

Makers of consumer durables extend Diwali offers to cushion note ban blow

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Consumer durables manufacturers and retailers are continuing with their Diwali promotions and launching new cashback and finance schemes to tempt consumers to go cashless and restart spending that crashed when the government withdrew high-value currency.

"Sales are down by 70-80% in the up-country markets and by 40% in the large cities for the consumer durables industry," said Kamal Nandi, business head and executive vice-president, Godrej Appliances, while explaining that his company has started to recover partially after introducing finance options such as delayed payments of equated monthly instalment (EMI) starting a month late, zero processing fees, zero interest schemes and cash back to get around the liquidity crunch faced by consumers.

Following the demonetization, Videocon Industries Ltd extended its Diwali offer, which was scheduled to end on 7 November for its Videocon brand.

The promotions included waiver of processing fees and instalment schemes with delayed start of payments, said Anirudh Dhoot, director, Videocon. Credit and finance schemes are available at 60% of its 20,000 outlets.

"We have registered a 20-25% drop in sales following the demonetization," said Dhoot, who, however, is optimistic that the company will see a recovery once the liquidity crunch eases.

Niladri Datta, corporate marketing head at LG Electronics India Pvt. Ltd, said, "What we are communicating is EMI holiday-buy now and pay after 60 days with our 'no cash, no worry' campaign, which is being rolled out following the demonetization."

However, such schemes are available at fewer than half the retail outlets of consumer durables manufacturers, said Nandi, adding that some 55% of the retail trade, located in the up-country market, functions largely on cash transactions. It has no exposure to organized lending and finance schemes and has been hit hard by the demonetization move.

To be sure, sales at large retail chains like Croma, Vijay Sales and Bajaj Electronics have recovered faster, with manufacturers launching promotions.

"In the first week following the announcement, our sales were down by 90%," said Nilesh Gupta, managing director, Vijay Sales, an electronics and consumer durables retailer in western India. But sales are now lower by just about 40% and should be back to normal in a month, he added.

"In the last week, most of the big brands like LG, Samsung, Godrej, Hitachi, Whirlpool and Videocon have launched offers that have helped in reducing the impact of demonetization," said Pavan Bajaj, partner, Bajaj Electronics, which has 31 stores spread across Telangana and Andhra Pradesh, while sharing that the sales are now lower by just about 5%.

It's a similar story at Tata Sons Ltd's Infiniti Retail Ltd, which runs the Croma electronics retail chain. "Sales were down by 50-60% following the announcement. But it has since recovered and is now down by just 10%. However, footfalls have fallen much more at about 20%," said Avijit Mitra, chief executive officer, Infiniti Retail. The cash component in their business, he added, was less than 20%.

Meanwhile, for Bajaj Finance Ltd, which accounts for 22% of consumer durables financing with a finance business of Rs16,000 crore per annum largely for consumer durables and mobile phones, the dip in business was 30-40% in the first three days following the demonetization. It has since recovered to 90% of its normal business, said Devang Mody, president, consumer finance, Bajaj Finance.

According to Mody, tier-I cities have bounced back to normalcy much faster and it could be another 20-30 days before the rest of the country recovers.