With changing demographics, consumers in tier II and tier III towns are warming up to the idea of machines washing clothes.

Washing Machines

The profile of consumers in India has altered dramatically over the past few years. Income levels have gone up substantially and the wealth effect has spread across the population. The emphasis has changed from just price consideration to design, quality, and trends. The desire to look and feel good is also a guiding factor for customers while making their purchase decisions.

Washing machine, no longer a luxury appliance, is gaining ground as a utilitarian product for the rapidly growing middle class and increasing younger population, who routinely holidays overseas, spends on aspirational goods, and experiments with western food habits. With such evolving lifestyles, consumers are warming up to the idea of purchasing home appliances with advanced features.

The level of aspiration has also cut across regional boundaries. Tier-II markets are moving into a different league of products – fully automatic washing machines. Front-loading washing machines are popular in B and C towns for the past 10-odd months.

With an estimated 590 million urban consumers by 2030 and an estimated per capita spend of about ₹50,000, one is talking of a huge market. A McKinsey Global Institute study forecasts that the number of middle-class households with income of ₹2–10 lakh will increase from 13 million households (i.e., 5 percent of the population) in 2006 to 128 million households (41 percent of the population) by 2025.

Market Dynamics

The Indian washing machine market continues its high growth trajectory, albeit the annual growth rate has come down from 38 percent in FY 2010 to 24 percent in FY 2011. The total market of washing machines in FY 2011 was 4.7 million units.

The market is dominated by four players – LG, Samsung, Videocon group, and Whirlpool – with a combined share of 74.6 percent. This is a drop by 4.55 percent from last year. Godrej and Onida each are in the vicinity of 6–8 percent market share. IFB, Haier, TCL, and Panasonic are also aggressive in this segment. Other brands include Weston, Toshiba, Gem, T-series, Beltek, Texla, ETA O'General, Maharaja, and SVL.

The semi-automatic segment continues to have a dominant market share of 65 percent in terms of quantity, at sales of 3.05 million units in 2010-11. However, in value terms they are almost neck-to-neck in the ₹4900 crore industry. Fully automatic sales is estimated at ₹2500 crore, the balance ₹2400 crore being contributed by semi-automatic segment.

Zone-wise, the northern region of India leads with 38 percent market share, followed by southern region 30 percent, western region 27 percent, and eastern region five percent. Interestingly, North India has preference for semi-automatics, whereas their southern counterparts prefer fully automatic washing machines.

Capacity-wise, the industry is showing an increasing preference for larger capacity machines. In the semi-automatic segment, demand is skewed in favor of washing machines with the capacity of 5–7 kg.

The Global Market

The global appliance industry faces a great deal of uncertainty about the future. After a decade of cost-cutting, consolidation, and low margins, the total US unit shipments number for 2010 for the appliance industry is back to where it was in 2001. For the core major appliance segment, including laundry appliances, cold appliances, dishwashers, and cooking appliances, shipment units for 2010 were 38.2 million, up 1.7 million from 2009. Several appliances manufacturers are relying on Smart Grid and *green* technology to increase appliance shipments through 2011.

Smart Appliances from CES 2011. At Consumer Electronic Show (CES) 2011, held in February 2011, most of the big appliances companies had smart appliance prototypes running at the show, including LG, Whirlpool, GE, Kenmore, and Samsung. Most expect their smart appliances to be ready by mid-to-late 2011. Most smart appliances will connect to the Smart Grid and text owners about relevant matters. A number of manufacturers have also planned for Internet-assisted troubleshooting when the appliances are having issues.

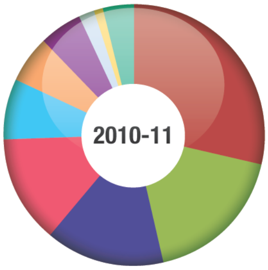
Some washers can now communicate with the dryer to help the dryer better anticipate the drying cycle of its clothes. Smart appliances connected to the Smart Grid can delay the start of the wash until a less cost-consuming time is available. Some companies will offer *upgrades* electronically and automatically such as advanced wash cycles.

Efficiency regulations are a big driver of inverterized solutions, and Japan leads the way, with China not far behind. Nearly all washing machine companies in Japan are inverterized, and this can largely be attributed to the strict efficiency requirements of the country's top runner program.

VSD Appliances soar. The market for inverter-based variable speed drives (VSD) in home appliances has been forecasted to move upward over the next five years. It is expected that 2011 and 2012 will show a growth of 25 percent year-on-year, to reach 155 million major home appliances shipped with VSD in 2015.

VSD in appliances is being driven up by cheaper inverter-based technology and more regulatory pressure on appliance efficiency. VSD often uses less energy than an alternative fixed speed mode of operation and is more efficient because it allows the motor to operate at a variety of speeds instead of just on (full-speed) and off. This allows the motor to be programmed to run at the most efficient speed for the application and its specific operational conditions. Efficiency regulations are a big driver of inverterized solutions. The fact that nearly all washing machines and room air-conditioners sold in Japan are inverterized can largely be attributed to the strict efficiency requirements of the country's top runner program.

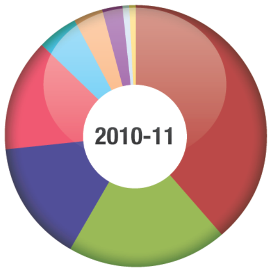
Indian Washing Machines Market
Total 4,728,000 units



Company	Sales (Units)	Share (%)
LG*	1,364,000	28.85
Samsung*	840,000	17.77
Whirlpool*	687,405	14.54
Videocon Group	636,200	13.46
Godrej	355,000	7.50
Onida	274,540	5.81
IFB	250,000	5.29
Haier	95,950	2.03
TCL	47,000	0.99
Others	177,905	3.76

*January–December 2010

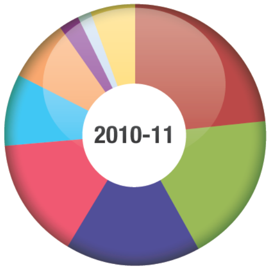
Indian Fully Automatic Market
Total 1,673,000 units



Company	Sales (Units)	Share (%)
LG*	650,000	38.85
Samsung*	330,000	19.73
IFB	250,000	14.93
Whirlpool*	230,000	13.75
Godrej	85,000	5.08
Videocon Group	62,000	3.71
Onida	40,000	2.39
Haier	16,000	0.96
Others	10,000	0.60

*January–December 2010

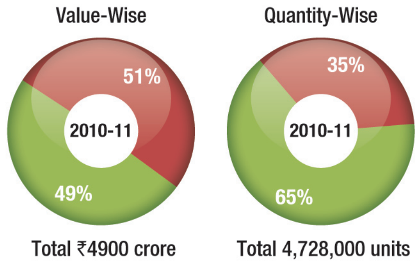
Indian Semi-Automatic Market
Total 3,055,000 units



Company	Sales (Units)	Share (%)
LG*	714,000	23.37
Videocon Group	574,200	18.80
Samsung*	510,000	16.68
Whirlpool*	457,405	14.97
Godrej	270,000	8.84
Onida	234,540	7.68
Haier	79,950	2.62
TCL	47,000	1.54
Others	167,905	5.50

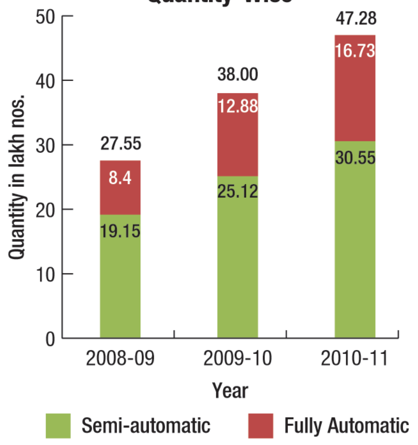
*January–December 2010

Indian Washing Machines Market

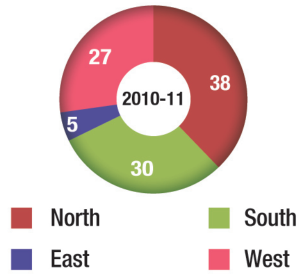


Segment	Value (₹Cr.)	Sales (Units)
Fully Automatic	2500	1,673,000
Semi-automatic	2400	3,055,000

Year-on-Year Sales Trend Quantity-Wise



Industry Zone-Wise Sales



Figures in percentage

Recycling initiatives in Japan. Washing machines are being recycled, as are other home appliances, including air conditioners, refrigerators, and freezers. Approximately 27.7 million appliances were collected in Japan in fiscal year 2010, increase of 47.4 percent over 2009, under the guidelines of the Home Appliances Recycling Law. The law designates clothes washers and dryers among other appliances to be disposed of at specified collection sites. Over 3.14 million units of clothes washers and dryers were collected constituting 11 percent of the total collection of the designated home appliances and increase of 1.6 percent in 2010 than in 2009.

The collected appliances were transported to home appliances recycling plants and underwent a recycling process to recover materials such as iron, copper, aluminum, glass, and plastic.

All appliances manufacturers and importers achieved 2010 recycling rates above the legal requirements. The recycling rate for washing machines was 86 percent as against the required 65 percent.

The manufacturers take pride in being associated with the US Environmental Protection Agency. Samsung Electronics and Electrolux were named as 2011 *energy star partners of the year* in the product manufacturing category by the US Department of Energy (DOE) and the US Environmental Protection Agency (EPA).

The Chinese market. The robust growth of white goods in 2010 continued the expansion that started in 2009, when the market rose almost eight percent from 2008 levels, largely untouched by the effects of the global economic recession. China's washing machine market enjoyed 10.8 percent growth with shipments up to 41.2 million from 37.2 million units in 2010.

The only point of vulnerability could be found in the export sector, where washing machine companies faced declining shipments to the United States, Europe, and Japan – the destinations most seriously impacted by the economic slump. Exports are expected to improve gradually, but shipment volumes in the near term will not return to the high levels enjoyed by the market prior to the economic downturn. However, the overall outlook for the future remains bright, with growth to continue uninterrupted until the end of the forecast period in 2014.

Growth may be attributed to two government subsidy programs. In the *home appliances to countryside program*, which aims to spur demand in China's rural market, rural consumers receive subsidies of up to 13 percent of the purchase price of home appliances. As of February, 2011, sales of appliances to the countryside through this program have reached 37.7 million units, worth a total of USD 10.2 billion. In comparison, the *old for new* subsidy program is targeted at stimulating urban consumption, providing subsidies of up to 10 percent for consumers who sell their home appliances in order to purchase new ones. As of February 2011, sales have amounted to USD 3.4 billion, in the nine pilot areas where the program is in effect. The maximum subsidies to which consumers are entitled come out to more than USD 35 for washing machines.

The washing machine market in India is set for sustained growth over the long term, fuelled by favorable consumer demographics, availability of finance, and infrastructure development in rural areas. Several leading companies are now differentiating their products in areas of relevance to the changing aspirations and lifestyle of the consumers. Hence, the future of washing machine is on the verge of evolving from a mere utilitarian product to a truly energy-efficient, well-connected, and value-added appliance. ■

Based on research conducted by TVJ, July 2011.