

# Bargaining power of suppliers marketing essay



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Asian Paints group operates in 17 countries across the world. It has manufacturing facilities in each of these countries and is the largest paint company in eleven countries. The group operates in five regions across the world viz. South Asia, South East Asia, South Pacific, Middle East and Caribbean region through the five corporate brands viz. Asian Paints, Berger International, SCIB Paints, Apco Coatings and Taubmans.

Asian paints are the market leader in paints industry in India and have a market share more than 50% in organized sector of paints. Even though the sector is fragmented, Asian paints has established it very firmly. It has outperformed its rivals with a huge margin. Its share value in stock market is 300% more than its second rival in the industry. The largest foreign marketer for this Fiscal Year 2010-2011 is Middle East region (Oman, Egypt, Bahrain and UAE) with 52. 2% sales. The Middle East region is the largest operating region for the group outside India.

The region now contributes 52% of the revenue from overseas operations. AP has strong moral and ethical values which itself give it a competitive

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advantage. The Company has adopted a Whistle Blower Policy with an objective to provide employees and Business Associates a framework and to establish a formal mechanism or process whereby concerns can be raised in line with the Company's commitment to highest standards of ethical, moral and legal business conduct and its commitment to open communication. The employees can make Protected Disclosures to the Ethics Committee regarding any malpractices or event or activity that may have occurred in the organization and which may be considered as unethical or fraudulent.

Q. 2. Evaluate appropriate strategies for emerging, maturing and declining competitive positions for Asian Paints(India).

Asian paints is in emerging stage in its market. Asian Paints, which is more than 50 years old, has been successful at exploiting every aspect of the concept. It became a technology leader by building information systems that let the company do in-store tinting and offer custom colors to customers. It developed a reputation as a management leader by adroitly addressing some difficult marketplace challenges. For instance, when the surging Indian software sector emerged as competition for its best employees, Asian Paints launched competitive compensation and performance policies. Asian Paints addressed customers' aspirations by introducing a line of paint products that came in smaller packages and had lower prices. Finally, Asian Paints has shown that it understands the tenets of values-based leadership.

Almost from the beginning, the family-run company understood the importance of giving managers assignments in foreign countries; it now routinely brings in nonfamily members to serve as executives and board

members. These traits have made Asian Paints the number one seller of paints in India and the second most recognized brand in that country, after Tata Steel. Furthermore, it has been able to apply this formula across 28 countries in various regions, including the Middle East, South Asia, and Australia, taking into consideration their diverse market needs. It has developed better strategies to overcome its obstacles and make their place.

Q. 3. Assess the impact of risk factors on strategic business management activities for Asian Paints(India).

In an industry where the globalization potential looks limited at first glance, India's leading paints company, Asian Paints has shown that it is serious about international expansion. AP made its first moves towards internationalization, by setting up a manufacturing facility in Fiji in 1977. Currently, Asian Paints has a strong presence in several countries including Tonga, Solomon Islands, Vanuatu, Australia, Sri Lanka, Nepal, Oman and Mauritius. In most of these countries, Asian Paints is today the market leader. Asian Paints is also the largest exporter of paints from India, selling its products in over 26 countries. The company (Asian Paints) has thrived against foreign competitors by developing its local assets, notably an extensive distribution network.

With its global operations rapidly expanding, Asian Paints is increasingly resorting to a portfolio approach. The company is now taking a serious look at the size of the paint market in each country, the size and strength of the economies, the nature of competition and the investment potential. Based on those calculations, it is dividing all its markets into three groups: Growth,

Leadership and Niche. Asian Paints strategy varies from market to market. For instance, in Malaysia and Thailand, which are rapidly growing markets, the company is looking for further acquisitions to build critical mass. Size and markets share will help it command greater pricing power, which in turn will improve margins, is the rationale. Meanwhile, in Jamaica and Bahrain, where Asian Paints is a dominant player, its margins are closer to what it earns in India. Asian Paints global expansion has been systematic and deliberate. The company has decided to focus exclusively on emerging markets in Asia and the Asia Pacific, which have large Indian communities. These markets have low per capita paint consumption, are among the fastest growing paint markets in the world and have also been traditionally ignored by multinationals.

Q. 4. Analyze the potential impact of emerging global issues on strategic business management and planning activities of Asian Paints (India).

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According to Porters Five Forces Model the external factors that will affect the Asian paints due to the diverse globalization are:

### **Threat of entry**

Growth rate much higher than global market, so global player may be interested.

Competitors may form Joint Ventures to capture more market share than Asian Paints.

### **Bargaining Power of Buyers**

In the Decorative Products the market is fragmented, so the buyer has more power.

In the Industrial products market competitors are offering their products with low cost of switching.

### **Bargaining Power of Suppliers**

Titanium dioxide (tio<sub>2</sub>) is very much needed in paints and it is imported. Suppliers are few and this makes the supplier more commanding.

Cost of raw materials is very high.

### **The Threat of Substitutes**

White Cement

White Wash

Brick and Stone structure

Competitors introducing products in all the segments where Asian Paints has high market share.

### **The Intensity of Rivalry**

Asian Paints has captured huge market in Decorative Paints, but Kansai Nerolac is leading in Industrial paints. In both categories, companies in the organized sector focus on brand building. Higher prices through product differentiation are also followed as a competitive strategy.

Q. 5. Evaluate the impact of stakeholders interests in shaping strategic business management and planning activities in Asian Paints (India)