

## Expert Insights

# Future Outlook for Home Appliances



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- Over 50 million big household appliances sold in APAC in 2013
- Emerging market account for 49% of total dollar contribution
- Growth opportunities outside capital cities in developing countries
- Differing products to meet different consumer needs across APAC

For many years now, major domestic appliances such as air conditioners, refrigerators, and washing machines have continued to sustain its robust market demand in Asia Pacific (APAC), spurred predominantly by the emerging markets in the region. As developing countries advance, consumers there start to modernize and adopt technology to improve their lives. While developed markets have fully embraced such appliances, the households of India, Indonesia, Cambodia, Malaysia, Laos, Philippines, Thailand and Vietnam are still progressively being converted. For instance, GfK Roper report in 2013 revealed that less than 7 in every 10 (69%) middle high income households in Vietnam own a washing machine; a level significantly lower than the global average of 88 percent. The low penetration level translates to yet untapped potential for manufacturers in the developing markets.

Robust growth is anticipated to sustain in developing markets while rural regions are set to emulate the trends in capital cities. For example, higher growth for fridge is being seen in northern Thailand as it becomes increasingly common for Thais and foreign investors to get a home outside Bangkok. Similar trends are also observed in Indonesia as improving infrastructure in East and West Java are stimulating demand for refrigerators and front load washing machines.

Fragmentation in consumer behavior across APAC means manufacturers will need a range of products to cater to differing consumer needs.

In developed Asia region, the more saturated markets of Australia, Hong Kong, New Zealand, Taiwan, Korea and Singapore are exhibiting less volatility in demand and product mix. Design and color have become important features for house-proud owners and the more affluent ones are also buying into classy display kitchen. In these countries and regions, environmental conscious consumers are more willing to pay a higher price tag for value added features such as eco-friendly appliances.

Even within the same country, apparent differences in requirements exist in the same product. Higher disposable income households in Kuala Lumpur spurs demand for more premium vacuum cleaners or electric fans, whereas in the eastern part of West Malaysia, the best selling home appliances are those with basic features.

Increase competition is seen in most APAC countries with more and more brands entering the region, including those of European and Chinese origins. For brands to succeed, it is essential to continuously monitor the changing consumer trends and needs in each market. There definitely remains potential for further growth in APAC: emerging markets will mimic the trends of developing markets; and rural regions are likely to model after urban cities.

As the region's political situation and economic environment recover over the next few years, consumer confidence is expected to improve in tandem, leading to increasing consumer purchases. They will also be more willing to pay a higher price for better appliances at home. This is the time when it becomes vital for manufacturers of high end goods to ensure that they communicate their products unique selling points to justify the higher price tag.