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A STUDY ON ELECTRONICS AND HOME APPLIANCES PRODUCTS TOWARDS DEALER AND CONSUMER BEHAVIOUR

KU.Rameshkumar
Research Scholar in Bharathiar University, Coimbatore.

INDUSTRY

Prior to liberalization, the Consumer Durables sector in India was restricted to a handful of domestic players like Godrej, Allwyn, Kelvinator and Voltas. Together, they controlled nearly 90% of the market. They were first superceded by players like BPL and Videocon in the early 1990s, who invested in brand-building and in enhancing distribution and service channels. Then, with liberalization came a spate of foreign players from LG Electronics to Sony to Aiwa. Rs.23,000 Crore consumer durables industry can be divided into two groups: Consumer Electronics and Home Appliances. Consumer electronics is basically entertainment systems like television, VCRS, audio systems and home theater systems. Home Appliances are other household appliances like refrigerators, washing machines, air conditioners, food processors, and vaccum cleaners. On most third world countries, consumer durable like the refrigerator and television are most popular. Out of these, the television segment is undoubtedly the large segment. Products in the white goods segment come next to the CTVs in the purchasing hierarchy of the Indian consumer.

Over the years, demand for consumer durables has increased with rising income levels, double-income families, changing lifestyles, availability of credit, increasing consumer awareness and introduction of new models. Products like air conditioners are no longer perceived and luxury products. According to Indian Readership Surveys (1999-2004) the following durable categories have registered a healthy double-digit growth.

Durable categories	Growth rate (2001 – 2007)
Television sets	16%
Washing machine	17%
Refrigerators	14%

CURRENT SCENARIO

Most of the segments in this sector are characterized by intense competition, emergence of new companies (especially MNCs), and introduction of state-of-the-art models, price discounts and exchange schemes. MNCs continue to dominate the Indian consumer durable segment, which is apparent. from the fact that these companies command more than 65% market share in the color television (CTV) segment.

INDUSTRY SIZE

Rs.23,000 Crore consumer durable industry can be divided into two types: Consumer Electronics and Home Appliances. Consumer Electronic industry has a size of around Rs.102 Billion. The Indian Television Industry has a size of around RS.96 Billion, comprising color television (CTV) of RS.91 Billion and .B&W TV market of RS.5 Billion and other markets (primarily video equipment) of Rs.4-6 Billion. In terms of volumes, the CTV" market was estimated at 9.05 Million units and the B& W TV market at 2 Million units during calendar year 2004.

Refrigerators constitute the second largest product segment within the Indian consumer durable sector in India, with an estimated annual turnover of Rs.39 Billion during FY2005 with an estimate sale of 4.1m units.

The size of the room Air-Conditioners industry is estimated at 1.1 m volume terms, and RS.24 Billion in value terms. Washing machines sales in India aggregated an estimated 1.37m during FY2004 or around Rs.11Billion in value terms.

CONSUMER DURABLE: URBAN & RURAL INDIA

1. In the top 5 million households, in affluence terms, 96 percent of household have color televisions, 82 percent own refrigerators, and 44 percent own washing machines.
2. In the next 7 million households, penetration of color TVs is 69 percent, 58 percent for refrigerators, and 19 percent for washing machines.

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3. In the next tier of affluent households - numbering approximately 12. million - 50 percent own color TVs, 35 percent own refrigerators, and 8 percent own washing machines.

Rural India too is set to see an increase in the number of high- income households. An additional 4.6 million high-income households and 13 million middle-income households by 2006 to 2007 will take the number of rural households from 122.8 million to 139 million. This constitutes a huge opportunity for marketers - 60 million households or 300 million consumers with the capacity to buy consumer appliances and other products is an attractive market for any global player. And it seems that global appliances players who have established brands in the Indian market are likely to benefit from this great big fish towards consumerism.

RESEARCH METHODOLOGY
The research methodology used for this market research project was direct interview method of the target group with the help of the questionnaires. The reason behind choosing this method is to get the views and suggestions of the target group directly from them. As the research was being done to understand the competition level with other brands available in the market in terms of sales turnover, technology, price, performance, brand name, after sales service, reliability etc by conducting a dealer survey.

Understand the buying behavior of the rich urban customers, who are the potential customers of high and CEHA products and buyers and requirements in premium range CEHA products by conducting a consumer's survey among the high profile people of the TWIN CITY region.

Data Collection was done in two stages
Secondary Data regarding the sales figures of LGEIL in Orissa. Various products catalog etc.
Primary Data was collected from the field from the customers of both HA & AC's also from their respective dealers and sub-dealers. For this purpose a questionnaire was designed by taking both open ended and closed ended questions. In order to know the followings:

1. Tentative sales figures of CEHA products of LG.
2. Factors influencing customers' decision in purchasing high end LG products.
3. 3 . Whether sales of premium products is increasing / decreasing.
4. The reasons behind the same.
5. Comparison of technology used by LG vis-a-vis its competitors.
6. Comparison of pricing done by LG vis-a-vis its competitors.
7. Role of lSD's in sales of products.
8. Comparison of ASS provided by LG vis-a-vis its competitors.
9. The most striking media for advertising & branding high end LG products.

Objectives of the Study

1. To find out the causes and reasons behind the low sales of premium range Consumer Durables & Home Appliances of LGEIL.
2. To assess the competition level with other brands available in the market in terms of sales turnover. technology, price. Performance, brand name, after sales service. Reliability etc.
3. To understand the buying behavior of the rich urban customers, who are the potential customers of high end CEHA products.

Target Group

1. Executive and Professionals
2. Bureaucrats and Senior Government officials
3. Business Families

Sample Size & Research Location

- For the consumer's survey the sample size taken was 300.
- The research location assigned for the project was Twin city region which comprises of Bhubaneswar, Cuttack and Puri Town.

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- For dealers survey all the main dealers and AWDs of the TWIN CITY region were covered the number of dealers covered was 23

Research Process

The research work was done in order to find out the reasons of low market share of the premium range CEHA products of the LGEIL. On the basis of the analysis of the findings of the survey, recommendations were made to increase the sales performance of the above mentioned products. In the initial stage of the survey data was collected from the dealers and the consumers through direct interviews with the help of the questionnaires. The collected data was analyzed to understand and fulfill the objectives of the research.

Dealers Survey: Observation and Analysis

Color Television

LG is the leader according to the dealers. LG is having around 55% share across this segment. But as we go up in the ladder i.e. as I he screen size from 21" flat screen to 29" flat screen and other premium televisions like PLASMA and LCD TV, the share of LG decreases to 50%.

Music System: SONY is the undisputed leader with around 67% share in the market. Other big players in this category are PHILIPS and SAMSUNG with 15% market share. LG is having very low share in the market of only around 12%.

DVD Players: Philips is the market leader among genuinely branded products with 42% share in the market. LG is the 2nd leading brand with around 33% share, rest of the share is held by the players like ONIDA, SONY and TCL, HYNDAI etc. Major area concern is the cheap quality and low priced CHINISE products in the overall DVD market they are having a very significant presence.

Refrigerator: LG is the leader with 52% share of the market. Its biggest competitors are WHIRL POOL, SAMSUNG and GODREJ. Some other small players present in the market are ELECTRO LUX, SANYO and HAlER. In refrigerators with more than 250L capacity LG is having a market share of almost 50%. The next Close competitor is SAMSUNG. These two brands have captured almost the whole market in this category. But WHIRLPOOL is trying to strengthen its position.

SAMSUNG is the major competitor with LG other brands present in this category are SANYO, HAlER etc. The size of market for such refrigerators is very small & confined. It sells 1*5-20* pieces per year. The basic reason behind this is the high cost of these refrigerators.

Washing Machine: In the washing machine category LG is again the market leader with 56% share, FUllY-AUTOMATIC category LG has a market share of around 51 %. IFB, WHIRLPOOL, SAMSUNG and ElECTROlUX are the main competitor of LG. The main competitor of LG is IFB as it is the 1st entrant in the market with front loading option and people prefer it because of its brand name. LG has a market share of around 52% and its main competitors are WHIRLPOOL AND SAMSUNG. IFB is not a strong player here.

Microwave Oven: LG is again the market leader with around 68% share in the market. Main competitors are SAMSUNG, ELECTROlUX and WHIRLPOOL

Factors Influencing the Buying Decisions of the Consumers of Electronics & Home Appliances

According to the dealers for the consumers of premium products i.e. high profile consumer, brand name is the most influencing factor, on which their buying decisions depend. For general consumers price is the most influencing factor. For both the consumers other influencing factors are performance of the product and quick after sales services. For the high profile consumers appearance of the product was also an important factor which didn't carry much importance for the general consumers.

1. Comparison of Technology used by LG in its Products.
2. Comparison of prices of LG products.
3. Awareness of Technology among the consumers.
4. Influence of in-shop demonstrators on the buying decisions of the consumer.

Reasons behind Increase in Sales of Premium Products

1. The most important reasons quoted by all the dealers behind increase in sales of the premium products is - Changing lifestyle of' the people in the society due to increasing education level and increasing purchasing power.
2. Another important reason behind the increase in sales of these products is the decrease in the prices of these products.
3. Aggressive Brand Promotions by companies is yet another reason behind the increase in the sale of premium end products.

Reasons behind fall in the Sales of Premium End Products

1. Lower Awareness level about the products and offerings are one of the major reasons behind lower sales of such products. For example, a very few people are aware of the difference between the DIOS Refrigerators & normal Refrigerators.
2. There is a strong Perception in the mind of the customers that LG is not a premium segment brand.
3. Non-Availability of Finance Options as been quoted as another major reason behind lower sales of such products.

Consumer's Survey: Analysis and Observations

The consumers survey was done to ,collect the information about the buying behavior and preferences of the high profile customers i.e. the customers of premium range consumer electronics and home appliances products

Color Television: Of the total respondents 51 % had CTV of SONY. Followed by Samsung (18%) & LG (16%). 2% of the sample size had CTV of brands like THOMSON, MITSUBISIHI. TOSHIBA etc.

Music System: Of the total respondents 65% had Music System of Sony, followed by PHILIPS (17%), LG & SAMSUNG contributed marginally to the total sample size. 11 % of the respondents have MS of other brands like AIW A BPL and AKAI.

DVD Players: There was an even distribution of Brands in the total sample size. Philips had a share of 38% followed by LG (29%), of the total sample size, 01 % does not have a DVD Player. They had VCDs Players.

Refrigerators

1. Out of total respondents, about 32% were having **LG** Refrigerator, 33% had A Samsung Refrigerator.
2. 6% respondents did not had a DD + FF > 250L.
3. 7% Had A Side-By -Side Refrigerator, out of which there were 5 refrigerators with **LG** brand. The rest two were of SAMSUNG.

Washing Machines

1. Of the total respondents about 63% had a Semi-Automatic Ws While the Rest Were Fully Automatic (Total 112 in Numbers).
2. Of this 112,81 were Top-loading & the rest 31 were Front-loading**.**
3. **55%** had an IFB Front-loading Washing Machine.
4. Other brands with the respondents were SAMSUNG, WHIRLPOOL, ELECTROLUX, VIDEOCON, IFB etc.

Microwave Oven

1. About 39% represented had a **CONVECTION** model, followed by **SOLO** (29%) Model and **GRILL** (28%) Model.
2. Of the total respondents, 14% did not have an OVEN.
3. The maximum numbers of oven were from LG’s stable.

The Basic Reason Given By Respondents for Not Going for a LG Product Are Shown In the Table below With Frequency and Percentage Figures

S.No.	Reasons	Percentage of Respondents	No. of Respondents
1	Better Technology than LG	27	81
2	LG was not a brand in the market	12	36
3	On impulse	22	66
4	Influence by Friends and Relatives	10	30

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5 6	Price difference Better quality than LG	3 26	09 78
	TOTAL	100.0%	300

Reasons behind Going for an LG Product

1. Strong Brand Name of LG was the main reason behind going for **a LG** product. About 54% of the respondents gave Rank No.1 to it.
2. 46% of the respondents gave **Superior Technology of LG as Rank No.2.**
3. This was followed by Price (Rank No.3), Performance (Rank No.4), Rellablity (Rank No.5), and Ass (Rank No.6).

Factors Influencing Purchase Decision

1. According to the respondents, Product Features like Superior Technology & Quality of the product is the most important factor while buying the product.
2. While coming to SOCIAL FACTORS, FAMILY MEMBERS & CLOSE FRIENDS influence their purchase decisions to a great extent.
3. 55% of the respondents gave RANK No. 1 to BRAND NAME as a most motivating factor for purchasing a premium segment product.
4. CURRENT TRENDS in the market has been give RANK No.2 by 55% *of* the respondents. So the solution for this is continuous innovation.
5. VALUE FOR MONEY has been given RANK NO.3.
6. SPECIAL DISCOUNT OFFERS, POPULARITY OF THE PRODUCT is other motivating factors for going for a particular brand *of* premium segment product.

Social Expectations from the Brand

1. About 46% *of* the respondents seek VALUE FOR MONEY from the product / brand they are using.
2. The second thing they expect is SATISFACTION while using the brand.
3. Praise from Friends & Relatives is *yet* another expectation *of* the consumer from the brand there are using.

SWOT ANALYSIS OF LEGIL

Strength

1. In-house R&D works like development of "INTELLOWA VE" technology and some other technological breakthroughs gives LGEIL an edge over its rivals.
2. Diversification. Developing new products for new markets.
3. Continuous and religious efforts to improve quality while reducing the price.
4. LGEIL is having around 10,000 dealers and 46 branch offices all over India which helps it in reaching to the all the parts of the subcontinent.
5. LGEIL is the best AFTER SALES SERVICE provider in the Consumer Durable Industry, which strengthens its position in the market.
6. Exceptionally good coordination between the sales and marketing department.

Weakness

1. The demand for consumer durable products has been cyclical and seasonal in Indian market.
2. Customers do not perceive LG a premium brand; high profile consumers don't compare LG with SONY and PHILIPS.

Opportunity

1. "Accessory to Necessary" Color TVs, Refrigerators and Washing Machines are no longer perceived to be an item of luxury. So a huge market has opened up.
2. Easy availability of finance has stimulated consumers to buy durables.
3. Changes in Consumer Outlook from spend now save later mentality leading to high disposable income.
4. Government Policies in favour of Industry includes infrastructure development, reduction in excise duty and so on.
5. High Growth. Key drivers being Urban and Rural.

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Threat

1. Dozen companies operating in the white goods segment. Prices would continue to remain depressed and margins will be under pressure.
2. Threats of cheaper importer from China and other South East Asian countries.
3. Supply continues to outstrip Demand.
4. Volatile performance agricultural sector negative impact on from rural market.
5. BPL is again back in the market with a 50-50 joint venture with SANYO Electronics. Under which both the players will sell their products but they will share their technological know how

RECOMMENDATIONS

Brand Promotion Campaigns

1. Advertisements of LG's High end offerings like XCANVAS range of PLASMA TV's, DIOS Refrigerators etc., clearly stating the uniqueness & basic advantages of such products will help in boosting up sales of such products.
2. "CELEBRITY ENDORSEMENTS" of premium range products of LG will help in attracting the rich urban mass. by projecting LG as a premium brand.
3. "LG BRAND EXPO" of high-end products can be conducted in different cities to educate and make people aware about the various offerings of LG. This can help in creating a new brand image of LG.
4. ROAD SHOWS to display the high end products and make the buyers aware about the advantages of these high end products.
5. PERSONAL MAILS to elite group people regarding the various offerings of LG in high-segment line can help in generating awareness among such customers.

Sales Promotion Campaigns

1. Frequent sales promotion campaign like discounts, free gifts will help in boosting up the sales.
2. Formation and giving membership of LG Owners Club to the customers, who buy premium products. The membership will entitle the customers for future discounts; this will help in increasing the sales as well as retaining the high profile customers.
3. Combo-Sales offer like bundling of products and pricing them at prices lower than total MRP will help in promoting two product simultaneously. For example bundling of high range CTV and Home theatre systems or CTV and DVD Players, DIOS or any other high capacity refrigerator can be bundled up with a Microwave oven at special offer prices to boost up the sales.
4. LGEIL should start selling its product directly to customers through company managed stores as it's already being done by SONY through SONY WORLD. SAMSUNG is also doing the direct sales through it exclusive retail outlets.

Financing Options

1. Easy financing options should be provided on products priced above 60 thousand, in order to induce customers in investing high amounts on Consumer Electronics products.
2. Dealers should be asked to encourage and inform about these financing offers to the customers of premium range products.

CONCLUSIONS

LEGEIL is a market leader in the CEHA products but it is having low market share for its premium range consumer electronics products, because for the buyers of premium products the most important criteria and the key motivator to purchase a product is its "BRAND NAME". Brand name of the product gives them the satisfaction and assurance about the performance of the product. "TECHNOLOGY" is also an important criterion on which the buying decision of the high profile customer is based. All of them want to buy a technologically superb product which will give them the value for the high price paid by them. **Price** is not a very important factor for these customers, addition of innovative and useful technologies will be very beneficial for improving the sales.

In the music system segment SONY is the undisputed leader because of its superb technology and a famed brand name. LG music system is not up to the mark so it is an important aspect where attention should be given.

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In the DVD Player segment PHILIPS is the leader of the market. Second major player is LG. According to dealer's survey in refrigerator category LG is the leader with 55% share of the market. Its biggest competitors are WHIRLPOOL, SAMSUNG and GODREJ. Some other small players present in the market are ELECTROLUX, SANYO and HAlER.

In the premium category refrigerators i.e. 250L and above capacity LG is having a market share of almost 50%. Only 7 respondents had SIDE-BY-SIDE refrigerators. This product is having a very small market as people are not much aware of the advantages of high capacity refrigerators. Consumers have a perception that high capacity refrigerators consume high amount of electricity. Knowledgeable customers are not willing to spend such high amount on these high capacity refrigerators as they are not aware of advantages of it.

According to the consumers' responses it can be concluded that low share of LG products in the premium range was mainly due to the perception of the high profile customers. Most of the customer preferred SONY products over any other brand because they feel SONY is the most reliable and technologically superior brand of CE products. From the Consumers' survey it was found that out of the total respondents 53% (159) had Semi-Automatic Washing Machines, rest 47% (141) had fully-automatic (Top & Front Loading) Washing Machines. The main reason customers cited for using semi-automatic washing machine were low water and power consumption in comparison to fully automatic machines. In the household were both the spouses are working they preferred a fully automatic washing machine as it gave them hassle free cleaning for their clothes.

Both the consumers as well as dealers found the Technology and Prices of LG products are very much comparable to any other competing brand. And the after sales service provided by LG is cited as the bet by all the respondents.

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