

Asian paints global expansion strategy essay sample

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Asian paint is the market leader with 49% of market share in Indian decorative segment and maintains its position among the top ten players in the world. It is only Indian company operating in India having supply chain management supported by i2 technology. The report also talks about the market share of Asian paint in decorative as well as industrial segment and its growth. The report we made for demonstration present condition of Asian paint market in India and new expansion of market across border. we analysis asian paint Target marketing and marketin mix and describe about the Global trend and present situations as well as divest and invest return from different countrys. It also talks about the suggested recommendation by us and mainly we have suggested Asian paint is to follow market leader strategy.

Introduction

Asian Paints Ltd. has a combined turnover of 630 million US dollars. With its strong presence in the Indian subcontinent, south East Asia, Far East, South pacific Caribbean, Africa & Europe. Along with Asian paints the group consists of SCIB chemicals, Berger International & APCO coatings. Together the group has 30 manufacturing unit globally. The company was incorporated in the year 1942 in India. Asian paints have extensively computerized its operations in India using the cutting edge solution provided by SAP & i2. It helped the company drive benefits of faster market analysis for better decision making. The product portfolio of the Asian Paints group covers a large spectrum of finish coats & ancillary products in decorative paints, wood finishes, automobile OEMs & refinishes, marine & Industrial coatings.

Marketing strategy

The Indian Paint industry is estimated at 170 billion with a strong presence of both organized and unorganized players at ratio of 65: 35. The organized players making their hand stronger in the market. Due to the revised excise duties of govt the unorganized players losing their competitive edge. When we take the Indian paint industry the annual per capita consumption of paint is . 5 kg and the global average is 15kg. The global expansion of the Asian Paints foresees the potential of the global market. The per capita paint consumption of developed countries is estimated at 22kg and for south East Asian countries is 4kg. The Indian paint market records its highest growth during the festival seasons. The industrial paint and decorative paint segment growing at a same proportion. All these data supports the immense growth potential of Asian paint in the Indian as well as in the global market. The competition in the global market will be high but as because of the sustainable competitive advantage of Asian Paint expected to capture 59% of the Indian Paint industry by 2015.

The Indian market share of Asian paints it can be recognized as the market leader of the decorative paint industry. Due to the high cost high quality products of the decorative paint market has giving Asian paints a high advantage against its competitors. But when it comes to the low priced industrial segment market is ruled by GNPL. The estimated size of the paint industry in India is about Rs. 5500 crores. The organized sector occupies 70% of the market and the rest 30% is catered to by the unorganized sector.

Over the last few years, there has been a significant shift in customer preference in favor of the players in the organized sector.

The Indian paint sector is dominated by decorative paints, which occupy about 70% of the market. The industrial paints have a meager share of 30%. This situation is very different from that of most developed countries where the share of these two segments is 50: 50

Although operating in commodity market. Asian paints have invested heavily in branding, GATTU, the Asian paints official Mascot is a familiar icon across India. The company recently augmented their web presence. Their website, Asian paints. com is an exhaustive hub of „ Painting solutions“. The site use Maximum interactivity to enhance user experience. There are painting tips, online shades cards, cost calculation (based on floor area and number of rooms) dealer locator and a host of other innovative services. From the perceptual map we can understand that Asian paints, have wider range of products for all type of customers consisting of different income levels. It has a product range from Royal Emulsion, Priced 250-400 which is targeted for up market buyers. Hocolilen is a product which is targeted for high income and upper middle class people. For lower income group it has UTSAV, TRACTOR EMLSION which priced vary from 40-100 Rupees. These products are mainly targeted to Rural customers. In Industrial segment companies position is relatively weak here Werolac paints captured more than 50% market share. In this segment Asian paints have products like Apcomin synthetic enamel which is used for industrial coating, and Apco synthetic power which is used in automobile sector. In this segment also Asian paints

faced stiff competition from Berger and ICI Paints. Bajaj automobiles in the main customer of Asian paints in automotive sector.

Asian paints limited with its three business units decorative, industrial & International business is one of the largest paint company in India. It has a sell over 300 million liters of paints in 2005-06. Significantly the group has crossed the Rs. 3000 crores turnover mark a preset mile stone for the company.

Products and its price ranges :

The various products and its price ranges are as follows :

Effect of price on future:

In the present economic situation, the GDP growth is expected at 6% for crude oil price are soaring. Industrial sector has declined at a low rate with continuous slowdown increment sector. There is depreciation in rupee.

Despite such discouraging

macroeconomics it is creditable that Asian paints has posted very good result. Asian Paints is trying desperately to keep the same price overcoming the constraints.

Asian paint produces a wide range of products which have more than 1100 shades. Their product were targeted to the different segment of the society. The cost of the produce of Asian paint varies according different income level of the consumer. Company follows the principle providing the customer different kind of products and different price. In company's Decorative premium sector company have products like Asian paint Royals and Asian

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paint Emulsion. The cost of these product is Rs. 275 and the latter Rs. 201 where the product like GATTU and Utsav-family product are targeted to lower income segment people the cost varies from Rs. 15 – Rs. 20. As Asian Paint is the leader in the decorative segment in the Indian paint market it has wide variety of product. The products are :

- (i) Asian Paints Royale
- (ii) Asian Paints Premium Emulsion
- (iii) Asian Paints Apcolite Premium Enamel
- (iv) Asian Paints Gattu Synthetic
- (v) Asian Paints Utsav Enamel
- (vi) Asian Paints Trator Acylic Distemper
- (vii) Asian Paint Utsav Acrylic Distemper
- (viii) Asian Paint Apex
- (ix) Asian Paint Ace
- (x) Asian Paints Tractor Synthetic Distemper.

Asian Paints Royale : This product of Asian paint is targeted to higher income group and customer of urban area. The product contains different shades and price of each shade very. E. g. Regal white

Asian Paints Emulsion : it is another product which is targeted to urban area. It is high price premium product. The shades are white, palm group and base.

Asian Paints Gattu synthetic : It is a product which is targeted customer of reral area. It price varies Rs. 15 to Rs. 120 and it has different shades like white, Aquamarine, Azure Blue and etc. Asain Paints Utsav Paint : it is

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product which is targeted to lower income people as well as rural customer. The various shades were Adyrey, back, white, super white and etc. Asian Paints Apex : This product is one of the major product of the saian paints as this product is targeted to middle class people and avg income level. These paint have wider range of shades such as classic white, blue ice, Alliance, Antique white, sweet time and etc. The price varies from Rs. 180-Rs. 115.

it is the second category of the product that Asian paint produces. In this segment Asian Paints targets to industry where the paint are used for protective coatings of the machinery. Road mapping and various other industrial uses. In these segment the product are normally sold at the premium price. Asian paint in these sector is behind its competitor Nerolac. Now Asian Paints is trying a lot to improve the product technology and by bringing new product in this sector to compete with its competitor. The products are

- (i) Apcomin Synthetic Enamel
- (ii) Apcomin Synthetic Powder
- (iii) Stainer
- (iv) Premium surface & fillers

These products are based on high technological products and are used for asset (Machinery, tools, equipments) coloring and upcoming synthetic powder is used as lubricating agent in the machinery. Premium surface and fillers and strainers are used in for road marking and various other tings in the Industrial sector. This is the third category of product which is produced by Asian paint. These segment is slowly being emerging great user of paint

in the Indian market previously automotive company used to import the product from other country. But now some companies like Asian paint, nerolac, Berger have their products in this segment. This sector is emerging market in India.

The products of Asian paint in this segment are

(1) Alluminium Paint

(2) Fibre Paint

(3) Apcolite Hammertone finish

Basically the product in this segment are new but the product are in the great demand automotive vehicles in India. The product are available in different colour basically they are used for colouring the vehicles and the spare parts.

Product life cycle suggests the different stages that a product undergoes during its life cycle Introduction stage: In these stage the product are introduced to the market. (i) Growth state - In growth stage the product gens the memeenturn an grows rapidly in these stage.

(ii) Maturity : In these stage the product attains the saturation level it reaches its maximum point and from that point it starts downfall.

(iii) Decline stage : In these stage product slowly goes downward in to the slope because of low demand and various other things. It end stage of a product.

Asian paints the market leader of the decorative segment in the paint market of the India. As it is not for behind in the other tow section that is

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industrial coating and automotive coating. In achieve the current position a lot things are being done by the Asian paints. The promotion strategy of Asian paints is bringing a lot of positive output to the company. Company is using different techniques such ad. Campaign, sales promotion, personal selling, direct marketing and public relation. Promotion strategy :

Direct response marketing : Asian paints is using V-sts based in the and 24 hours online customer help line service open. In enable the customer to interact with the company and know the details about the product, pricing and many things related to the company.

Asian paints is dominating the television advertisement by increasing other ad campaign cost over 50% from next year. A total amount of 85 crores is spent on the ad campaign by Asian Paint. With huge ad campaign support behind the product the company is able to making a brand name in the mind of customer. Their particular ad campaign „ Mera Walla Blue” “ har ghar kuch kehta hia” are being liked by the customer.

Online marketing for urban customer : Asian paint online marketing system is helping company in lot of ways many customer all the necessary information to the customer. It is an unique way of promotion.

Colour world : Asian paint had established 30 colour world through out the country giving the people real taste of colour. The punchline for the colour world is “ Jjahan Milen world ke saare colour”

Promoting in different cities : Asian paint have large area of Network of distribution. It has almost retail outlets through out the country situated in

the different city of India. All the customer could easily access the product of Asian paint anywhere and any time. Promotional strategy followed by Asian paints in rural market On of thing which is contributing to the profit of Asian paint is that its entry to the rural market. As Asian paint gets an competitive advantage from its competitor in this sector. As Nerolac and Berger were only targeting the urban customer. • First of al Asian paint is bring different low cost product like Utsav group in the rural market.

- There packaging very from 200gm to 1 kg and prices are also relatively low. • To enhance their sales in the rural market they are spending a huge amount of money in ad campaigns.
 - In rural areas they follow sales demonstration programme where they demonstrate their different product where a large no. of discount is given on the product, lucky coupons, free gifts are given to the customer.
 - Moving vans are being employed to sell their product in different village.
- Promotion in international arena Asian paint is taking we from the domestic market and promoting its product in the international market with establishing colour world in those place particularly Caribbean, Africa Middle east Asia and south pacific. A huge amount fund is invested adcapaign for these product in the international market. Promotion through Ad campaign :
- Asian paint has different brands over 1100 shades targeting different segments. The company decide to promote all the brand under one name of “ Asian paint” This was a advantage for Asian paint in the Low involvement segment as the people asked the paint by brand.

Target Audience : The primary target audience for all of the brands marketing and communication activities has been the adult male who is the primary decision maker.

However female members of the house play an important role in selecting a shade so a large number of ad are done keeping in mind that thing..

- The non-sue of caps in the headline as in the original ad “ Asian Paint” logo which is in similar font, the design is meant for better readability and structure of colour used.
- The company mascot “ Gattu” an impish boy with the paint tin and the brush, is most popular and easily reconciled and is one of the ideal mascot.

Sales promotion : Asian paint uses its sale promotion as key ingredient in its marketing campaign. It consist of various incentive designed to stimulate faster or greater purchase of their products.

Giving discount to the dealer ; Asian paint gives certain amount of discount to the dealer if he increases the sales of the company product.

Specialty advertising : Giving Asian paint T-shirt, Caps and other small things to painter for their advertisement.

Trade show : Asian paint always open its stall in the Industry trade so that its products would be promoted globally.

Consumer preference : The customer of Asian vary from a period to a big industry in order to enhance its sales it gives price discount on bulk amount of purchase. The company give coupons inside the paint pack so that could be taken by the customer as a gift from the company. Asian paint always try to improve the packaging of the product. If the product would be fancy and stylish then it would increase the sales of the products. As industrial coating

is one of its major product the company uses the name of the company it supply the paint for its promotion. The promotional strategy adopted by Asian is quite unique apart from having such good strategy the company is using high profile brand ambassador like Akshay Khanna, Saif Alikhan" to promote their product in the paint market. Promotional strategy of Asian paint is always aimed looking at customer and this needs and for this strategy company is enjoying the No 1 Position in the Indian paint market.

Asian paints have an extensive distribution channel through out the country. It used to maintain unique channel from the manufacturer to the customer. Distribution system at Asian paints : 1. Multiplant Distribution setup.

Neither geographic nor product specific.

Offers flexibility & variable cost advantages

2. Servicing has been key competitive advantage.

3. Around 15000 dealers serviced from around 85 sales location. 4. Role of distribution department is to ensure timely product availability at these locations at minimum cost.

The company has 4 manufacturing facilities & more than 2800 stock keeping units (SKUs) These are supported by 6 regional distribution centers, which cater 55 depots. Each depot is having branch manager for supervision over more than 15000 dealers in more than 3500 small & big cities in India.

Asian paint implemented & concisely improving its IT systems over the years. It has already linked all sites & Depots through V-SAT technology, which helps them to monitor constantly & has given benefits in streamlining

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the distribution channel. Asian paints also implemented 12 solutions to increase its networkings & solutions, which is a very good replacement of ERP.

Asian paints is India"s largest paint company & the third largest paint company of Asia today , has an enviable reputation in corporate & society level for its wonderful serving. Asian paints have three different segments : (i) Decorative paints (ii) Industrial & (iii) Automotive paints.

Its service strategy is also different according to these segments. (i)

Decorative paints : Asian paints some solutions - which actually offer a hassle free painting

experiences to the consumer is presently available in 11 different cities in India. It is particularly meant for premium consumers. In this case painting is done by experienced, trained applicators & according to the wish & choice of customer in presence of him. Here time bound completions of the job is assured. In the website of Asian paints (www.asianpaint.com) all the details related to the availability of the above facility & the help desk is designed to provide the customer ample choices. Asian paints colour world is the unique paint shop of Asian paint available through out the India, where consumer can directly see the different paint combinations through software & chose accordingly.

In all these cases Asian paints also provide warranty for their products & for home solutions free after paint services to the consumer, if anything wrong happens with the paint.

For the rural areas, where the most popular product UTSAV, dominate the market, Asian paint used to organize rallies, car or van advertisement of their product & make aware the people about their services.

ii) Industrial paint :

here the products are tested under extreme conditions to ensure their durability & how they can withstand different climatic changes. As corporate level the main consumer here Asian paint used to provide importance in servicing this sector too. Its website gives all the product details. It provides technical details regarding the uses of the paint. Coating specification, health & safety are also given importance as a part of services. iii)

Automotive coatings :

In this segment Asian paints is improving its market share with high speed. Here the vehicles ultimately goes to the consumer, so Asian paints used to provide direct consumer service, private cars, motor bikes & MUV (Multi usage vehicles) vehicle manufactures are directly provided with the post paint service. Asian paint have implemented is solutions. Which helped them to overcome the homegrown supply chain, which had certain drawbacks, in terms of customer service. The is solution helped them to continuously monitor the changing needs of the market place & serve the customers accordingly. In future so as to become open of largest paint company in the world Asian paints is also taking care of the services they provide. They want to have more feedback from the customers through their website & colour

world. It is now turning its helpline into an integral part of its operations. Roughly 75 lakh rupees is considered as the annual service cost. Quality service is the future mothe of the company.

Asian paints, the largest paint company of India have a very strong research methodology. There are two ways they follow : - (i) Market Research (ii) Research & Development of the products according to customers need & choices. (i) Market Research :

Asian paints used to hold a very strong market research team. The colour worlds available throughout India is also keeping the consumer databases & their feed backs. There are three important respect which came out.

(i) Consumer presences

(ii) Increasing global competition

(iii) Rapidly disappearing complete advantages.

The market research suggests company need to improve its presence in Industrial sector. Products related to surface coatings & Intermediates need to be modified. UTSAV range of products achieved a great success in rural market in this area Asian paint need to take the competitive advantage.

(ii) Research & Developments :

Asian paints have invested 140. 54 million Rs. In 2005-06 in the R & D sector, Which gives an idea about the company"s paid interest in R & D. The various sector where company is taking care of are -

(i) Development of analytical test methods, characterization technique & application techniques essential for product development, bench marketing

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& customer servicing.

(ii) Up gradation of products & processes to reduce environmental & safety concerns.

(iii) As the price of crude oil is increasing day by day. Asian paints is looking for identification of alternate & new raw materials for the products. (iv) Quality improvement, cost benefits, supply chain flexibility & crisis management are also the matter of concern.

Future planning :

Asian paints is growing rapidly throughout the world. In international market company is planning to introduce new & attractive products through its subsidiaries, like Berger, Apco coating etc. In Jamaica & Fuji company's market is yet not

satisfactory, which is also a matter of concern. In domestic market company will concentrate on development of new products/ product systems. With improved supply chain management. Asian paints is looking to invest approximately Rs. 160 million in R & D in 2006- 2007 financial years. Quality control system will be upgraded & implementation of in solution will be helpful to grow.

Asian Paints continuing as the market leader in India at a high competitive scenario. The key success factor that helps the organisation to become the market leader is the sustainable competitive advantage which the organisation generate in its distribution integrated system of its 2500 stock keeping units. There are more than twelve players in the organized sector in India's paint and coatings market and over 2, 000 in the unorganized

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sectorICI , Goodlass Nerolac, Berger, and Shalimar have a strong presence in the market. Recently, world lead"s major players like Akzo Nobel, PPG, DuPont and BASF have set up India as their base with product ranges such as, powder coatings auto refinishes and industrial coatings. Kansai Paints of Japan, which entered into collaboration with Goodlass Nerolac in 1984, is now the holding company for Goodlass Nerolac with 64. 52% equity holding.

Company

Industrial Market

Decorative Market

APIL

14. 50%

37. 50%

GNPL

42. 50%

10%

Berger Paints

14. 20%

11. 20%

ICI

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7. 80%

7. 80%

Jenson & Nicholson

8. 10%

5. 50%

Others

12. 90%

38%

Here

we

to identify the main competitor and their key strength.

are trying

- Goodlass Nerolac:

Nerolac, despite a strong brand name has grossly underutilized its potential in decorative paints. But in industrial paint sector it is far ahead of other competitors. So, its two main targets are : i) to keep hold of the Industrial paint market ii) increase the market share in Decorative paint sector.

All their business strategies mainly rounded this two issues. The different strategies they are dealing with :

(1) They want to see high growths from decorative segments. In Industrial

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sector their supply chasing demand strategy accumulated lot of inefficiencies, so there is a scope for cost reduction. So they want to upgrade the equipments to improve efficiency in manufacturing & secondly they are taking advantage of IT to improve over all efficiencies.

(2) In decorative segment, they are lagging behind the demand. So now set up is needed as well as they are concentrating on enamels. They are installing colour dispensing machine across the country.

(3) Concentration on emulsions & distempers, other words interior Distinguishing the high – low end products.

paints.

(4) They want to concentrate also on the automobile paint industry. Here they are already established but Asian paints is also targeting this sector heavily. (5) Another important strategy they are considering is to involve the vendor in their organizational process. For this they want to have proper vendor management processes.

- ICI:

Within 3 years of launch of colour future from ICI it proved to define the International interior designing trend. The company has invested a million dollars in the R&D of the colour futures concept. Which helps to forecast the international colour trends in paints. Though ICI is considered as the 4th paint against in India, but its presence & development can be a threat to the others.

As a part of its strategy ICI is taking the measures : -

- (i) It is not looking at the increasing Investments but focusing on debottlenecking the capacity.
- (ii) Considering the increment of channel partners.
- (iii) Improving technology & offering better quality at a moderate price will help to capture the rural market easily.
- (iv) Improved service & solution to the customers.

The company is slowing penetrating to both of decorative & Industrial paint segment. • JNIL- Leverage on JV for growth in Industrial segments. The companies always try to find out the better way to find out the competitive advantage through strategic alliance. • RPM international- leaders in specialty coatings and sealants serving both industrial and consumer markets. Industrial products include corrosion control coatings, flooring coatings and specialty chemicals

- SPIL:- Consolidate position in architectural paints .

ICI

- ☞ Duette, Dulux, Weather Shield and Dulux Velvet Touch.

APL

- ☞ Royale

Berger Paints ☞ Luxol Silk

ICI

APL

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Shalimar

Berger

☞ Dulux

☞ Apcolite

☞ Superlac

☞ Rangoli, Vinyl and Luxol.

ICI

APL

Berger

GNP

Shalimar

☞ Farco, Supercote and Maxilite.

☞ Utsav, Tractor.

☞ Butterfly

☞ Goody

☞ Diamond

THE SWOT of Asian paint

Strength

Weakness

- Market leader in overall paint market (44%) & in decorative paint market in India (38%)
- Pricing policy oriented to all kinds of customer

- Strong in inventory control
- Widest product range in terms of products, shades
- Nation wide coverage of the market
- Industrial paint sector only 15% share
- No tie up with foreign manufactures. Though it has units in several countries.
- Seasonal demand and hence in off seasons it can lead to cash flow problems
- Innovation in developing new product is inadequate

SWOT

Opportunity

Threat

- Acquiring/ Increasing market share in Industrial paint sector.
- Developing market in automobile industry, which accounts for 50% of Industrial paint market.
- Introducing Water – based Paints
- Repositioning of existing Brands in Rural Market
- Broadening of Distribution Network
- Competitors have gone in for hi-tech insta-colour spot mixing.
- Domination of few foreign companies.
- Competition is catching up fast, hitech facilities gives abundant choices e. g. Nerolac is advancing rapidly in Industrial market
- Domination of few foreign countries

Global trend and Global Expansion

The global market is estimated at about \$21 billion tons per annum and valued at about \$60 billion¹. The world market is growing at a rate of 3-4% a year, or slightly less than the world economy and is serviced by 7, 000 paint makers. This is because the market in developed countries is quite mature and a very high level of market penetration has been achieved and there are few areas where market expansion can take place.

The global market is in a very high stage of consolidation and the top players control almost 60%¹ of the total demand. A lot of mergers and takeovers have happened in the recent past. Despite the presence of thousands of paint suppliers, the impact of mergers and acquisitions has been dramatic. In 1980, the top 10 paint manufacturers accounted for 15% of world sales. During 1980-2000, ICI grew more than four-fold to become the world's largest paint manufacturer with a market share of 10%¹ worldwide. Akzo Nobel grew five times and Sherwin Williams grew three times. The level of consolidation can be seen from the example of the DuPont takeover of Herbets. DuPont was the leader of automotive coatings in North and South America and Herbets was the leader in the area in Europe. DuPont planned its expansion to Europe and executed this plan through the takeover of Herbets to itself become the largest automotive paints manufacturer in the world.

In the industrial arena technology advancements started making the technologies for manufacture more and more exclusive to the proprietary

technology holders. This has made it infeasible for other players to advance in the markets and they have either sold

Source: www.indiaonline.com

out or closed shop. It is very tough for one player to dominate more than three to four niches in the industrial segment because that would require a lot of R&D capability and expenditure. Also, it would have to compete with highly focused companies who are just concentrating on one or two areas and are therefore specialized in these areas. Such a company would find it tough to keep up with the technological advancements in the area and would therefore have to move towards more focus on a smaller number of niches.

The ultimate structure of the industry (the signs of which can be observed even now) would be where a small number of highly focused global competitors compete in each niche with each having a substantial market share.

Companies such as ICI, Kalon and Akzo Nobel have become experts and so dominate the decorative markets, with ICI in particular choosing to quit car paint segment four years ago to concentrate on decorative segment. It has, however, stayed in two big worldwide industrial sectors: vehicles refinish and can coating. ICI, now the world's largest paint manufacturer, has led the rush for volume and continues to do so. It has pared down its high-tech, specialized global niches to two vehicle refinishes and can coatings - and has developed a profitable world business since its big leap forward in 1986, when it bought Glidden, a US giant then in the top 10. A few months prior to

this purchase, BASF, Herberts" German rival, had bought Inmont, another US giant, from United Technologies. Glidden specialized in can coatings, having developed an environmentally friendly water-based lacquer for spraying the inside of beverage cans. Inmont"s expertise was in vehicle repair paints. Both acquisitions gave their purchasers years of corporate indigestion. Meanwhile, Courtaulds sold its local UK automotive business to PPG and built on global niche management skills acquired through its world-leading marine and protective coatings.

Akzo, the Dutch chemical giant, has made a rapid series of acquisitions in the nineties that have made Akzo Nobel, the largest paint manufacturer in Europe and second to "ICI in volume terms in the world. Many of these companies exchange parts of their portfolios from time to time, to strengthen their positions in particular niches. The emerging markets to which the paint majors are targeting are Latin America, Asia and the Pacific regions. These markets are expected to be the thrust areas of the future competition. All the big names i. e. PPG, DuPont of US; ICI and Courtaulds of UK; BASF and Herberts of Germany; Akzo Nobel of the Netherlands; Nippon and Kansai of Japan are in India. Kansai is the parent company of Goodlass Nerolac and it owns a 65% 2 equity share in the company.

The Indian market has also started seeing a lot of mergers and acquisitions happening in the recent past. Asian Paints also survived a major threat of acquisition from ICI. Even the Indian market has consolidated quite a lot and most of the minor players in the Indian market have been taken over. The next major events could be related to mergers or takeovers of Indian

companies by major global players or takeovers of smaller Indian companies by market leaders like Asian Paints.

APL followed both organic and inorganic path for its growth strategy. It has acquired, came up with different corporate brands, subsidiaries (which are 100% self owned) and jointly ventured for achieving its market leader position in more than eight countries.

Berger

It is started by a German chemist, grew big with many wings across various countries and then later in the year 1994 all the units were grouped under BIL (Berger International Limited). Now it became the part of Asian Paints with 100% being under the control of APL. APL operates in eight global markets through Berger. (Mehta, 2008)

Apco Coatings

This is also another subsidiary 100% owned by Asian Paints catering to the South Pacific Islands like Australia, Fiji and others. (Annual report, 2009)

Taubmans

This became part of APL in 2003 for selling its products to Samoa islands.

SCIB (Study Construction and Industrial Buildings)

It is an Egypt based company which is founded in the year 1979 and first to introduce water based Enamel. It became United Paints and Chemicals (UPC) when it joined hands with OCI (Orascom Construction Industries). In 2002

SCIB partnered with APL and runs under its control in Egypt. (Annual report, 2009)

Asian PPG

This is a pure 50: 50 joint venture between Asian Paints Limited (India) and PPG Industries which is US based company catering to automobile industry in India. These two came together to make stronger with efficient technology, understanding of customer needs and manufacturing. (Annual report. 2009)

- Low paint consumption per capita in high growth market indicates there's lots more to consume!!!
- World Paint consumption per capita is approximately 6.6kg/person • NA and WE approximately 15-17kg/peron
- Largely untapped markets in Asia region-particularly India with its large population and good paint market growth.

The Asian Paints group operates in five regions across the world i. e. South Asia, South East Asia, South Pacific, Middle East & Caribbean through its five corporate brands viz. Asian Paints, Berger International, SCIB Paints, Apco Coatings and Taubmans. The company along with its subsidiaries has operations in 17 countries across the world with 23 paint manufacturing facilities, servicing consumers in 65 countries. It is the largest paint company in eleven countries.

International operations: regional sales contribution (FY2010)

Global Presence of Asian Paints

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Indonesia is the world's fourth most populous country and its involvement in the paint and coatings industry dates back some 40 years. With its large population and low paint consumption per capita, there is still much room for growth in this country. Over the course of the next few years, Indonesia is forecasted to be one of the key focal high growth markets within the Asia Pacific region. The largest segment within the industry currently receiving the bulk of the spotlight is the decorative coatings market. The paint industry as a whole in Indonesia was valued at \$1,024 million in 2008 and is expected to grow to \$1,444 million by 2013, largely attributed to a robust economic growth, an underpenetrated market, as well as a growing construction sector.

With an increase in purchasing power and a gradual shift of focus to more functional and higher aesthetic products, there has been a definite boost in the domestic paint industry. Moreover, a mushrooming urban population drives demand for quality products, consequently triggering the demand for paints. Paint consumption per capita in Indonesia currently approximates 2.8 kg/person, which is well below the total Asia level at 4-4.5 kg/person. Many paint manufacturing multinational corporations have set up their manufacturing base in Indonesia and source their raw material needs locally, which further aids the growth of the paint and coatings industry. The highly volatile price of raw materials is a primary concern for paint manufacturers. When the price of raw materials escalate, the resultant higher cost cannot be completely passed on to consumers due to growing competition within the paint market. As a result, margin squeeze becomes a key challenge to

overcome for paint manufacturers, particularly for the smaller local companies.

The Decorative paint market makes up 60% and 79% respectively by value and volume of the overall paint industry in Indonesia. It is a high growth market segment that is dominated by 5 key competitors that collectively take up close to 70% of the market value. The top 2 players are Nippon and ICI, having existed in the market for over 30 years. Their focus is in the water base segment and their key success factors can be attributed to high brand awareness, competitive pricing, extensive reach, and good dealer networks

As we can see the Chart that, Indonesia from 2010-2013 market growth is uprising and from The top 2 players are Nippon and ICI , Nippon is Asian paint strategic partner so it is easy to enter with the water base segment product(industrial paint) can be drive successes fully.

Philippines - In Philippines market growth is not so much appreciable and APAC market rate is 1% so it can be but we can't say that is so attractive for Asian paint.

Malaysia-

The decision of the Singapore-based subsidiary of Asian Paints

(International) Ltd., Berger International Ltd. to divest its stake in the Malaysian and Chinese subsidiaries Berger International Sdn Bhd and Berger Paints (China). Asian Paint decides to exit its operations from China and Malaysia and as well from Thailand. They have divested its units because The

firm, which gets more than half of its international revenues from the Middle East, has seen good volume growth in that region, though it is cautious in its outlook for sales from Dubai. The firm is expecting a “minor gain” in its financial results as a result of the stake sale in its China and Thai operations. Asian Paints’s consolidated Oct-Dec net profit soared to Rs 1.98 billion from about Rs 590 million a year ago.

During the 15 month period (January 2009 - March 2010), the region achieved a sale of Rs. 196 crores. The global economic meltdown had a severe impact on the Caribbean economies and hence the performance of the region was adversely affected. The revenue from paint sales has increased by 2% to Rs. 167 crores in the 12 month period (January 2009 - December 2009). Adjusted for exchange rate impact, the revenue from paint sales has decreased by 1%. PBIT (profit before interest and tax) for the region has increased by 108% to Rs. 12 crores during this period. All the subsidiaries in the region have made profit. The higher profit is due to the substantially better performance of the subsidiaries in Jamaica&Barbados.

During the 15 month period (January 2009 - March 2010), the region achieved a sale of Rs. 652 crores. For the 12 month period (January 2009 - December 2009), the revenue from paint sales has increased by 15% to Rs. 534 crores. Adjusted for exchange rate impact, the revenue from paint sales has increased by 3%. Although all the economies in the region have been impacted by the global recessionary trend, the impact has been most prolonged in Emirates. PBIT for the region has increased by 80% to Rs. 101 crores in the 12 month period (January 2009 - December 2009).

The Middle East region is the largest operating region for the group outside India. The region now contributes 54% of the revenue from overseas operations. All the subsidiaries in the region have performed well. All the subsidiaries have registered good increase in profit, while the subsidiary in Egypt continues to be the biggest profit contributor in the region.

A new plant is being built in Egypt with an initial capacity of 50, 000 KL per annum and will be expanded to 150, 000 KL in phases. It is expected to be commissioned by July, 2010. The plant will be fully equipped to comply with all the applicable safety and environmental regulations.

During the 15 month period (January 2009 – March 2010), the region achieved a sale of Rs. 187 crores. For the 12 month period (January 2009 – December 2009), revenue from paint sales has increased by 28% to Rs. 147 crores. Adjusted for exchange rate impact, the revenue from paint sales has increased by 18% during this period. The PBIT for the region has increased by 115% to Rs. 18 crores in this period. All subsidiaries in the region have performed well. Expansion of the ColorWorld dealer network and increased influencer interactions through painter-dealer meets has helped all the subsidiaries to achieve healthy sales growth.

During the year under review, the economies in the region were severely impacted by the global meltdown. The subsidiaries in China, Malaysia, Hong Kong and Thailand were divested. On account of the divestments being effected at different points of time during the year, sales figures are not comparable with those of the previous year. During the 15 month period (January 2009 – March 2010), the region achieved a sale of Rs. 96 crores.

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The subsidiary in Singapore had performed well and revenue during the 15 month period (January 2009 - March 2010) was Rs. 61 crores. For the 12 month period (January 2009 - December 2009), the sales has increased to Rs. 49 crores. The subsidiary has achieved a PBIT growth of 38% over the previous year for this period.

During the 15 month period (January 2009 - March 2010), the region had a sale of Rs. 85 crores. For the 12 month period (January 2009 - December 2009), paint sales increased by 7% to Rs. 67 crores. Adjusted for exchange rate impact, the revenue from paint sales has increased by 9%. The PBIT for the region has increased by 54% to Rs. 9 crores during this period.

As mentioned in the last annual report, the management will continue to take all feasible steps to enhance the operating performance and the cash flows from the overseas subsidiaries.

As we can see increase and the decisions was good. Divestment from China , malayasia and from thiland .

Recommendation

For the newly acquired global companies, utilization of the learning curve effect and the knowledge base from having functioned in a developing country would be the most crucial factor for growth. AP can hasten the process of market growth and maturity in these regions by leveraging on its experience and launching newer products at a faster rate. Asian Paints can adopt two approaches to fuel its growth strategy in the decorative segment via acquisitions.

1. The first approach would be to use Acquisitions as a means to providing incremental growth. This would be the case when the acquisition is small and the acquisition has been motivated by the need to enter into the market rather than a strategic reason to capture synergies and leverage their size.
2. The second approach would involve attempting to change the industry dynamics drastically by acquiring all the bigger players of the industry. The fallout of this would be that Asian Paints would get the necessary freedom to develop and grow the Paints market of India without pressures from the competition. Historically, Asian Paints has had both customer focus and competition focus. The pressure brought about by the competition could have been the reason for the inability of AP to bring about a high degree of consumer discrimination. If Asian Paints were to acquire the remaining big players of the Industry, Asian Paints would enjoy monopoly power in the industry and it could then attempt to capture the entire consumer surplus by bringing about price discrimination among various customer segments. This method could be attractive if the benefits accruing out of utilizing monopoly power outweigh the costs involved in acquiring those players.

In the end here some point must remember

Indonesia is big market for Asian paint , Invest and Increase market share in this potential market.

The Singapore market remains sluggish have to improve .

Raw material inflation is a global phenomena being impacted both from food prices and commodity prices, and continues to be a big concern Strength in global demand conditions might be affected in absence of stimulus

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Conclusion

Asian paint is best ideology for merger and acquisition . Expanding business , maximize profit and huge market share driving into Pick of Paint industry. The company is successful because of its continuous research and development which help the company in increasing its product line and provided it with 1000 shades of colours which are developed in- house. The second biggest strength of this company is supply chain management which is backed by information technology and latest software"s. Strong retailing and excellent service add value to new segments The strategy adopted by the company is helping in its growth and now the company is operating in 4 regions , 17 countries and is among the top 10 paint manufacturer in the world.

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Special support

Asian paint Investor PPT

www.informationresearch.co.uk

Frost & Sullivan- Asia Pacific Paint & Coatings Market What Lies Ahead!