

Analysis for paint industry in india marketing essay



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The Indian Paint industry is approximately a Rs. 21, 000 Cr. Industry and has been growing at a rate of above 15% for the past few years. The organized players of the industry meet about 65% of the overall demand, and the unorganized players meet remaining 35% of demand. The unorganised sector mainly satisfies the distemper segment. The industry is divided mainly into two segments:

Decorative segment -It includes housing sector.

Industrial segment - It consists of powder coatings, floor coatings and other protective coatings catering to the automobile, marine and other industries.

In the Indian market, Decorative Sector fulfills 70% of the total demand for paints whereas the industrial sector fulfills the remaining 30%. But, the demand for paints is almost equally distributed across the world, where both the segments account for approximately 50% of demand.

Paint Industry Working:

Working of paint industry is explained below with the help of Table: [1]

Growth Drivers :

Increasing level of income and education : The increasing number of young people along with increasing incomes is leading to a change in consumer habits. The Indian economy is shifting from a savings economy to a spending economy. They are now ready to pay for quality products and paint is not an exception.

Educated people are more brand conscious as find value in what they consume. Thus, paint brands that offers value-added features such as non-
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toxicity, texture, weather protection, eco-friendly production, etc. attracts more demand. These products enable the manufacturers to get a better premium as compared to the regular paints, thus offers bigger margins.

Increasing Urbanization: Urbanization has led to a shift from temporary houses to permanent houses. Urban houses are well-designed from interior and exterior. This causes more houses being painted using medium and premium paints. For urban people, interior designing is a fashion statement and thus paint is used to design the interiors. This will lead to an increase in the per capita consumption of paint and thus the overall demand for paint will increase. Urbanization also brings more no of nuclear families. This results in more number of houses for the existing population , hence further increasing the demand.

Increasing share of organized sector: The position of the organized players will improve in case of decrease in taxes on Raw materials. The Organized sector is spreading its distribution network and installing tinting machines at all retail outlets. These tinting machines offer a wide variety of options in colour shade. The unorganized sector is not able to offer such options as it is comparatively capital intensive.

Development of the Realty, Automobile and Infrastructure sector: The growth of the paint sector largely depends on the development of the realty and housing sector, as decorative section generates about 70% of the total paint demand from this sector. The Automobile sector generates 2/3 of the demand for Industrial paints, and thus , it is the growth driver for Paints Industry. The Infrastructure sector makes direct demand for paints and also

makes indirect demand through supporting the growth of the realty, FMCG, automobile and other sectors where paint is used.

The growth potential in these three sectors is immense, the paint industry being dependent on these them is expected to grow along with them.

Availability of financing options: Availability of easier financing options has enabled more people to buy houses and personal vehicles. This increases the growth of housing and automobile industry and thus paints industry gets benefitted.

Increasing Penetration in the Rural Markets: Paint usage in rural areas is mostly under distemper sector, thus dominated by the unorganized sector. Demand in rural areas depends on agriculture, and agriculture depends on monsoons. With the increase in development of irrigation facilities, the dependence of agricultural sector on monsoons is decreasing. Also, with the use of modern techniques in agriculture and increasing development of rural India, consumer choices are expected to improve. Paint companies are expanding their distribution network in rural areas of country, which is a considerably untapped market for the organized sector. These factors along with increasing distribution network of the paint brands will help increase the demand for paints.

Concerns:

Cost of raw materials: Since the industry is highly dependent on raw materials, cost of raw materials play an important role in fluctuations in prices of paints. Changes in the prices of Titanium dioxide and Petroleum directly affect the production cost of paints. Industrial segment is highly

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affected by this as compared to the Decorative Segment, as it is relatively easy to pass on the costs in case of decorative segment. Also, fluctuations in the exchange rates causes changes in the cost of imported raw material which affects overall price of paints.

MNC's entering the Indian Paint Market: The entry of Established foreign players in the Indian market may increase the competition among the players of the industry. This may lead to price competition which may impact the profit margin of the companies. As a result, the increase in volume growth may not equally reflect in the profit growth for the companies.

Brand Profile- ASIAN PAINTS:

History and Origin Of Brand:

Asian Paints is the largest paint company of India and 3rd largest paint company of Asia. The annual turnover of company is Rs 96. 32 bn. The company has a very good reputation in the corporate world for professionalism, fast growth, and building shareholder equity. Asian Paints exists in seventeen countries of the world and has twenty four paint manufacturing facilities in the world servicing consumers in over sixty five countries.

The company made its small beginning in 1942. Four friends tookover the world's biggest, and most famous paint companies operating in India at that time and set it up as a partnership firm. In next 25 years Asian Paints came out as a corporate force and became leading paints brand of India. Because of its strong consumer-focus and innovative spirit, the company has been the market leader in paints since 1968. Market share of Asian paints in India is

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almost double of any other brand present in the segment. Asian Paints manufactures a wide variety of paints for Decorative and Industrial use.

In Decorative paints, Asian Paints is present in all the four segments:

Interior Wall Finishes,

Exterior Wall Finishes,

Enamels

Wood Finishes.

It also introduced many innovative products in the Indian paint industry :

Colour Worlds (Dealer Tinting Systems),

Home Solutions (painting solutions Service),

Kids World (painting solutions for kid's room),

Colour Next (Prediction of Colour Trends through in-depth research)

Royale Play Special Effect Paints.

LOGO:

[http://absalespromoters.com/images/logo1_\(11\).jpg? 303](http://absalespromoters.com/images/logo1_(11).jpg?303)

2.3 SLOGAN: “ Har Ghar Kuchch Kahta hein”

” Every Home has a story to tell”

Milestone of the Company:

In Feb 2012, Asian Paints won the Asian Centre for Corporate Governance & Sustainability awards for the BEST GOVERNED COMPANY in 2011.

Asian Paints was included in Asia’s Fab 50 List by Forbes Asia Magazine (Sept 2011 Issue).

Asian Paints was ranked 13th amongst the top paint companies in the world by Coatings World – Top Companies Report 2010 (July 2011 Issue).

Mr. P M Murty, MD & CEO, Asian Paints conferred upon the ‘ CEO of the Year’ award by Business Standard, one of India’s leading business daily (March 2011)

Asian Paints was awarded with the Best Audit Committee Award from the Asian Centre for Corporate Governance & Sustainability (Feb 2011).

Received the “ Sword of Honour” by the British Safety Council for all the paint plants in India. This award is considered as the pinnacle of achievement in safety across the world.

The Asset – one of Asia’s leading financial magazine ranked AP amongst the leading Indian companies in Corporate Governance in 2002 and 2005.

Was awarded with the Ernst & Young “ Entrepreneur of the Year – Manufacturing” award in 2003.

Brand Profile – KANSAI NEROLAC PAINTS LIMITED

3. 1 History and Origin Of Brand:

Kansai Nerolac Paints Limited is the 2nd largest Paint company in India and market leader in Industrial Coatings. Its Industrial Coatings has a wide variety of products in the Automotive, Powder, General Industrial and High performance Coatings space. Nerolac paints is a well known brand in decorative paints.

Kansai Nerolac Paints Limited is a subsidiary of Japan based Kansai Paint Company Limited, which is among the topmost paint companies in the world. The technological edge of Kansai helps Kansai Nerolac Paints Limited constantly innovate and come up with products that meets consumer needs and fill gaps. Kansai Nerolac Paint Limited has always given importance to :

Technology

Research and Development

Innovation

Quality

Origin of brand to KANSAI NEROLAC PAINTS LIMITED:

1920: Company started as Gahagan Paints and Varnish Co. Ltd at Lower Parel in Mumbai.

1957: Goodlass Wall Pvt. Ltd grew popular as Goodlass Nerolac Paints (Pvt) Ltd. Also, it went public in the same year and established itself as Goodlass Nerolac Paints Ltd.

1976: Goodlass Nerolac Paints Ltd. became a part of the Tata Forbes Group on acquisition of a part of the foreign shareholdings by Forbes Gokak.

1983: Goodlass Nerolac Paints Ltd. Strengthened itself by entering in technical collaboration agreements with Kansai Paint Co. Ltd, Japan and Nihon Tokushu Toryo Co. Ltd, Japan.

1999: Kansai Paint Co. Ltd, Japan took over the entire stake of Tata Forbes group and thus GNP became wholly owned subsidiary of Kansai Paint Company Ltd.

2006: On July 11, Goodlass Paints Ltd. name changed to Kansai Nerolac Paints Ltd.

3. 2 LOGO : [http://www. antya.](http://www. antya.com/antya/wp-content/uploads/2007/09/nerolac.png)

[com/antya/wp-content/uploads/2007/09/nerolac. png](http://www. antya.com/antya/wp-content/uploads/2007/09/nerolac.png)

SLOGAN: “ Painting a greener tomorrow”

3. 4 Milestone of the company:

Was awarded with Golden Peacock Award 2010 for most innovative product/service category for introduction of 3C1B technology of paint in the Automotive paint segment category. – April 2010.

Was awarded with Best Delivery Performance Award by Whirlpool India Ltd at Faridabad - April 2010

Received the " Most Proactive Contribution through New Developments " in Powder Coatings by Godrej Appliances Ltd April 2010.

Received Product of the Year Award 2010 for Nerolac Excel - April 2010.

Received Product of the Year 2011 for Nerolac Excel Total with Heat-guard Technology April 2011)

Was awarded with SAP Ace Award 2011 for the Best run Business in consumer and Trade Industry 2011.

Received Sustainability Award for outstanding contribution" by Mahindra and Mahindra - October 2011

Kansai Nerolac Paints rated at level 4 out of 5 in the Karmayogi ratings for the Corporate Social Responsibility initiatives 2011.

Was given Best vendor PERFORMANCE AWARD in Paint Supplier's Category by Honda Motor cycles and scooters at their annual conference Jan 2012

Nerolac Beauty Flexi won Product of the year award (2008-09) in the paint category.

Asia Manufacturing excellence Award (AMEA) conducted by Frost and Sullivan for Lote and Jainpur Factories November 2009

Company Profile – BERGER PAINTS INDIA LIMITED:

4. 1 History and Origin Of Brand:

The Berger Paints India Limited was established on 17th December, 1923, and was known as Hadfield's (India) Limited. It was a small paint company located in Kolkata and had its only production unit at Howrah, West Bengal. It produced readymade mixed stiff paints, varnishes and distempers. After independence, British Paints Holdings Limited, (U. K.) acquired Hadfield's India Limited and thus British Paints India Limited was incorporated. From a production capacity of 150 tonnes and sales turnover of around Rs. 25 lakhs in 1947, the company has come a long way to become a part of the worldwide BERGER group in 1983 and thus acquiring its present name Berger Paints India Limited. The Company then had gone through further ups & downs and also ownership changes. Currently, the majority stake of company is with Delhi based Dhingra brothers, and has a business revenue of more than Rs 2400 crores.

The Head Office of Berger Paints India Limited is in Kolkata. The company produces and provides a variety of decorative & industrial paint products under different product brands. The company has its operations spread all over the country including rural areas. The company has 7 manufacturing facilities in India and more than eighty five depots, many regional & area offices, and 4 facilities overseas.

Berger Paints has represented its commitment to consumers of India for more than 88 years, by offering its wide range of high performing quality products and maximum level of customer service. Company has a high

ethical and moral standards in business dealings and its on-going efforts in public welfare makes Berger Paints India a responsible corporate citizen. While the company's decorative and Industrial paints continue to gain an increasing market share, Berger has managed to achieve competitive advantage over other brands through:

innovations in all spear of business,

desire to excel

creating a winning culture

abiding faith in its values and philosophy among all its stakeholders.

4. 2 LOGO:

Best Wall Paint Colors, House Painting Colors

4. 3 SLOGAN: “ PAINT YOUR IMAGINATION”

4. 4 Milestone of the company:

Berger Paints received a award at the 10th Construction World Global Awards 2012.

Received Readers Digest Gold Award for the most trusted brand - 2008

Received Environment Excellence Award for Howrah Works - by West Bengal Pollution Control Board & Indian Chamber of Commerce - 2001, Kolkata

Received Genius HR Excellence Award 2011 - Excellence in Best Training Initiative Category A - 22nd April 2011, Kolkata

Received Best Supplier Award for outstanding contribution in Product Development from OEM customer M/S Whirlpool -2005, Faridabad.

BP received 1st rank as fastest growing paint company at Construction World NICMAR Award -2005, Bengaluru.

Company Profiles – DULUX(AKZONOBEL INDIA):

5. 1 History and Origin Of Brand :

Dulux paints is a brand of company AkzoNobel. Earlier, Dulux was a brand of ICI(Imperial chemical industries) . In 2008 Akzonobel acquired ICI, but the brand Dulux has its existence since 1931. The brand Mascot for the dulux paint is the English Dog Sheepdog.

It offers paints under Decorative Segment . The Target group includes Home owners, offices, developing stylish infrastructure, institution buildings. It provides Right luxury-look with great durability and pioneer in washable paint technology.

5. 2 LOGO :

Dulux

5. 3 SLOGAN: “ Let’s Colour, Apne rang ko chalkaane do”

5. 4 USP:

Leading Brand that offers exceptional combination of product quality and performance with unmatched levels of service and technical support.

Market Share of Brands:

Pricing:

In the paints industry price is the used only as a differentiator between the various segments in the same product line. The prices of different brands in the same segment remain more or less similar, with just a difference of 30 to 40 paise per square feet. Some of the speciality products, which are not produced by all brands, may be priced at a higher price. Pricing decisions in the paint industry largely depend on the price of the inputs like petro-products, other raw materials, excise duties and taxes and the general operating profits. Generally increase or decrease of prices is effected across all brands in the market. Most of the paint companies offer a 5% margin to the dealer. Due to internal competition, the dealers pass on this advantage to the customers by reducing their own margins to 2-3%. This is a cause of concern for the paint companies because they have to keep a constant check on the prices offered in the market. The dealers offer more of discounts and the companies are not able to firm up the prices. Paint companies offer a lot of discounts like cash discounts, volume discounts, seasonal discounts and allowances. The dealers take advantage of these discounts to take more business.

Distribution:

8. 1 Asian Paints- Asian Paints has the largest Distribution Network spread all over the country. Asian Paints has over 18000 Retailer stores in India. Asian Paints achieved such a distribution network across the country by adopting following strategies:

Asian paints bypassed bulk buyer segment and targeted individual consumers.

Asian Paints concentrated more on semi-urban and rural areas after spreading in Urban areas.

Asian Paints went Retail.

Asian Paints went in for an open-door Dealer policy.

Asian Paints opted for nationwide marketing and distribution.

Nerolac Paints:

Nerolac's strength of widespread distribution network is its right arm in generating sales revenue from all parts of India . Nerolac has a wide distribution network of over 11, 000 dealers. They have eight Sales Divisions and each division has depots to take care of local needs. In all we have 66 depots. All this ensures complete reach in India including rural and up country markets.

Berger Paints:

Berger paints have less than 8000 retail stores and are stagnating at that number. When it comes to growing the dealer network across India they have only restricted to the south western regions of India only. Because of this fact they are not able to pen-etrated in places where the demand is growing.

Dulux Paints:

Dulux paints has over 12000 retailer shops all over the country. Dulux Velvet Touch as a brand does not make an effort to penetrate and create a stronghold not only in the cities but the rural areas as well. The distribution concentrates only on the developed areas of the country which is only about 30% of the total population of India. Comparing its aggregate sales with its competitors in India, Dulux needs to widen the distribution in areas which are developing as well as rural.

Promotions:

The paint industry until 1999 was concentrated mostly on increasing sales by intensive trade promotion wherein the dealers, contractors and other components of the

Supply chain. There was little emphasis on theme advertising directed towards the customer. A recent trend that is emerging in the Indian paint market is that the

major brands have all identified the importance of reaching out to the common man instead of just limiting themselves to the intermediaries.

Asian Paints:

Asian Paint's advertising has created brand awareness, highlighted what the brand has to offer and has consistently brought all of it top-of-the-mind for the customer. But the outreach effort does not end there. Asian Paints has recognized the importance of communicating to and involving key players who influence the final brand choice. These include channel partners,

contractors and painters, on whom Asian Paints focuses by initiating and developing innovative activities and promotions. This helps build the Asian Paints family so that customers get a high degree of personalized service and professional guidance to facilitate their final decision.

Nerolac Paints:

Kansai Nerolac Paints Ltd. carried out its promotional activities as a controlled and integrated program of communication and material design to present its products to the prospective customer. It also helps in communication the need satisfying qualities of paints, to facilitate the sales and eventually to contribute towards the profit in long range. The tools used by Kansai Nerolac Paints Ltd. for fulfilling the various purposes of its promotional activities are the following:

Point of sale display

Dealer's sales contest

Advertising

Sales promotion through special event market.

Sales promotion through salesman i. e. personal selling.

Incentives.

Painter's Meet.

Tokens.

Discounting Strategy

Berger Paints:

Berger Paints also carried out its promotional activities through advertisements and its slogans. Berger Paints has smaller offers for dealers which they can avail at the end of the month for placing new orders for more products. There are discount packages given as well as freebies given out by Berger to the retailers. They do not have levels of offers, they only have universal offers on purchases. Berger Paints never had any promotional sales offer for consumers.

Dulux Paints:

Dulux has a huge budget set for dealer and contractor specific promotional activities every year. The promotions are not only restricted to the retailers and shop owners, different promotions are also targeted to the contractors and small time painters in smaller denominations. Dulux Velvet Touch came up with sales promotions which were subject to season timings and also only restricted to dealer promotions. The only promotional offers they ever had were for Dulux Colour Futures.

OVERALL OBSERVATION OF PAINT INDUSTRY IN INDIA:

The Indian paint Industry has a wide potential for growth which is demonstrated by the fact that the per capita consumption of paint in India is merely around 1 kg as compared to about 20 kg in the developed countries or a global average of about 15 kg. So, the absolute consumption of paint in India is definitely expected to rise.

The market share of the organized sector is on an increasing trend. Also, the contribution of industrial segment will increase with the continuing economic development of the country. With India moving towards becoming a developed economy, the decorative to industrial paint ratio of 70: 50 is expected to move towards the global average of 50: 50. Thus the Indian paint industry is in its growth phase and is expected to grow at a rate faster than that of GDP. The future prospects of the industry are strong.

Looking at the above points, we can say that the long term future prospects of the Indian Paint Industry appear to be Green (Very Good.)

Companies which have high revenues, efficient operations and distribution network, comfortable debt levels and robust capacity expansion plans will be best suited to capitalize on the growth prospects.

It is very important that while investing in a company, an investor selects an industry, where the long-term future prospects are bright. We have seen that in the long run the Indian Paint industry is expected to have good growth.

10. 1 Future Prospects of Brands-

After studying Indian Paint Industry in Detail and doing Market Research of these four major brands of paint industry, I came to the following observation related to future prospects of these brands in India considering their market share, distribution network , promotional events etc:

Brand Name

Current position

Future Prospects

Asian Paints

Excellent

Excellent

Nerolac Paints

Very Good

Excellent

Berger Paints

Very Good

Excellent

Dulux Paints

Good

Very Good