

Business enviornment of asian paints



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The external environment includes all factors outside the organizational boundaries to which managers must pay attention to help their organization compete effectively. The macro-environment includes the more general factors or elements that can potentially influence strategic decisions. The competitive environment consists of those groups with which the organization must interact.

The simplest distinction between macro and competitive environments is the amount of control a firm can exert on external forces.

BUSINESS ENVIRONMENT

1) External Factors 2) Internal Factors

i suppliers & competitors i mission & objectives

ii social & political ii image & brand equity

iii technological iii human resource

iv international.

EVOLUTION OF THE COMPANY :-

With over three decades of unchallenged leadership in the industry and 63 untiring years of commitment behind it, Asian paints has come a long way from the humble four-man enterprise started way back in 1942 to be ranked among the top 15 decorative coatings companies in the world.

Armed with little knowledge and great determination CHAMPAKLAL. N. CHOKSEY, CHIMANLAL. H. CHOSI, SURYAKANT. C. DHANI AND ARVIND. R. VAKIL get together to manufacture paint in a garage on FORAS ROAD,

BOMBAY. They name their company the ASIAN OIL AND PAINT COMPANY, a name that they pick randomly from a telephone directory. The family-owned company makes the transition to professionally managed organization in 1957.

British company BALMER LAWRIE rejects the products of GAINT BRITISH COMPANY in favor of ASIAN PAINTS. Asian Paint embarks on an ambitious grassroots marketing campaign, partnering with thousand dealers in small towns of all over India. Asian paints more than twice the one of the most admired companies in India. And from fifteen position it has been come in the first best five paint companies in the world.

Asian Paints, incorporated in 1942, is India's largest paints company and the market leader in decorative paints. The plants have a combined capacity of around 2, 30, 000 tone per annum (tpa).

Business Environment Of Asian Paints:-

Asian Paints is well known all over the world. They are known for quality. The paint stands first in India. They procure materials from both markets that is locally as well as internationally. They import 20% materials from materials from south Africa, Germany, Dubai, and many more. They have appointed different agents in different countries.

Asian paints stand tall , as the number one decorative paint company in the country today. The decorative business unit is unquestionably the flagship business of the company with its undisputed market leader status and strong presence across all product segments and all geographic regions. It possesses strong brand equity with the widest distribution network; efficient

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operations and working capital management. The company's marketing initiative, is definitely worth a mention with an admirable network of 70 sales units and over 15000 dealers.

The company has grown in the public eye as a major blue-chip investment proposition; it possess a locally developed technical base that matches the best internationally. Over the years it has sustained its growth, multiplying its assets and profits rapidly; with operational efficiency that has earned the company a place among the worlds leading manufacturers. It is seen as a company that is known for its interventions and that has successfully managed its industrial relations in today's turbulent world.

Mission of Asian Paints;-

” WE ENHANCE COMPETITIVE EDGE OF THE COMPANY THROUGH TOTAL ENGINEERING SOLUTIONS “

bd10263_ we would provide products and services that meet stated standards on time,

every time.

bd10263_ We would zero defect as a quality absolute, and shall design and operate our

quality system accordingly

bd10263_ We would organize our work practices to do a job right the first time, every

time.

bd10263_ We would be committed to continuous improvement in quality in all business

processes and shall track such improvement through measurable indicators.

Objectives Of Asian Paints;-

Assuming global leadership in the next logical step for a company like Asian Paints

bd10263_ They don't believe in letting things happen as and when they do .

They have charted out a specific blueprint for achieving their goals.

bd10263_ They plan to achieve, “ by leveraging their expertise in the higher growth

emerging markets.

bd10263_ Simultaneously, the company intends to build long term value in the

industry coating business through alliances with established global players.

bd10263_ To provide challenging and meaningful jobs to the employee thus making

them realize their immense potential. And integrate new entrants into

prevalent organizational ethos with a great deal of success.

COMPANY IMAGE & BRAND EQUITY

The image of the company matters while raising finance, forming joint ventures or other alliances soliciting marketing intermediaries, entering purchase or sale contracts, launching new products etc. Brand equity is also relevant in several of these cases.

SUPPLIERS

Suppliers are an important force in the micro-environment of the company. They supply raw-materials & components to the company. The importance of reliable source of supply to the smooth functioning of the business is obvious. It is very risky to depend on the single supplier because of strike, lock-out or any other production problem may affect seriously to the company. Similarly a change in the attitude of the supplier may affect business.

Raw Materials Required :

- 1. Rutile – Pigment for whitening.**
- 2. Solvent – Water or turpentine.**
- 3. Adhesive – Resin/ Emulsion for fixing paint to wall.**
- 4. Addictives – For fragnance, drying etc.**

COMPETITORS

Competitors are important factors that affect business environment. A firms competitors include other firms which market same or similar kinds of products. They compete for each & every share in the market. They seek opportunities to take over the market. They compete in terms of price, quality, quantity etc.

Competitors For Asian Paints:-

Asian Paints has a fixed customer. Their market share is approx 50% of the organized sector in deco business unit. Asian paints is a well established brand and due to its brand it the competitors decrease their price or they themselves increase the price customer will not leave the brand unless & until there is a major quality issue.

THE GROWTH OF ASIAN PAINTS OVER THE PAST FEW YEARS IN DIFFERENT ENVIRONMENTS:

Social Environment Of Asian Paints:

Social environment includes customs, traditions, beliefs, values, tastes and preferences, buying and consumption habits of various social groups of the society . Each group has some expectations from business firms. Consumers want quality goods at relational price, investors expect higher rate of dividend and employees expect a better deal from employers. The social environment changes gradually but continuously . Asian Paints approaches the environment issue from the perspective of waste minimisation and conservation of resources.. In 2002-03, Asian Paints instituted its own safety standards across all plants in India, which is based on the standards prescribed by the British Safety Council (BSC). The same year, the four paint plants in India merited a Five-Star rating by the B SC.

More significantly, three of the plants – Bhandup, Ankleshwar and Patancheru – were awarded the BSC’s much sought after “ Sword of Honour”, which is considered as the pinnacle of achievement in safety across the world. The Sword of Honour is given to only 40 plants in the world each year and is designed to reward the best practices in this field. To have three

of the company's paint plants ranked among the top 40 in the first year of audit emphasis's was really treated as a big achievement. Asian Paints was the recipient of the prestigious ' Golden Peacock National Quality award' for 2003. This is the most coveted quality award in the country.

In 2004-2005 the Upgradation of material handling and storage facilities such as the new bulk storage facility for monomers to reduce material losses and eliminate effluent generation arising out of barrel cleaning was undertaken

Up gradation of process technology in the same year has resulted in increased yield and therefore lesser pollution. For instance, the improved filtration process has resulted in higher filtration rates and lower losses.

Use of natural gas as fuel – instead of furnace oil or diesel has not only improved fuel efficiency but also reduced sulphur dioxide emissions by 77%.

Solvent recovery plants – set up with an investment of Rs. 1. 8 million , these plants have resulted in almost zero solvent disposal and have already yielded a direct benefit of Rs. 10. 4 million.

Rainwater harvesting – scheme developed by us has become the benchmark for industries. Rainwater harvesting has resulted in around 14. 5 million liters being harvested in 2003-04 and used at the various plants of asian paints.

TECHNOLOGICAL ENVIRONMENT

Technology relates more to technique of production or application of scientific know-how to improve the quality and quantity of the product and production process.

Technological environment consists of a) State of domestic or indigenous technology , b) Facilities for Re Paint is a highly raw material intensive commodity, which has a protective function in addition to the decorative one. search and Development c) Technical Collaborations etc.

An average range of trade sale, industrial, automotive and maintenance coating employs well 900 raw materials. This possesses a constant challenge for R & D efforts in formulating and reformulating products for better performance, cost reduction, new applications, shade development and exploitation of new materials.

Asian Paints has one of Asia's largest paint research laboratories, recognized by the Department of Science & Technology, Government of India. The R & D group is structured to provide separate focus to Industrial Paint Technology and Decorative Paint Technology. Our ' Firsts' in the paint industry specialized chemical resistant coatings, computerized color matching, thermosetting, acrylic finishes and economic plastic emulsion paint.

Naturally the company has always placed very high emphasis on its in-house R& D requirements. This dependence on in house R& D efforts has paid rich dividend, as the company and penetration of new market segments with new products.

INTERNATIONAL ENVIRONMENT

The international environment is very important from the point of view of certain categories of business. It is particularly important for industries directly depending on imports or exports and import-competing industries.

In 1977, Asian Paints made a tentative foray outside India by setting up a manufacturing plant in Fiji. In the over three decades that have elapsed since, the company's international business have grown beyond its own expectations.

Asian Paints today is a true Indian multinational, with a strong presence in Fiji, Tonga, Solomon Islands, Vanuatu, Australia, Sri Lanka and Nepal. Two new plants were set up in Oman and Mauritius, to cater to the West Asian and the Indian Ocean rim regions.

Acquisitions will be the company's route to achieving leadership in the international market. The first such move was the takeover of Delmege Forsyth & Co., the second largest company in Sri Lanka. In fact, Asian Paints has the distinction of become the No. 1 paint company in any country it has entered, within just five years of doing so.

In 2002, Asian Paints Limited ("Asian Paints") was in the process of transforming itself to become a major world player in the decorative paints business with particular focus on emerging markets following its acquisitions of controlling stakes in Berger International Limited ("Berger International") of Singapore and SCIB Chemical S. A. E. ("SCIB") of Egypt. The total investment made by the company in both these acquisitions amount to around US\$ 16.8 million (S\$29.6 million).

Asian Paints announced that it would focus on emerging markets of the world for growth and also that Berger International will be the main growth driver for Asian Paints' international operations.

Asian Paints and newly appointed Chairman of Berger International.

Focusing on the aspect of increasing shareholder value in Berger

International Asian Paints will focused to increase shareholder value by further improving the supply chain management in the subsidiaries .

The company made a strong move towards its vision by acquiring controlling stake in BERGER INTERNATIONAL LIMITED (BIL), a holding company incorporated in Singapore. Berger International Limited (BIL) has operations in 11 countries that include China, Singapore, Thailand, Malaysia, Myanmar, Bahrain, Malta, United Arab Emirates(UAE), Jamaica, Barbados and Trinidad and Tobago. Besides, it holds 30% stake in Dutch Boy Philippines Incorporated, a Philippines based company. The turnover of the group in 2008 was \$215 million.

This is Asian Paints largest acquisition in overseas markets and will expand the company's operations to 23 countries across the globe. After the acquisition, Asian Paints ranks amongst the top 10 decorative coatings companies in the world.

Its international paints units apart, Asian Paints is also the largest exporter of paints from India, exporting to over 26 countries.

In 2005, Sales & operating income has increased by 11% to Rs. 6, 840 million. APIL -Paints, APICL+Asian PPG, and international business has registered growth of 8. 2%, 19. 0% and 25. 3% respectively. PBDIT has

increased by 5.6% to Rs. 1,024 million.-PAT has increased by 5.7% to Rs. 505 mn. PAT after minority interest has increased by 3.1% to Rs. 487 mn

In most recent six-month sales report showed an increase of 19.6%, with business in India up 22% and international revenue rising 11%.

Asian Paints has undertaken several initiatives both in India and overseas in the past couple of years, which are now yielding the desired results. In India they have begun several initiatives in the areas of improving customer satisfaction, product development, increased focus on institutional sales, the expansion to other cities of Asian Paints Home Solutions–the proposition which offers the consumer a painted wall and not only paint)–and the expansion of the dealer tinting systems network not only in India but also at the overseas units. Initiatives in the area of manufacturing include the setting up of the largest plant in the world in Chennai, Southern India, initiatives which have enabled the reduction of working capital, investments in the area of environment health and safety, controlling costs and investing in technology. All of these are beginning to yield results which has resulted in a very strong business. For international operations, they have also undertaken several initiatives in the marketplace and also for improving operational efficiency. These initiatives are still works-in-progress, but they have been able to pluck the low-hanging fruits as a result of several operational excellence initiatives. For the first six months of this financial year, the sales growth has been good for international operations due to the strong growth recorded by the Middle East region, including Egypt.

The Indian market is performing better as compared to the previous financial year. Retail demand has been good in the first six months for the decorative business due to overall good growth in the economy. The construction sector continues to perform well, also so the housing loans disbursement segment, which augur well for the paint industry. The industrial coatings segments also continue to do well. There is some slowdown in the automotive coatings industry due to slower growth of the automotive sector. However, the momentum continues to be strong as non-automotive coatings sectors are performing very well in this financial year. The estimation is that the Indian paint industry should grow at around 15% by value in this financial year.

Asian Paints is now among the top ten decorative coatings companies in the world and they are aspiring to be among the top five decorative coatings companies in the world. Only around 12% of our revenue comes from the businesses that were acquired in 2002 through Berger International, Singapore and SCIB Paints, Egypt. These acquired businesses, which were loss making when they took over, are now profitable. Sales growth has been good for these units post acquisition. Most of these economies are fast growing emerging markets like Egypt, UAE, Bahrain, Thailand and China.

Asian Paints is now present in 22 countries with 29 paint manufacturing facilities in the world. In each of these countries, they have our own manufacturing facility servicing the local consumer requirements.

When Asian Paints enters a country, the market can definitely expect product innovations, in terms of wider consumer offerings, which are

customized for local preferences. Another area where the market stands to gain is in the realm of new solutions

Asian Paints is presently the fourth largest paint company in Asia and excluding Japan, they are the largest paint company in Asia (the top three paint companies from Asia are from Japan

By the end of the decade, they want to be among the top five decorative coatings companies in the world and the largest paint company across emerging markets.

ACHIEVEMENTS OF ASIAN PAINTS IN THE PAST FEW YEARS:

MARKET LEADERSHIP IN 10 COUNTRIES:

-Fiji, Tonga, Solomon Islands, Vanuatu, Nepal, Malta, Jamaica, Trinidad and Tobago, Barbados and Bahrain.

2nd LARGEST PLAYER IN 4 COUNTRIES:

-Philippines, Myanmar, Sri Lanka and Bangladesh.

3rd LARGEST PLAYER IN 5 COUNTRIES:

-UAE, Singapore, Mauritius, Oman and Egypt.

PRESENCE IN THE 4 LARGE MARKETS:

-Thailand, Malaysia, Australia and China.

CONCLUSION

Asian Paints is the largest exporter in India dealing with paints its exports all over 26 countries. Due to changes in policies it greatly affects the business.

Also they have to operate in international market, so they have to curb themselves accordingly to their policies & customs.

If in the market there was no competition Asian Paints would have monopolized the paint market. Due to competition day by day it is coming upon with new innovation & schemes for the same and is working constantly on its brand name and goodwill . This resulted in listing Asian Paints in 25th position among the whole industries in India and 1st among paint industry [Economic Times survey] .

To keep abreast with technology it has been computerizing its various operation for more than 25yrs. Its implementation of advanced planning and optimization software has reaped the informational flow for planning decision making & control , thus resulting in stoppage of inventory piling and eliminating lapses between two production function.

For Asian Paints customer satisfaction is of their prime objective. All products manufactured are made keeping in mind " full customer satisfaction." Thus they manufactures their products keeping in mind the customers. Thus

Picture1 is an enterprise which keep constant watch on different types of environment and adjust their business plans, policies and operations as per the environmental changes taking place.

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asian paints has an integrated approach towards business.