

# “How home appliances can change the way a family lives?”

Amrit Singh Sandhu | June 30, 2023

Electronic appliances such as A/Cs, Refrigerators, Washing Machines, Microwave Ovens, etc. have now become a part of many Indian households. And we do

not even realize how these appliances have changed the way we consume and spend. In our first monthly letter, we will try to understand how one appliance can change the way a family lives.

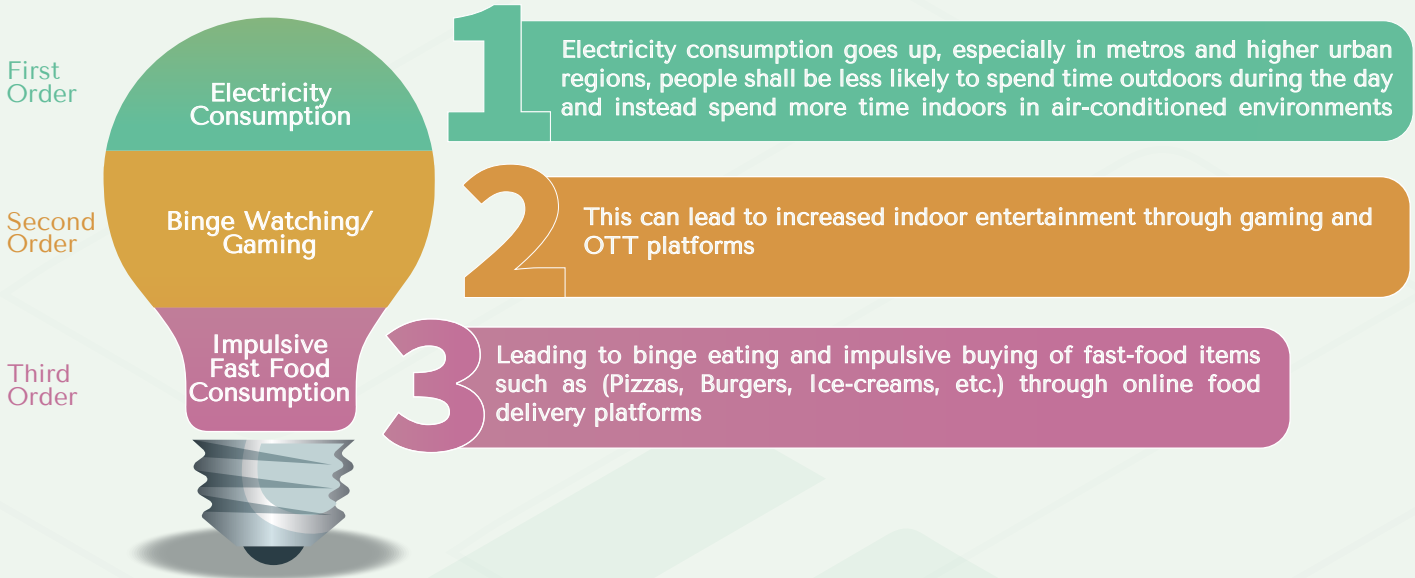
Aditi a housewife living in Mumbai for the last 10 years has a 165 litre-capacity refrigerator that could easily accommodate water, dairy products, eggs, vegetables, and some leftovers. Recently, Aditi and her family graduated to a 300 litre-frost-free refrigerator which was double the capacity of the previous one. Even with double the capacity, Aditi realized that refrigerators have the magical property of becoming full. The free space in the appliance propelled Aditi to spend more and allowed her to stock more.

Here is what she did with the larger one (some obvious items were added). Fruits, Juices, Cheese Cubes, Beers, Sauces, and a family pack of Ice Cream found almost permanent place in the fridge. This is what a single device does to a family's overall spending and consumption.

Let me share with you my personal experience, I come from a middle-class background. Back in 2009, when I was studying in Standard 6, I still remember we had a red-colored single-door refrigerator from Whirlpool which was usually stocked with Water Bottles, a small packet of Ketchup, Vegetables, and some leftover food. Two years later in 2011, we bought a new Grey-colored double door refrigerator from Whirlpool. With almost double the capacity I can vividly recall that our consumption habits changed a lot. We started to stock more Vegetables, Water Bottles, Jams, Sauces, and Cheese Cubes, and every week we started buying a 250 ml Cola bottle for weekends at least once.

My mom started experimenting with more snack items at home like frozen French fries, and one of the most significant shifts in the habit I saw was in the consumption of milk. The freezer now contains a few polybags of milk bought at one go from the supermarket, these are a direct replacement from the daily milkman. The delivery charge of 1 rupee per litre was also saved and there were always some kind of savings happening on discounts offered by the Supermarket/Hypermarket.

Similarly, Air conditioners have become an essential household appliance in metros and higher urban areas, directly affecting our consumption habits. Let us try to understand with 3 levels of thinking.

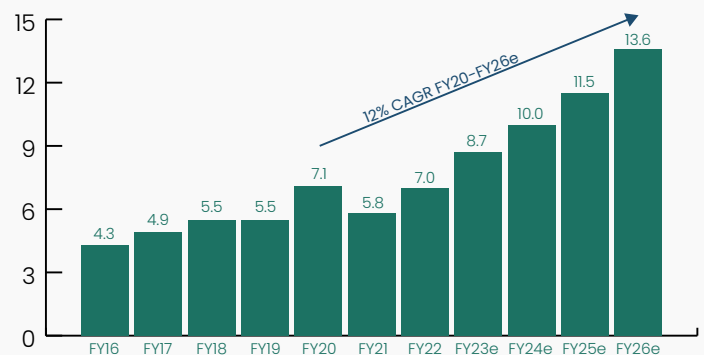


Source Goldman Sachs: India's AC penetration is to increase to 24% by FY26 from 10% in FY16 on the back of

- 1) an increase in per-capita income over time
- 2) improved availability of electricity
- 3) a gradual recovery in real estate
- 4) rising temperatures

We expect room AC volume to post a 12% CAGR in FY20-26e.

Indian AC market (Volume in mn)



Indian AC market to grow at 12% CAGR over the next 6 years, driven by rising penetration and higher disposable income

Let us take microwave ovens which have clearly become a part of many upper and higher-middle class Indian households. It enables quick and convenient cooking.

As per the survey conducted by:

[Amund on July 20, 2018, 'This is how my Microwave Reduces Food Waste'](#); microwave ovens helps to avoid food wastage as the leftovers can be reheated for consumption.

*\*Click the underlined text to read the article*

Even meal planning and grocery shopping habits are affected. Some households may prefer to stock up on more microwave-friendly food or choose prepacked meals or ready to cook items.

This is how a new home appliance significantly impacts the way a family lives by improving convenience. As these appliances become more affordable, a larger portion of the population can use them. This leads to an expansion of the consumer base for discretionary consumption, which eventually results in the growth of modern department/retail stores.

The Indian growth story over the last 30 years since economic reforms started in 1991 has largely been consumption driven. Private consumption on the whole accounts for 55-60% of the GDP and as more & more households now have access to appliances like refrigerators, washing machines, air conditioners, and televisions. It creates a demand for related products and services. These are indirectly driving the penetration of modern retailers, thus the Indian Consumer Growth Story.

- Thank you, and see you next month!



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- 🌀 15% Consumer Plan to Buy White Goods This Summer Season as Overall Household Spending Increases by 56%
- 🌀 Cooling Business is super hot: Here's India's \$1.6 trillion heat-wave opportunity
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