

Paint industry analysis essay sample

[Art & Culture](#), [Painting](#)



Introduction: The paints industry made a beginning in India in 1902 when Shalimar Paints set up its operations in Kolkata (Calcutta). Today the size of the paints market in India is estimated at Rs 180 bn. Market Structure &

Product category: The Indian Paint industry can be divided as: * The organized sector comprising of large and medium size units * The unorganized or the small scale sector.

The contribution of the organised and unorganised segments is in the ratio of 70: 30. The organized sector can itself be divided into two distinct segments (Product wise): * Industrial segment which is growing at 15% approximately and consist of 30 % of the market and * Decorative segment which is growing at 8% approximately and consist of 70 % of market

Market Players The major players that control the organized sector are shown below:

Market Players| Market Share (%)|

Asian Paints| 43. 8|

Kansai Nerolac Paints| 15. 3|

Berger Paints India| 14. 19|

Akzo Nobel India| 8. 53|

Source : CMIE|

Inferences Based on Macro Environment of the Paints Industry

Demographic:

* The current Indian population is 1. 1 billion and it is expected to be at 1. 53

billion by 2030 surpassing China and become the world's most populated nation [Ref 3], which would result in cheap labour force.

* Most of the Indian populations are migrating toward the urban area for employment and industrialization [Ref 3]. So there is a lot of opportunity in urban area.

* As the population is increasing at a rapid rate, the number of houses also increases accordingly, so there would be a huge demand for paints.

Economic:

* India is the world's fourth largest economy with the current GDP growing at 7.8 %, which is expected to grow by 8 % in the next year and paint industry growing at 1.5 times the GDP growth [Ref 1], so there is always a demand for paints.

* Foreign trade and investments have increased by 34% and stood at \$23.8 billion.[Ref 2] thus it would result in more infrastructure development.

* The major concern is the Inflation which is at 9.1 % due to steady increase in food and oil prices. [Ref 2]. While this may be a concern (as the price of raw materials may go up) resulting in the end product being more expensive-still in the short run it is unlikely that the company will face any margin pressure since it is a market leader. In the long run however the company may have to look at diversifying its product portfolio by adding other related products like tiles, etc.

* Indian government is paying more attention to infrastructure development both in the urban and rural areas and lot of banks are providing home loans

with nominal interest rates. So there is a scope for increase in demands for paints.

Political – legal environment:

* There are numerous political parties at both national and state level. So it's very difficult to get consensus among all parties if we want to set up an industry. * Some of the organizations are against the concept of industrialization and protesting against land procurement for that. It could have a possible impact on the paint industry. * The manufacturing facilities need to adhere to the labour laws and the environmental standards set up by the pertinent bodies.

Technology:

* There are 500 technological institutes and 1800 research institutes in India. So there are highly qualified and skilled persons available.

* The sector is developing at 35 % growth rate annually.

* With the help of technological advancement we could have a sophisticated network of communication with the customer and dealer and it could possibly reduce the lead time thereby improving supply chain efficiency.

Socio – Cultural:

* In a country like India with huge diversity the psychographic behaviour of people are likely to play a major role in influencing the buying pattern.

* Uniformity of official language (English) helps the company to recruit and train quality people.

* The festive season is the major business season for the industry.

Role Players:

Suppliers:

1) Being a raw material intensive industry, the industry stands to gain from softening crude prices.

2) Supply exceeds demand in both the decorative as well as the industrial paints segments. So this makes it difficult for the suppliers to dictate terms.

3) R& D investments are likely to go up as companies would need to innovate and come up with new environment friendly products to adhere to Government guidelines. A closer supplier relationship is one way of ensuring competitive and quality products for an organisation. Dealers:

* Wide dealer network is required to cater to the vast Indian market. * The company has built a very robust dealer network.

* The company has formed a formidable relationship with its loyal set of dealers which has helped it to maintain its position. Competitors:

1) Unorganized sector.

2) MNCs- The three kinds of methods MNCs and emerging challengers use to tilt outcomes in their favour are: by aggressively moving into new, fast-growing segments; better managing the convergence in costs across advanced and emerging markets; and reworking the value chain. More generally, R&D- and advertising-intensity are the most robust markers across countries, where MNCs are present. 3) Substitute products- Wooden panels,

wallpapers and glass may act as a substitute to paints in some cases.

Architects & Painters:

Major influences for institutional as well as the household sector.

OPPORTUNITIES

* Infrastructure Development: The thrust to infrastructure development given by the government policies in the current budget presents a huge opportunity for the paint industry and Nerolac Paints being the 2nd in market share can get the biggest share of the pie.

* Industrial Paints Segment: Asian Paints as a policy focused mainly on the decorative paints segment. The industrial paints segment provides good growth opportunity as sectors like automobile and consumer durables have shown considerable growth in India. Moreover, certain global auto majors have also entered the market.

* Growth in Indian Economy: The per capita consumption of paints in India stands at 0.5 kg per annum as compared to 22 kg in the developed economies. With the increase in the overall growth of the economy, the consumer will have higher purchasing power which is a positive for paint companies.

* Green Products: Should provide products which are environment-friendly as they do not contain hazardous substances like lead, chromium, arsenic and mercury. Further innovation and R&D in this sector can go a long way in capturing that segment of the market which is environmentally conscious. In view of the opportunities the company needs to augment its manufacturing

capacities and also enhance its R&D capabilities. A joint venture with US based PPG industries is a step in this direction and many more can play significant roles as well. Consumer Buying Behaviour:

Research studies have proven that known products and names are sold more than unknown ones. Therefore, a known brand or an optimally exposed brand will find more recognition and buyers in the market in comparison to completely unknown or unexposed brand. Recognition of brand and its significance along with the traditional factors plays a very significant role in consumer decision-making process. More or less every consumer has a brand preference and given the affordability and societal norms, each buyer would like to buy and consume one of the highly acceptable, recognizable, and reputed brands. In the Indian paint industry, we can expect the following changes to happen: 1. The trend of excise duty decreasing over the years is likely to prove as a bane for the unorganized sector thereby providing competitive advantage to major players like Kansai Nerolac Paints. 2. While Kansai Nerolac Paints has been a dominant player in the decorative segment, however the company would need to strengthen its presence in the industrial segment. 3. The company would need to do backward integration for critical raw materials like Titanium Dioxide to maintain a healthy margin.

References:

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