



**ORIGINAL RESEARCH PAPER**

**Management**

**BRAND PRECEPTION OF CUSTOMERS IN DECORATIVE PAINT INDUSTRY**

**KEY WORDS:**

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**ABSTRACT**

India is the second largest paint market in Asia with an annual demand of over two million tonnes. The Indian paint industry has been growing constantly over the last decade. Growth has been consistent with the GDP growth rate and in some years even higher. Over the past few years, the Indian paint market has substantially grown and caught the attention of many international players. Indian Paint industry has a total market size is US\$1500million. The organized sector of the industry is 57 %, whereas, the 47 % unorganized sector has about 2500 brands. According to Indian Paint Association and AC Nielsen, the expected market is 54545 INR crs. by 2017-18 with a prediction of absolute dominance of decorative paint over the industrial market. Estimated market of 2012-13 was 26040 INR cr. (per capita consumption was 2.7 kg.) in which 71 % contributed by the decorative paints contributed by premium range (High & acrylic emulsions), Medium range (Enamel paints), distemper range (low end paints). Decorative paints are used by Indian consumers for their domestic decorations and incorporate a complex post purchase assessment often performed by them. Purchase of decorative paints happen during house construction, in festive season or pre marriage ceremony. In metro cities like chennai, dealers and interior designers often influence the purchase of decorative paint in the choice process of brand/product.

**SEGMENTATION OF THE INDUSTRY**

India's paint industry can be classified into decorative paints, which account for 75 per cent of the market, and industrial paints, which make up the remaining 25 per cent. Decorative paint markets were further segmented into sub-segments, such as emulsions, enamel paints, distemper and cement paints. Decorative paint market can be further classified by product class which includes premium paints, mid-tier paints and economy paints. The industrial paint market covers sub-segments such as automotive coating, high performance coating, powder coating and coil coating. The demand for paints is both derived and direct. The demand for decorative paints is a direct demand whereas the demand for industrial paints is a derived demand. Decorative paints account for the bulk of the market in terms of volume and value. The unorganized segment plays a huge role in the decorative paints segment due to low technical know-how and a highly scattered market. The industrial paints segment is dominated by the organized sector due to its high technology orientation. It is also the more profitable segment. Most of the organized companies have a nationwide presence with multi location manufacturing facilities. The companies in the unorganized sector are mostly regional, spread in and around their manufacturing facilities and deal in low value products.

**MARKET STATUS**

Presently, the growth of the Indian paint industry is being witnessed from new demand pockets, especially in Tier-II and Tier-III cities, thus, signaling the growing acceptance of quality products among the masses. The growing popularity of quality paints and increasing income levels of people residing in Tier-II and Tier-III cities have pushed the growth in premium paint market of Indian decorative paint industry. The growth in the market is going to be driven by emergence of the middle class in India, increase in the propensity to spend and growing young population tending to stay in nuclear families. The demand for industrial paint is going to be driven by the pick-up in the automobile industry and growth in infrastructure in a country like India. Infrastructure is at the lowest level in the country today, hence the industry experience sustained growth in paints business.

As a consumer product that is being sold to a young, increasingly more affluent customer, key success factors in decorative paints are as below:

**Brand:** Paints are becoming a high involvement purchase for the end user consumer, hence the brand plays a key role in determining his choice, both for new construction and repainting activities

**Product portfolio:** It is essential for paints companies to have a

judicious mix of targeted products for its core customer along with a complete product portfolio across product categories and price points for the entire customer universe.

**Distribution:** Sales of decorative paints requires extensive dealer networks, especially in the rural and semi-urban markets; hence a strong supply chain and pan-India distribution presence is essential

**REASON FOR THE GROWTH OF DOMESTIC PLAYERS**

Indian climatic conditions are not conducive for foreign formulations and modification cost in product formulation is quite high. As a result, imports are not much of a threat to Indian players. In the case of industrial paints, major players already have a tie-up with global players for the latest technology and markets accessible to them. It negates the further supply from the international markets even after reduction of import duty from 42 per cent to 14.3 per cent in the last eight years.

**PRODUCT RANGES**

Most companies have an identical range of products for the decorative paint market. In the industrial segment, the range is more customized and guided by the technology support provided by the collaborators. In the case of decorative products, the technology has been mostly indigenously perfected over the years and the products can be divided on the basis of interior and exterior applications or in categories such as water-based and solvent-based. Moreover, most companies have been advertising their products in the interior/exterior emulsions category, which has expanded the market and triggered a shift from distempers and cement paint. While solvent-based enamels are still popular in India, there is a clear shift from solvent- to water-based glossy enamels in overseas markets, India will take some time to switch over to water-based coatings. For the decorative range, it is difficult for international companies to set up shop on a stand-alone basis because of existing barriers such as the strong network of established players, brand image, range of products (Indian context) and required distribution logistics.

Therefore, the safer route has been and will be to tag along with existing companies. For industrial products, however, this may not apply and based on their tie-ups in home countries and their original equipment manufacturer (OEM) customers, the required range can be produced and sold.

**CONVENTIONAL PAINTS**

One more concept that is being adopted in India is the use of eco friendly paints. Conventional paints have more than 1,000 chemicals and substances such as formaldehyde and benzene.

These chemicals may lead to health problems. Low level exposure to paint, based on lead-based pigments may irritate or burn the eyes, nose, throat and skin and cause reactions such as headaches, dizziness or nausea while high levels of exposure to some of the elements in paint, even for a short period, can cause severe and lasting impacts such as kidney or liver damage or respiratory problems. Some of the paint companies have proactively worked towards the elimination of lead-based pigments and have substituted non-toxic raw materials. Thus eco-paints are non-toxic with low VOCs (Volatile Organic Compounds), have no odor and can be tinted to any color with non-toxic tints. They are produced from fewer than 250 chemical components and more than 98 percent of these chemicals are derived from plant sources and minerals. The raw materials are also low in toxic substances, renewable and feature a low Environmental footprint.

**MAJOR PLAYERS IN THE MARKET**

The leaders in the organized paint industry in India are Asian Paints with over 40 percent market share, Kansai Nerolac (20 percent), Berger Paints (20 percent) and AkzoNobel (10 percent). Asian Paints is a market leader in the decorative segment while Kansai Nerolac dominates the industrial and automotive segment. The share of industrial paints in the total paint consumption is very low when compared to global standards. It accounts for 25 percent of the paint market with 75 percent of the paints sold in India for decorative purposes.

**PRIMARY REASONS FOR THE GROWTH OF DECORATIVE PAINT INDUSTRY IN INDIA**

The Indian paint and coatings industry was riding high on the growth in the Indian automobile industry, new construction in the housing segment and improving infrastructure throughout the country. Thus, there has been a higher growth of emulsion paints for interiors vice-versa distempers. There is increasing use of economy emulsion in place of lower-priced distempers.

Similar is the trend for exteriors where emulsion-based coatings are now preferred against conventional cement-based coatings. In spite of economic slowdown, the Indian paint industry is growing though at a slower rate. It has tremendous potential for growth in the coming years. The decorative segment has outpaced the industrial segment in growth rate but the industrial segment has the greater potential for growth, as and when the automobile industry business improves. The players with aggressive marketing strategies and comprehensive product portfolios will grow at a fast rate. The emerging trends in technology and marketing indicate that the industry is likely to consolidate in the coming years with industry leaders improving their market share. Consumers are looking forward to new product launches for application in special areas. Companies are increasing the value-added services available to customers by offering a variety of finishes through specialized and trained applicators, well supported by back end support of specialized service. Moreover, consumers are continuously looking for better products, more and more consumers are switching to marginally higher-priced emulsions where they get more durable and better-looking finishes in a wider range of colours. Disposable income plays a critical role in the decorative paint market.

Thus, increase in people's income will help the industry to grow. Moreover, the rural sector has a major share of the decorative paints segment. Thus, any benefit to the rural sector for improving the dispensable income is directly co-related to the growth of the paint industry. Besides, decorative paints are marketing savvy products backed by large advertisement campaigns and dealership networks. Huge investments required in setting up a vast marketing and dealership network, to advertise and develop a brand over a period of time will also help the industry to reach new heights.

**CHALLENGES FACED BY THE INDUSTRY**

Some of the prominent challenges for Indian paint industry are:

- **Seasonal Demand:** Paint Industry is a seasonal industry. The demand shoots up during the festive seasons and it will go

below in the rainy season.

- **Inventory Management at Dealer Level:** The product differentiation is minimal in paint industry. The very close substitutes are readily available (e.g. ICI Dulux can be a very close substitute for Asian Paints Royale). Hence the inventory management at the dealer level is of prime importance. It is also important for brand visibility and occupying the shelf space.
- **Distribution Costs:** Distribution costs are important for a lower price product like Distemper. The Distemper is a stiff paint and is sold on weight basis. It is called as the "Bread and Butter" of the paint industry as the consumption is highest for this product. Hence, the cost associated with distribution of it is of prime importance.
- **Shade Offerings:** As the shades offered by the paint companies are very high in number, (e.g. Asian paints and other major players offers more than 2000 own shades), the problem of distribution becomes very significant. The demand for a particular shade may peak up suddenly in a particular region. The inventory management at the distributor and dealer level is of great importance.

**LOW PER CAPITA CONSUMPTION:**

As mentioned earlier, the per capita paint consumption in India is one of the lowest. It stands at mere 815gms per person per annum as compared to the 25 kg per person per annum in US. This shows the lower penetration of the paint industry in the country. The paint companies have to educate the customers that they should go for the repainting of their houses frequently. This is a very unique feature of the industry that the Indian people will go for repainting either for some festival such as Diwali or occasions like Marriage or when the repainting is absolutely unavoidable. Competition from the Unorganized Players: A critical challenge in the paint industry was the competition from the unorganized players; who were not liable for excise as well as other taxes. Reduction of excise duties over the last few years, from 40 per cent to the present level of 12 percent, has helped to create a level playing field between the unorganized and organized segments.

**FUTURE OUTLOOK FOR THE INDUSTRY**

Companies are unanimous in saying that the future of the industry is bright. The Indian paint industry has grown by 1.5-2 times of India's GDP growth on a year-on-year basis. With the revival and upswing of economic activities in the country, the paint industry is expected to witness double digit growth in the current fiscal. Many feel that the growth has just begun, and the demand will rise in 2019. The prospect of the industry further brightens with setting up of shops by prospective global paint manufacturers in India. The outlook is promising and the industry is estimated to grow by 15 per cent on an annual basis. Prediction of normal monsoon has provided further momentum to the sector. The industry should continue to grow handsomely, as the monsoon is projected to be normal, and GDP is being projected to grow in touching 8 per cent in the coming months. However, there exists a risk factor due to sharp increase in raw material prices from the beginning of the current financial year. This could affect the margins of paint companies substantially. Going by the current trend and customers' attitude, the future augurs well for the industry. What is positive for the industry is that today people in rural India also feel it a necessity rather than a luxury to paint their houses every year, which is indeed a significant change of thought.