggregate share of more than 80%.

The MNCs enters to the market with emerging products and services there is a more competition to offer the goods with improved quality and reduced price in the industry. As a result the entry of these companies it is a boon for consumers to purchase new goods in the market. The buying behavior of the consumers shifting from traditional new variables to purchase the products, parallel stereotype make significant differences in buying products from one country to another country. Now a days improved technology and innovation in models driving the durable goods with different models, size, style, and color of the products in a new way of marketing of these products.

The Indian Consumer Durables segment can be segmented into three groups:

White goods	Brown goods	Consumer electronics
Air conditioners	Microwave Ovens	TVs
Refrigerators	Cooking Range	Audio and video systems
Washing machines	Chimneys	Electronic accessories
Sewing machines	Mixers	PCs
Watches and clocks	Grinders	Mobile phones
Cleaning equipment	Electronic fans	Digital cameras
Other domestic appliances	Irons	DVDs
		Camcorders

PROFILE OF THE CONSUMER

Accordingly, the National Council for Applied Economic Research (NCAER), India's premier economic research institution, has released an alternative classification system based on consumption indicators, which is more related to access consumption pattern of various classes of goods.

There are socio economic factors to divide the consumer's households, which differ considerably in their consumption behavior and ownership pattern across various categories of goods. We classify both urban and rural consumers but trends in consumption and dispose of goods may significantly differ between similar income household in rural and urban areas.

The spending patterns of urban consumers are depending upon the business income, family income, individual working in private or government sector. In rural counterpart is directly connected to harvesting period and more seasonal. The rationale of buying household appliances is different in prospective.

The rapid growth of Indian economy and more employment and business opportunities shift increasing disposable income. Middle class, defined as households with disposable incomes from Rs 200,000 to 1,000,000 a year comprises about 50 million people, roughly 5% of the population at present. By 2025 the size of middle class will increase to about 583 million people, or 41 % of the population. Extremely rural poverty has declined from 94% in 1985 to 61% in 2005 and is projected to drop to 26% by 2025.

COMPETITIVE SCENARIO

Indian durable industry extremely competitive similar to other countries in the goods and services due shorter product life cycle and manufacturer enjoy limited pricing power than Korean, Japanese and Chinese players. It is challenge to build and maintain meaningful profit in the competitive advantages from production to point of consumption. Indian market is heterogeneous, changing than counterpart in developed markets. There are competitive advantages Indian products, services, channels, promotional activities etc.

ROLE OF MULTI NATIONAL COMPANIES

1. Indian companies Samsung India, Whirlpool India, Videocon are the major players in the market. In this, Indian companies has effect in replicating technology by local players (LCD, LED), they do not attractive foreign market and brand. Korean companies like LG and Samsung are the most dominant players; Japanese and Chinese players are expanding their operations and lead to more fragmentation.
2. Market share of the (color television segment) MNCs dominated by Indian companies some category of goods. They are focus on some categories of products in durable sector to increase the market share.
3. MNCs major target is more middle class and young population with access disposable income. It significantly attracted by foreign players due easy access of products of their lifestyle.

Youngsters more spending finance more on these goods to meet the emerged needs and wants. Today mobile phones are not luxury they turn to basic products and spending more money lavishly than before. The growing middle class customers are saving part of their income to purchase television, refrigerator, washing machine etc.

4. MNCs are encasing the opportunities in India with the emergence of concepts such as quick and easy loan, zero equated monthly installment (EMI) charges, loan through credit card, loan over phone, it has become easy and afford high price consumer goods. It results the purchasing power of the consumers increase because multiple sources of loan facilities and easy availability from the companies and dealers.
5. MNCs have major penetration in rural market such as television, mobile phones segments relatively urban areas. Urban markets are saturated by these products further purchasing of goods resulting of replacing demand. Whereas the rural areas have a penetration of market to purchase for the first time for the domestic usage.
6. There is a stiff completion in the most of the segments in this sector especially emerging MNCs, introduction of new technologies such as state-of-art-models, frequent price discounts and exchange schemes. It results consumers more loyal to these categories of goods in the sector. Technology is a tool to introduce new models and consistently help to beat the competition in the Indian market. Consumers are prefer emerging goods in the market.
7. Over the last few years the global trend shifting to consumer durables also. In urban areas rising income level from the business and family sources, double income families, changing life style of the consumers, more credit facilities, and increase consumer awareness are reason for demand for durables. In rural areas frequent discount, special offers, social status are major factors to purchase durables. As a result the consumer goods are perceived as necessary than luxury items.
8. MNCs are promoting heavily on advertising and promoting their brands in the present competitive scenario. The more spending on sales promotion measures such as discounts, free gifts and exchange offers help a company's distinguishing from others.

9. MNCs constantly engaging in brand building activities in the Indian market place. This is a source of significant competitive advantage for the stable relationship with customers and good control over channel distribution. It is a main indicator to build loyalty to consumer to company products and services and ability to charge premium prices for the goods versus competitor products.
10. MNCs are improving capability to introduce the multiple products and require launching new products to cover the market geographically and distribution of wide customers. To meet the profile of the different customers in the market place. This clearly indicates that constant introducing of new products which could arise from changes in customer preferences.
11. MNCs are better to cover distribution channels. While there are established distribution networks in both rural and urban India, the presence of well-known brands and organized sector is increasing. At present, around 96 per cent of the more than 5 million retail premises of all types in India are smaller than 50 sq.m.
12. MNCs have efficient supply chain is critical to maintaining healthy profitability and reasonable return on capital. Achieving efficient supply chain management enhance the pricing ability of the company and helps in achieving better operating rates during slowdown and offering relative lower price than competitors.

HOW MULTI NATIONAL COMPANIES DIFFER FROM OTHERS

MNCs achieved sustaining growth in the present consumer durable market. The following are the important factors.

1. Attractive Investment plans
2. Product needs to Indian working environment.
3. Innovative marketing programs.
4. Innovation in Advertising and Promotion.

5. Different requirements for rural consumers
6. Enter to organized retail outlets.
7. Distribution and Service Network.
8. Effective utilization of Government programs
9. Foreign technology collaboration agreement.
10. Growth on Indian media towards remotest area
11. Favoring growth of organizing retail.
12. Increasing affordability of the products
13. Better finance schemes

CONCLUSION

The Consumer durables opportunity in India is huge scope and the sector to be amongst the fastest growing sectors in the country. The various industry players on the basis of their competitive advantages from the various mentioned factors. Significant growth in per capita income and household income (high single digits) has resulted in a continued shift on spending towards the discretionary and services category. Services spend will witness an increase of a similar nature. This is the key trend in discretionary spending which is driving strong growth for the consumer durables markets.

Korean companies such LG and Samsung emerge as the strongest followed by Videocon and Whirlpool. Domestic players trail their foreign counterparts on overall and specific rankings. MNCs are investing in larger scale, compete with all areas of products and services therefore are they are sky rocking profit in the Indian consumer durable market.

REFERENCES

1. Ahmed, S. Z. U., Johnson, J. P., Ung, X., Fatt, C. K., Teng, H. S. and Boon, L. C. (2004). Does country of origin matter for low-involvement products? *International Marketing Review*, 21(1), 102-120.
2. Ajzen, I. (1985). From intentions to actions. In J. Kuhl, and J. Beckman (Eds.), *Action Control from Cognition to Behavior* (11–39). Heidelberg: Springer.
3. Ajzen, I. and Fishbein, M. (1980). *Understanding attitudes and predicting social behavior*. Englewood Cliffs, NJ: Prentice Hall.
4. Bagozzi, R. P. and Warshaw, P. R. (1992). An examination of the etiology of the attitude-behavior relation for goal-directed behaviors. *Multivariate Behavioral Research*, 27(4), 601-634.
5. Bilkey, W. J. and Nes, E. (1982). Country-of-origin effects on product evaluations. *Journal of International Business Studies*. 8(1), 89-99.
6. Cai, Y., Cude, B. and Swagler, R. (2004). Country-of-origin effects on consumers' willingness to buy foreign products: An experiment in decision making. *Journal of Consumer Interest Annual*, 50, 98-105. Department of Statistic Malaysia. (2007) Available at www.statistics.gov.my.
7. Eckhardt, G. M. (2005). Local branding in a foreign product category in an emerging market. *Journal of International Marketing*. 13(4), 57-79.
8. Fredrick, A. J. and Dossett, D. L. (1983). Attitude-behavior relations: A comparison of the Fishbein-Ajzen and Bentler-Speckart models. *Journal of Personality and Social Psychology*, 45 (3), 501-512.
9. Ger, G., Belk, R. and Lascu, D. (1993). The development of consumer desire in marketing and developing economies: The cases of Romania and Turkey. *Advances in Consumer Research*, 20, 102-107.
10. Gwin, C. F. and Gwin C. R. (2003). Product attributes model: A tool for evaluating brand positioning. *Journal of Marketing Theory and Practice*, 11(2) 30-42.
11. Hamzaoui, L. and Merunka, D. (2006). The impact of country of design and country of manufacture on consumer perceptions of bi-national products quality: An empirical model based on the concept of fit.
12. Han, C. M. and Tespstra, V. (1988). Country of origin effects for uni-national and bi-national products. *Journal of International Business Studies*. 19, 235-235.

13. Han, H. T. (2010). The investigation of country-of-origin effect using Taiwanese consumers' perceptions of luxury handbags as example. Journal of American Academy of Business, 15(2),
14. S. Jayakumar (2010): Market survey – consumer durables rural India calling
15. Corporate Catalyst India (2012): A brief report on consumer durable industry in India.
16. Indian Brand Equity Foundation : Consumer Durables –Market and opportunities
17. Ghalla Bhansali Stock Broker Pvt. Ltd (2010) – consumer durables
18. GEPL Capital pvt ltd – consumer durables India: On growth path
19. Ambit Capital Research (2011): Consumer durables
20. www.ghallabhansali.com
21. www.cci.in
22. www.ibef.in
23. Indiaretailing.com
24. Mydigitalfc.com
25. Whirlpool annual report

