

Consumer durables

Industry overview

The consumer durables industry can be broadly classified into two segments: consumer electronics and consumer appliances. Consumer electronics consist of mobiles, televisions, music players, etc. Consumer appliances can be further categorised into brown goods and white goods. White goods include refrigerators, washing machines, air-conditioners, speakers, air coolers, and audio equipment. Brown goods include mixers, grinders, microwave ovens, iron, electric fans, cooking range, chimneys, etc.

The Indian appliance and consumer electronics market is estimated at Rs 3.2 trillion for fiscal 2021. It grew at 10-11% CAGR over fiscals 2015-21, and is expected to grow at 12-16% CAGR till fiscal 2025.

As per industry sources, the counterfeit consumer durable products market is growing rapidly with the increase in penetration of consumer durables in rural areas. Around 4.4% of the consumer complaints filed with the National Consumer Helpline from January to September 2018 related to

Table 17: Stakeholder/reports for counterfeit expectations-Consumer durables

Stakeholders	Counterfeit expectation
Association / Industry experts	5-10%
Survey: Consumer perception	~25%
Retailers: unorganised market	5-15%
FICCI study 2012: Computer hardware and mobile phones	20-27%

Consumers

Online purchases have led to higher cases of counterfeit items; offline organised retail has lower incidence of counterfeits for large consumer electronics. Small consumer durables such as kitchen electronics, music devices, lighting devices, computer hardware parts, and electronic hardware parts are some of the items for which consumers have received counterfeit versions.

Retailers and distributors

Organised retailers, on account of association with brands and to ensure trust of consumers, do not engage in counterfeiting. The non-urban and unorganised markets contribute to sales of counterfeits. Local unorganised shops are a source of counterfeits. Retailers estimate the penetration of counterfeit products at 5-15%.

Industry players – manufacturers/industry experts

Manufacturers estimate the penetration of counterfeit products for established brands at 5-10%. Local, smaller brands and local products with counterfeit parts contribute to another 5-10% of counterfeit products. Cheap copies of products are available in the unorganised market for price-sensitive customers. Such customers are not the target audience of the established consumer durable companies.

Consumer electronics contributed to 16% of Intellectual Property Rights seizures by the US Homeland Security between 2008 and 2017. In 2019 and 2020, consumer electronics contributed to 10-11% of total seizures.

Source: CRISIL MI&A



fake/spurious/duplicate products. Around 14.3% complaints of counterfeit goods were with reference to consumer durables and electronic products.

As per industry experts, counterfeiting in the consumer durables segment is less as compared with other segments, at 5-10%. However, as per a consumer survey, participants estimated counterfeiting in the market at ~25%. The counterfeiting of consumer durable products has increased with e-commerce becoming a common means of purchasing these goods.

Counterfeiting in this segment is not common since the cost of manufacturing a fake product is high. Moreover, most of the products are sold through organised retail. Within consumer durables, counterfeiting is prevalent on a higher scale on high-volume, low-ticket items such as earphones, USB and other connection cables, chargers, etc., as per the retailers.

White goods manufacturers are using different measures to keep a tight control on counterfeiting. However, counterfeiters are still able to get their way by importing cheap products and selling them using the original brand labels or by replacing the costly components with cheap quality components. FICCI cascade 2019 report estimates smuggling to the tune of Rs.90 billion in fiscal 2018, contributing to less than 5% of the industry size. This indicates that counterfeit products are largely domestically produced.

Extent of counterfeiting: City-wise consumers who have come across counterfeit products

As per the consumer survey, consumers Ahmedabad, Indore, Kolkata, and Chennai had witnessed higher counterfeiting cases as compared with other cities. 31% of the total consumer surveyed willingly purchased the counterfeit products, out of which 51% brought it due to lower cost, while 22% brought it due to the unavailability of original brands. Consumers perceive the counterfeit consumer durables products as moderately harmful.

Types of counterfeiting in the consumer durables industry

There are two types of counterfeit electronic products available in the Indian market.

The first type includes a completely fake product, i.e., it is not manufactured by the original component manufacturer but has laser markings. Counterfeiters either import the products or manufacture them locally and affix fake brand stickers to them. The counterfeiters dupe and mislead customers by selling fake consumer durables such as LED TVs and air coolers, by illegally using the branded company's trademark and affixing stickers on low-quality imported or locally manufactured cheap products.

The second type is known as a partial fake product (manufactured by the original component manufacturer but remarked to show different functions). In this type, the counterfeiters use fake packaging instead of remarking the product. Expensive parts are replaced with the local ones.

Methods adopted by the industry to check counterfeiting

Most companies have created a special task force for constantly monitoring the market and acting against unauthorised entities and counterfeiters. Some other methods are as follows:

- **Security label:** Security label comprises an optically variable effect, whereby the material – usually a thin film or ink – shifts from one colour to another or from one colour to clear when the viewing angle is altered.
- **Scratch label with UID:** Holographic scratch labels are a protective overlay that is used to hide pre-printed sensitive information.
- **Coding solutions:** Mobile product authentication service includes a scratch-off label affixed to product packaging or an alphanumeric code printed on product packaging. These codes can be checked with a simple SMS to a mobile number printed on the pack. In return, the consumer receives a message providing the authenticity of the product. These

DELHI NCR	AGRA	JALANDHAR	MUMBAI	AHMEDABAD	JAIPUR
15%	13%	17%	19%	35%	14%
INDORE	KOLKATA	PATNA	CHENNAI	BANGALORE	HYDERABAD
34%	40%	21%	42%	21%	29%

Figure 19: City wise extent of counterfeits-Consumer durables/electronics

Source: Consumer survey, CRISIL MI&A

codes can be printed using inkjet or laser printers or applied via labels that may include one or more physical security features.

Laws to protect against counterfeiting

To tackle the onslaught of counterfeit products in the electronics sector, the Ministry of Electronics and Information Technology had notified 'Electronics and IT Goods (Requirements for Compulsory Registration) order, 2012, under the compulsory registration scheme of the Bureau of Indian Standards (BIS). The BIS introduced the compulsory registration scheme (CRS) in 2012 as a certification scheme for domestically manufactured and imported products. Under the scheme, it is mandatory for manufacturers to get their products registered and tested to the relevant standards at BIS-accredited laboratories in India. Through the registration, they receive the right to use the Standard Mark for Registration.

- **Trademark Act, 1999:** It provides remedies for infringement and passing off in relation to both registered and unregistered rights.
- Widens the scope of infringement
- Makes counterfeiting and piracy cognisable offences
- **E-commerce policy, 2019:** Anti-counterfeiting measures have been prescribed under the policy. E-commerce entities are required to publicly share all relevant details of sellers who make their products on the websites/platforms of these entities. All the sellers/retailers are required to furnish an undertaking of genuineness of products to the platforms, and the same must be made accessible to consumers by the platforms. Mechanisms to enable trademark owners (and licensees) to be informed about any possible counterfeit product being sold on a platform have been included in the policy. The platforms are required to seek authorisation

from trademark owners before listing high-value goods, cosmetics or goods having impact on public health on their websites.

Key markets for counterfeit consumer durable products

In India, some of the most popular markets for counterfeit, smuggled and cheap-grade electronic products are Nehru Place and Ghaffar Market in New Delhi; Manish Market and Linking Road in Mumbai; Hong Kong Bazaar in Hyderabad; Kasimedu Street in Chennai; SadarPatrappe Road in Karnataka (speakers, bluetooth devices, TV remotes, computer cords, home appliances, bulbs, tube lights, and LEDs); and Anna Salai, Ritchie Street in Tamil Nadu (electronic products such as mobile phones, mobile phone accessories, computers, and computer accessories).

Tier 2 and 3 cities are flooded with fake and cheap-grade electronic products.

Table 18: Instances of counterfeit consumer durables seizures in India

Sr no.	DD/MM/YY	Location	Incident
1.	13-03-2022	Kanpur, Uttar Pradesh	Fake LED TVs were being sold, police caught the gang
2.	24-02-2022	Raipur, Chhattisgarh	Fake mobile accessories of Apple brand found
3.	02-01-2022	Nagaur, Rajasthan	Raid on seller warehouse with labels of reputed companies on counterfeit fans
4.	16-12-2021	Barmer, Rajasthan	Three arrested for selling a branded company's fans, geysers and mixer grinders with duplicate stickers, 10 lakh goods seized
5.	16-12-2021	Gwalior, Madhya Pradesh	Fake parts of KENT RO were being sold in Gwalior; police raided
6.	09-12-2021	New Delhi	Samsung busted a counterfeit TV racket. Counterfeit products estimated to be worth over Rs 1.5 crore, fraudulently sold under the trademark 'SAMSUNG' were recovered
7.	25-11-2021	Raipur, Chhattisgarh	Two shopkeepers arrested for selling fake mobile power banks
8.	27-09-2021	Jabalpur, Madhya Pradesh	Harman took police help to bust a fake JBL speaker racket
9.	18-01-2021	Ghaziabad, Uttar Pradesh	A seller selling fake room heaters of a well-known company arrested
10.	20-11-2020	Chennai, Tamil Nadu	Counterfeit Mi India mobile phones worth Rs 33.3 lakh seized

Source: ASPA