

Water Heater Industry – Heating Up!!

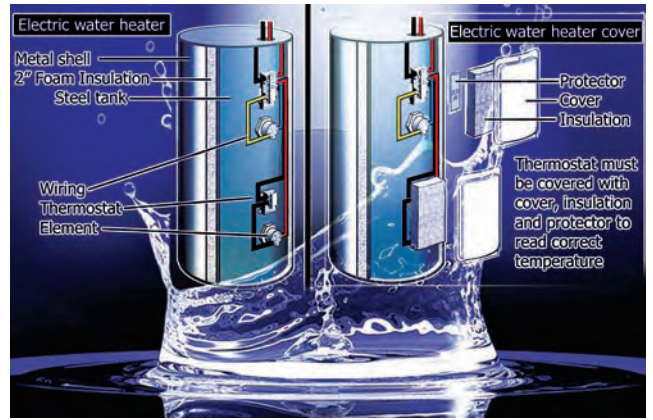
■ Prashant Dhar

The water heater industry is currently in the stages of significant growth after recently being freed from government restrictions of the “small scale industries” tag. We have seen many large players, both national and multi-national, entering the category. The market size in India for electric water heaters is over 1.8 million units of electricity with a value of ₹ 700 Crore, which is expected to grow at around 7% p.a. The market size for Solar water heaters is approx ₹ 500 Crore and growing at 12% p.a.

The category is rapidly moving towards higher involvement with consumers becoming more discerning towards brands while purchasing water heaters. It's no wonder that the industry has seen a 40% CAGR in media spends with all brands fighting to grab the consumer's eyeballs. Fortunately, consumer behaviour and habits are changing, with higher focus on having a trendy bathroom.

The challenges and opportunities for the industry as a whole relate to the penetration of the category which is still low at around 10%, even in upper SECs. This signifies that the potential for the category to grow is immense. With the disposable income in Indian households going up, the penetration is definitely going to increase in the next few years. It is also pertinent to note that water heater ownership is not restricted to a single unit in a household but has a potential of multiple units, with multiple bathrooms and sometimes even kitchens. So that expands further the scope of the category.

The growth of the Indian water heating market in new households largely depends on the construction industry. Construction is the major market driver as many water heaters are installed in newly built houses. The replacement and refurbishment sector is still smaller owing to a longer product life cycle. But we foresee a growth in the replacement sector as well with improved technology and smart features being incorporated in the products lately.



Solar water heaters are seeing rapid growth due to the growing awareness among consumers of the energy and money saving benefits and environment friendly aspects of these products. Moreover government subsidies are also encouraging penetration for the solar water heater category. Better infrastructure and piped water facility in rural India would drive solar water heater penetration further. The gas water heater market growth is currently stagnant with increasing cost of fuel. Penetration of piped gas is also an impediment to the growth of the category and people find electric water heaters more convenient.

However, we have challenges in terms of infrastructure with electricity shortages and frequent outages being major constraints for higher penetration of electric water heaters, especially in Tier 2 and 3 towns. Also, the quality of hard water in India, in certain regions, abets corrosion of storage tanks in water heaters. Manufacturers thus have to find foolproof solutions to this problem and develop products that withstand the effects of hard water.

As per our internal estimates, roughly 30% of the household electricity consumption is by water heaters. The increasing level of consumer awareness to better energy efficient products has led to the Bureau of Energy Efficiency (BEE) introducing star ratings for the electrical water heaters category as well. This has ensured that manufacturers invest in R&D and bring out products beneficial to cost sensitive consumers.

At the end of it all, the consumer reigns supreme with the manufacturers engaging actively with the consumer in order to meet market expectations. The product offerings are getting more superior and sophisticated and consumer-centric. This coupled with lower penetration and improved infrastructure is surely bound to catapult the growth of water heaters in India! In short, the industry is Heating UP!! ■

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