

Synopsis - Ph.D. Thesis**A Study of Competitiveness in Indian Paint Industry**

R. Maruthi Ram

Introduction

Today the world has come to recognise the supremacy of India and Indians in all walks of life due to the resilience shown by the country in the recent past. World leaders are acknowledging India's economic strength, human resources and political will. They are comparing China's economy with Indian economy and many are of the opinion that India could become an economic superpower in the next two decades.

India has shown to the world how this country which faced severe economic crisis in 1991, used the occasion to bring out substantial change in the perception of economic growth and stability. Through the new economic policy of 1991, it brought about a paradigm shift in the process of planning and development. With the process of liberalization and globalization, the government made a very sincere effort to integrate Indian economy with the world economy. The economy started growing with globalization of market and finance. The Indian industrial sector became more responsive and responded positively and showed remarkable growth in a very short period of time.

One industry, which has witnessed significant growth in India in the recent past is housing industry. The increased disposable income, easy availability of housing loans from commercial banks and housing financial institutions, encouragement given by the

government through tax benefits have contributed for higher growth of the industry. Along with this industry, another industry which has shown high growth in recent past is the automobile industry. Both these industries have huge multiplier effect on Indian economic activity. One common factor observed in these two industries is the need for using paints. Housing sector as well as automobile industry needs huge quantity of paints and as such the paint industry also has witnessed a significant growth.

Though the product paint appears a luxury product, it can also be considered as one of the essential products in man's life. Every human being loves to build his or her own house. Whether small or big, most of the houses require paint. In the whole building activity, the paint plays an important role. It protects buildings, and makes the buildings attractive.

The economic reforms have also helped the Indian paint industry. Paint was one of the costly items in the building material industry. In the eighties, excise duty on paints used to be as high as forty percent. After reforms gradually the excise duty started declining from forty percent to a lower level. Today the excise duty is as low as sixteen percent. The modvat and cenvat facilities also have helped the industry to grow. The dilution of MRTP Act and FERA has to some extent added to the growth of Indian paint industry.

This is an edited version of the synopsis. The detailed thesis was prepared under the guidance of Dr. R.Thimmarayappa, Assistant Professor, Department of Commerce, Maharajah's College, University of Mysore, Mysore-570 006.

Paints from a user's perspective can be classified into two distinct categories – architectural, for buildings and structures (both exteriors and interiors), and industrial for automobiles, marine structures and powder coatings. In India, the decorative segment dominates the industry with a share of over 60 percent in terms of turnover. This was resurgence of the industrial coatings segment driven by the astronomical growth of the Indian automotive industry. This has seen an increased share of the industrial segment. With the increased demand in the FMCG and white goods sector, the powder coating market has also been recording impressive growth figures.

The industrial paints are the protective coatings and are the heavy-duty coatings. Weather resistant coatings, Can coatings, Coil coatings, Powder coatings, Automotive coatings, and Aircraft coatings etc. come under industrial paints.

The Indian paint industry brought revolutionary changes in Indian industry in the form of market orientation, customer focus, new and unique products, large varieties, competitiveness, quicker market response, product reliability and even the financial support to customers. New products and production technologies, global manufacturing techniques and systems, computerization and a host of other innovations have come in, making the competition intense.

The Indian paint industry is estimated to be valued at a little over Rs.13,600 crores. This is barely 1 per cent of the world market share. The total production is in the region of 9, 00,000 metric tons. The per capita consumption of paints in India stands at an abysmal 0.6 kg or 600grams. This is in stark comparison to the figure for the rest of Southeast Asia, which is at about 4.3 kgs. The world average consumption stands at 22 kgs. However, these figures do not reveal the immense potential that the Indian paint industry has in the light of its huge population base, and also the ever-increasing population. The growth rate recorded by the Indian Paint Industry over the last few years at 22%, with a size of Rs.22,000 crores, has been extremely encouraging.

The Indian paint industry is a raw-material oriented industry. Over 65 per cent of input costs are accruing from

raw-material inputs. The Indian paint manufacturing industry has been facing the pressures of increasing raw-material cost. The primary cost being the spiraling prices of crude oil. The Indian paint industry is still heavily reliant on raw-material imports for fulfilling its requirements. The manufacturing of architectural paints still need 25 per cent of their raw-materials to be imported, while the industrial segment is far more dependent on imports, needing about 40 per cent of its raw-material requirement to be imported.

The demand for industrial paints has increased substantially because of expansion of many industries. It may be power plants, petrochemical plants, fertilizers plants, textile industries, automobile industries and so on. These plants at the time of construction require a lot of paints. The requirement of corrosive resistant and chemical resistant paints increases when the plants are set up in the coastal areas. There may be a need for the ultra violet resistant paints depending on situations.

The automobile industry has to be reckoned here. After the economic reforms there has been a boom in the automobile industry. Many MNCs started looking for opportunities and have started their manufacturing facilities in India. India could see many four wheeler-manufacturing units and latest cars rolling on the Indian roads.

The market for both decorative and industrial paints is growing rapidly. This has resulted in paint manufacturing companies facing severe competition. The foreign companies with their modern technology are also entering the Indian market creating problems of survival for some of the smaller companies. In our country, there are companies like Asian Paints Limited, Kansai Nerolac Limited, ICI Paints (India) Limited, Berger Paints Limited and Shalimar Paints Limited which come under organised sector and have more than 60 per cent of market share. In addition, there are thousands of small and mid cap companies producing paints. The competition may, over a period of time destroy many small and mid cap companies. Even the bigger companies may face problem of survival. A detailed literature survey was conducted to have an assesment of the issues, problems and prospects of this industry.

Research Gap

This problem of companies in the Paint Industry find it difficult to face competition and surviving reveals that there could be some advantages enjoyed by some companies in comparison with others. A sample observation of the market revealed that some companies enjoyed competitive advantages as compared to other companies. This difference revealed that there is need to make a scientific study of all the players involved in survival and growth of this particular industry.

The literature survey further revealed that though number of studies has been made to know the growth of the industry, problems and issues faced by the industry, there was no specific study made to ascertain the competitive advantages gained by the companies.

The key success factors, which helped them to derive the advantage as well as the impact of increase in cost of one of the important input factors i.e., crude oil etc. were not covered in the earlier studies. This indicated the gap as well as the scope for studying various issues, problems and prospects of paint industry in the context of severe competition, increases in international crude oil prices and entry of foreign paint companies. Hence, this study.

Statement of the problem

A perusal of growth of the paint industry after 1991, reveals that there is a severe competition among the players. The bigger players like Asian paints have their competitors. Similarly, the small companies also have their own competitors.

Though there is competition, a few(five) companies are very successful in terms of total sales, market share, profitability etc. Others are finding it difficult to withstand competition. Why this situation prevails? Is it because some company's products are high quality oriented? Or is it because they have good brand name with good reputation? Or is it because they are using latest technology in the production of paints? Or is it because of excellent marketing network? Or is it because they are in a position to add value to their products? Or is it because they are in a position to enjoy customer loyalty? Along with these questions there are

many other questions, which are very pertinent, such as, cost of production and sales. Is success of Indian paint companies depend on controlling cost of raw-materials and marketing costs? What could be the critical success factors which make some companies successful inspite of severe competition? Managing of inventory and stock keeping units (retailers) are the only two critical success factors? Are there other critical factors, which make certain companies to succeed in their venture and others to fail? Is the entry of foreign companies in to India, a threat to Indian paint companies? Does the consumer benefit by the competition among various players? Have rapid changes in the buyer behavior and his preferences affected the paint business? Why many organized players (inspite of long history of existence in India) are not able to grow on par with the industry?

These questions indicate that there is a need to take-up a research work with specific goal of finding answers to some of the questions, issues and problems like why certain companies are successful and why some companies are finding it difficult to survive. Finding answers to some of these questions help in identifying reasons for success of some companies and at the same time the specific causes for some companies finding it difficult to face the competitors and ensure adequate growth.

Objectives of the study

Based on literature survey and an understanding of problems and issues faced by paint industry the following objectives were formulated to have specific focus:

1. To study the structure of paint industry which includes demand and supply dynamics, products, processes, costs, profitability, major domestic and global players.
2. To determine the market leader in the Indian Paint Industry and then to identify its key success factors.
3. To evaluate the performance of the paint companies on the basis of cost management and competitiveness.
4. To analyse the component of cost of production of paints with specific reference to impact of prices of petroleum products on the pricing of paints &

5. To assess the impact of entry of foreign companies on the Indian Paint Industry.

Hypotheses

Based on literature survey the following hypotheses were formulated for the study:

H1: Competitiveness is mainly influenced by quality management and marketing efforts.

H2: Competitiveness is independent of fluctuations in international crude oil prices.

H3: Non availability of branded paint is a drag on competitiveness in paint industry.

H4: Entry of foreign paint companies in India has increased the product line and competition.

Methodology

The study is based on survey method. Through the structured questionnaires the relevant data has been obtained and analyzed making use of simple statistical tool. The behavioral data regarding customer's choices, preferences etc., were collected through structured questionnaire.

Scope of the study

In this study five major paint companies under organised sector have been covered. The study specifically examines the strengths, weaknesses, opportunities and threats faced by the sample companies with respect to core competencies, competitive advantages and supply chain management.

Limitations of the study

This study covers assessing the key success factors, competitive dynamics and other related aspects of paint industry. As the paint industry in India has a number of small and mid cap companies which are spread all over the country it was not possible to study each and every paint company. The focus was on five major players in the organized sector.

Research instruments

This research work had two research instruments for collecting data i.e. primary and secondary. Primary

data has been collected through two structured questionnaires, one each for the dealer and the company. The major objectives of the study were studied based on these two questionnaires. Secondary data has been collected relating to industry and sample companies. The secondary data included information relating to promoters, specific features of the companies, their functional performance over a period of time and other related informations.

Sampling Plan

This study is based on non-probability sampling technique wherein convenience and judgment sampling method has been adopted. Convenience sampling method has been adopted for selection of companies and Judgment sampling method adopted for selection of dealers.

In the case of companies under convenience sampling method, five companies with larger market share under organized sector have been included. In the case of dealers, fifty dealers were selected from different areas and locations based on stratified sampling method.

Summary of findings

Objective-wise summary of findings are presented here:

Objective - 1 : The structure of paint industry which includes demand and supply dynamics, products, processes, costs, Profitability, major domestic and global players.

The Structure of Indian paint Industry: Indian paint industry comprises about twelve companies in organized and more than 2000 in un-organized sectors. The paint industry has two main sectors called 'Decorative' and 'Industrial'. The total capacity of the paint industry is more than 9, 00,000 metric tons. The organized sector enjoys 63 per cent share.

Demand and Supply dynamics: The paint manufacturers through their association avoid excess production and always ensure there is equilibrium between demand and supply. On an average demand for decorative paint is about 9,00,000 tons per annum and it is supplied by the paint companies. The demand for paints is also seasonal which is especially more during festival season.

Paint Products: There are two types of paint products viz Decorative and Industrial paints. Depending on the application, the decorative paints are classified as exterior and interior paints. There are more than forty different paint products being offered by the paint companies to the consumers. Though all the paint companies market similar products in the market, paints are sold in different names.

Processes : The production of paints involves the blending of around 300 different raw materials and it is the process type. The three main steps involved in the manufacture of paints are dispersion, adjustment and packing.

Costs : The Indian paint industry is a raw-material oriented industry. Over 65 per cent of input cost is from raw-material. The Indian paint manufacturing industry always face the pressures of increasing raw-material cost and the primary cost being the spiraling prices of crude. The cost of crude oil component is around 40 per cent of the material cost.

Profitability : The Paint industry's Operating profits for 2007 -08 is around Rs. 1624 crore. The aggregate operating margins of the paint industry are 12 – 13 per cent. The profitability of the players in the Indian paint industry is affected by the prices of the raw materials especially the crude oil based imports. The other factor that influences the profitability in Paint Industry is the debtors' management. Apart from these, as the inventory holding costs are higher, the profitability gets affected.

Major domestic players : There are twelve major domestic paint companies operating in India. They are Asian paints limited, Kansai Nerolac paints Limited, Berger paints Limited, ICI paints Limited, Shalimar paints limited, Beck India Ltd, Snowcem India, Dic-coatings India Ltd, Bombay Paints Ltd, Addison Paints and Chemicals Ltd, Special paints Ltd, Jenson and Nicholson (India) Ltd. In addition to these players there are more than two thousand small, midcap paint companies operating regionally in several parts of the country.

Global players : The major players in the international arena are Akzo Nobel of Netherlands, PPG Industries

Inc of USA, Sherwin-Williams Co of Cleveland, USA, The ICI Paints of UK, DuPont Performance Coatings of USA, BASF Coatings of Germany, Valspar Corp of USA, Nippon Paint Co Ltd of Osaka, Japan, Sigma Kalon Group of France and Kansai Paint Co Ltd of Osaka, Japan. Some of these companies have started operating in India since 2005. These players are specialised in a particular type of paint business.

Objective - 2 : Determine the market leader in the Indian Paint Industry and then to identify its key success factors.

The study reveals that there are six "Key Success factors" which contribute for success of paint companies. They are:

1. Quality
2. "SKU"Management
3. InventoryManagement
4. Computer Colour Mixing facility
5. Brand Image
6. Effective Advertisement.

The above six key success factors were identified from the stake holders' viz., Architects, Builders, Developers, Paint Dealers, Interior Decorators, Painters, Painting contractors and Industrial Users.

The performance of the sample paint companies vis-à-vis the six Key Success Factors were measured on a five point Likert scale and analysed. The analysis revealed that APL has obtained highest 29 points out of 90, followed by KNP with 22 points and BPL with 20 points. ICI and SPL have gained 13 and 8 respectively. **Thus it reveals that APL is the market leader.**

It is also observed that with respect to "Inventory management" KNP is comparatively better than other paint companies. This is the only grey area for APL. This efficiency of KNP is due to its automotive paint business in which it is the leader. APL having maximum decorative business is forced to maintain heavy inventory and hence the high overhead cost.

Objective – 3 : The performance of the paint companies on the basis of cost management and competitiveness.

The cost management and competitiveness has two components. First one, studying how efficiently companies manage their "costs" and the second component is studying how "well managed" company enjoys "competitiveness".

The study reveals that on a total weight of 450 points KNP stands first with 114 points followed by APL with 105 points. These two companies exhibit efficient management of costs. This on comparison with sales in absolute values, reveals that APL enjoys highest sales as against KNP.

This leads to conclude that management of costs alone is not sufficient. The company's other success factors do help them to achieve greater heights and become more competitive. KNP has achieved higher level of cost control management, but has not become competitive compared to APL. APL has achieved higher sales due to enjoying all the six key success factors. Therefore the study leads to **conclude that competitiveness does not depend only on cost management.**

Objective 4 : The component of cost of production of paints with specific reference to impact of prices of petroleum products on the pricing of paints.

The study reveals that the crude oil component is more in the solvent based paints. Five years performance of the sample companies (from 2003-04 to 2007-08) with respect to the Direct Material Cost, Direct Material Cost to Sales and Profit Before Tax are studied with the help of Karl Pearson's Co-efficient of correlation.

The analysis indicates that **there is insignificant relationship between the increase in crude oil prices and the prices of paints.** This is because the paint companies increase their prices whenever there is an increase in the crude oil prices.

Objective 5 : The impact of entry of foreign companies on the Indian Paint Industry

The analysis reveals that the foreign paint companies have started their active business operations in India from the year 2005. Considering this as the cut off period the performance of the sample companies for

five years before 2005 (2000 - 04) and five years after 2005 (2005 - 09) has been analysed. The parameters viz Sales, PBT and PBT to sales are studied. The sales turn over and profitability of the Indian paint companies considered for the study as sample reveals that the sales turn over of paint companies have been on the raise even before the entry of foreign paint companies, as well as after the entry of foreign companies.

This study reveals that the foreign companies have not affected the Indian paint companies. In fact, it has helped in improving quality through use of latest technology adopted by Indian companies to offer competitive products at competitive prices.

Hypotheses Testing

H1: Competitiveness is mainly influenced by quality management and marketing efforts.

The paint dealers were asked to indicate the ratings on a five point "Likert Scale" regarding the critical factors related to the Quality and Marketing efforts leading to competitiveness. The responses with '5' and '4' are considered as the positive/success factors and the ratings '3', '2' and '1' are considered as negative/failure factors. "Population Proportion method" is used to test the Hypothesis The test results revealed that **there is a positive relation between "quality management and marketing efforts" and the "competitiveness"**

H2: Competitiveness is independent of fluctuations in international crude oil prices.

In the first step a modified "APP" (assets, processes and performance) model has been adopted for measuring competitiveness. The six parameters viz "DMC to Sales", "PBT to Sales" " ROA", "Advertisements expenses to Sales", "Production Capacity" and "R&D to Sales" are considered for comparison among the sample companies. The study reveals that APL has gained highest 28 points out of 90 and found to be competitive . In the second step two variables viz "the input cost variation of crude component for previous five years" and the prices of "Synthetic Enamel" and "Epoxy" type of paints" are taken into consideration. Karl Pearson's co-efficient correlation method is used and the values reveal that increase in oil prices create

moderate increase in prices of enamel paints. In the case of Epoxy paints the impact is less than moderate.

In the third step the correlation between DMC and Change in oil prices, DMC to sales and oil prices, PBT and oil prices and average sales to average prices of crude oil prices have been examined with respect to all the five sample companies. The testing of Hypothesis proves that Null Hypothesis to be correct. It means that **“competitiveness is independent of the fluctuations in the crude oil prices.”**

H3: “Non availability of branded paint is a drag on the Competitiveness in paint industry.”

In the first level the weights for the quality attributes are fixed as per the opinion of the experts. In the second level the responses of dealers against these attributes for the sample companies have been collected on five point Likert scale. The average ratings are multiplied by the weights and found that APL has maximum weighted scores of 30.73. In the final step the responses from dealers towards the brand of paint demanded and the ‘Stock Keeping Units’ supplied by the paint companies have been collected and analysed. **“The availability of branded paint enhances competitiveness otherwise reduces the business and competitiveness”.**

Entry of foreign paint companies in India has increased the product line and competition

The cutoff period for the entry of foreign paint companies is found to be 2005. Different parameters like sales growth, PBT and PBT to sales have been studied for five years before the cutoff period and five years after for all the five sample companies.

The testing of Hypothesis revealed that null hypothesis to be correct and the statement that there is **‘no impact of the entry of foreign paint companies on the Indian paint companies’ holds good**. The study also reveals that the Indian paint companies have **increased the range of products by implementing the computer colour mixing facility at the dealer level**, even before entry of foreign paint companies.

Conclusion

The findings of the study indicate that all the paint companies will have to make a detailed SWOT analysis in terms of the key success factors which contribute for over all successful performance. Among the key success factors the study indicates two important factors, which contribute for the success. They are the quality of the product and efficiency with which Supply Chain Management is performed. APL's success is mainly because of highest quality maintained by the company and excellent supply chain management. Even though the other key success factors are important, if other companies want to acquire competitiveness in the Indian paint industry they must necessarily assess their competitive position by making in depth analysis of the key success factors and change their existing structures and strategies so that they could also become successful paint companies of world repute.

Suggestions

The suggestions which could be offered relate how to make the companies which are not successful and competitive to become successful companies. These companies should attempt improve dealer network, ‘Stock Keeping Unit’ management, creating brand image, going for right type of advertisements etc.

Suggestions are offered in two parts, the first part indicates suggestions based on findings of the study. The second part comprises of suggestions offered by researcher to improve the competitive ability of companies which are not so successful.

Part 1: Suggestions based on the findings of the study

1. Quality: Quality is the key ingredient to success and gain competitiveness. According to this study “Asian Paints Limited” stands first among all the sample paint companies with respect to the quality. In other words offering quality products means value creation. Though the other sample companies also have been recognised by the consumers but they take the second place after APL. Hence the other paint companies need to improve their product quality with the help of their R&D and communicate

the same to the consumers to gain competitiveness and success.

- 2. SKU management:** Findings of the study reveals that APL is best with respect to the "Stock Keeping Units" management. As such paint industry finds it very difficult to manage this problem with huge numbers of SKUs. Only APL is able to succeed in this aspect mainly due to integrating the requirements of customers and dealers with the manufacturing units. This is done by adopting latest SAP and ERP systems. Other paint companies have to adopt such systems to gain the confidence of the customers.
- 3. Inventory management:** The findings of the study reveals that KNP is slightly better in inventory management compared to the other companies. On further analysis it is understood that as KNP has maximum automotive coatings business it is able to manage the inventory management. The decorative paint business requires more inventory to be maintained at different stages. Considering the decorative paint business, APL is able to manage its inventory very well and also gained highest sales. The paint companies engaged in decorative business have to manage inventory effectively to gain competitiveness.
- 4. Computer Colour Mixing:** Indian paint business has come to a very decisive point with regard to the computer colour mixing facility (CCMF). CCMF has become inevitable to succeed or even exist in business. Though "Jenson and Nicolson" was the first company to introduce CCMF in India, it is APL which has revolutionized the concept. With more than 15,000 installations all over India it has clear advantage over competition. Based on the findings of the study it is suggested that the other paint companies need to increase their CCMF to match APL. CCMF also should be user friendly and economy.
- 5. Brand Image:** The findings of the study reveals that APL enjoys the brand image compared to the other paint companies. Their brand ambassador "Gattu" the cartoon boy created by R.K Lakshman is a hit success in recent times. The brand recall is highest in the case of APL. This is being developed by adopting

the "Pull" strategy. The other paint companies have to improve the brand image to become competitive and gain success.

- 6. Advertisement:** As per the data collected and analysed APL's advertisements are very effective and are being remembered by the consumer. KNP and ICI's ads also rated to be good. There will be a lot of behind the scene work before finalizing and releasing the ads. APL targets a particular set of audience through their ads. All the times it has been observed that their ads have reached the target customer. The other paint companies also have to do such research before releasing the same. After all the effective ads are the key to success of any product or a company.
- 7. Dealer Network:** In India the paints are sold through the dealers. More number of dealers means more business and more penetration. APL has maximum number of dealers all over India. Channel expansion is an important aspect for the other paint companies to succeed.
- 8. Product Range:** The study reveals that APL has more number of product range compared to the other paint companies. Other paint companies have to match the range of APL to succeed in business.
- 9. Sales Growth:** APL has been growing year after year with respect to sales. This gives APL an internal strength with more profits. The achievement is accomplished through more and effective field force, marketing strategy, small pack sales, penetrating the rural markets etc. Other paint companies also should target higher growth to gain competitiveness and success.

Part 2: Suggestions offered by the researcher to improve the competitive ability of not so successful companies by adopting new marketing Strategy.

The other paint companies other than APL need to adopt specialised activities which require paradigm shift in the strategy of these companies. These companies should give highest priority to adopting new marketing strategy such as going for **"FRANCHISING"**.

This suggestion is offered because, at present the Asian paints has dominated the market and most of the dealers mainly deal with Asian paints products, and to a very negligible extent deal with other paint companies. The Asian products have a better visibility in the dealer counters compared to other players. As a result, most of the paint companies other than Asian paints are finding it difficult to occupy a reasonable shelf space in the dealer counters.

The existing dealer net work system, breeds multiple agency system of more than one paint company. The dealers may even try to twist the arms of the companies at the time of clearing the debtors.

The franchise system will help the companies which are not able to compete with Asian paints limited to become successful and enjoy competitiveness. The advantages and the benefits of the franchise system compared to the traditional dealer network system with respect to the paint industry, which is existing in India at presents are explained in detail as under:

The franchise system of business has been a latest and successful concept being introduced in India. Today in India gaining momentum and is becoming popular like the west. The franchise system. The same system can work wonders for the paint industry also.

Franchise Process : The paint companies under the Franchise system sell the products to its own franchisee. For this, there is a need to have a contract between the **"Franchisor"** (the paint company) and the **"Franchisee"** (the dealer who obtains exclusive right to sell the specific company's products).

In the process of establishing the franchise system the paint companies need to locate the franchise, identify the key personnel, find out the financial background, decide on the place, size of the shop, the facilities to be offered (like colour consultation, computer colour mixing facility, visiting the site, estimation of paint requirement, suggest colour combination, application parameters, surface preparation etc), to the consumers, the roles of the franchise, financial commitments, meeting the set targets, after sales service etc.

The companies also need to provide training to the key person with respect to the technical aspects

of the paints, advantages and benefits, application parameters, quote as per the consumption pattern of each type of paint, educate about the Dos and Don'ts, problem solving skills etc.

The companies need to strengthen the feedback mechanism as to know the progress of each of the 'franchisee', take corrective action, formulate future course of action, revise the targets, fix the incentive schemes and awards etc.

Advantages of franchise system in paint industry

System of franchise can bring in revolution in the paint industry as under.

- a. Reduced Investment
- b. Better customer relation
- c. Effective service, d. Focused marketing
- e. Implement apply supply
- f. Remove the doubts in customer's mind
- g. Controlled debtors management
- h. Reach the technology to the end user easily
- i. Reduced cost to the end user
- j. Avoid manipulation by the applicators

a. Reduced Investment: Most of the time the paint companies do invest in the dealer's business by way of giving credit facility to the dealers. The number of credit days, some times run up to ninety days. The franchise system can bring down this. This will add to the better margins especially to the companies which are finding it difficult to succeed.

b. Better customer relation: It is noticed that the paint companies are finding it difficult to nurture the best customer relation with the dealer net work in place. Dealers many times will mask the customer's reaction or the suggestions. Franchise system will help building the better customer relation.

c. Effective service: The franchise system will help in improving the service. It is because the franchise will have to get focused.

d. Focused marketing: Through the franchise the communication will be very specific and effective. There will be proper feedback system. This

ultimately helps in creating, communicating, serving the customer which is the backbone of marketing.

e. Implement supply and apply: The supply and apply is the method which removes the hassle of engaging the painting contractors or the paint applicators for painting jobs. The supply and apply system helps in educating the consumers with regards to the coverage and the cost involved in painting a particular area of the painting surface. The franchise system will help in appointing the painters of highest quality to get the maximum benefit of the quality of the paint. This also helps in depending on a particular franchise for the complete work of painting process.

f. Remove the doubts in customer's mind: The customer always has the doubt in the back of his mind about the paint, painting system or the application method. Through the dealers most of the times the doubts will remain. Or the end user may not have time to get the doubts cleared. Or he may get convinced by the concerned dealer. These things can be sorted by the franchise system.

g. Controlled debtors' management: Most of the paint companies except Asian Paints Ltd. Have been facing the problem of the debtors' management. They are finding it difficult to collect money from the dealers. The franchise system may eradicate this problem. When the debtors management is in place the organization's financial condition improves. When the company's financial position is good it reflects in effective management of the creditors and in turn the commanding position with respect to the bargaining power with the suppliers.

h. Reach the technology to the end user easily: It is equally important to reach the right product to the consumer at the right time. This applies especially when a company has better technology. The franchise system will help in fulfilling this. The franchise will have more interest than a dealer to emphasise the technology or the quality parameters to the consumer. This is because the franchise will have to counter the competition. The franchise will lessen the burden of communicating and in turn

develop competitiveness with respect to the latest technology being adopted by the paint companies.

i. Reduced cost to the end user: The dealers may not be very deeply interested in the usage of the paint by the end user. The end user always spends more on the painting cost than the paint itself. The franchise system will reduce the cost of application to the end user convincingly and avoid the exploitation by the applicators.

j. Avoid manipulation by the applicators: It is indicated by the consumers that the applicators of paint i.e. the painters always manipulate by using the substandard materials in the process of painting. It may be while making the putty for application on the walls before the finish paint being applied. The franchise will try to be more cautious about the quality of the materials being used. The painters also have the understanding with the local dealers for a percentage margin from the dealers for the purchase of the paints. Though this is the filthy method, it is adopted by majority of the painters. This problem can be totally avoided by introducing the franchise system.

Like in many other businesses, for example, the mobile service, auto parts and beverages the franchise system if implemented in paint business, the companies which are finding it difficult to succeed may succeed by overcoming their drawbacks and limitations.

The following are the other suggestions offered based on the findings of the study:

1. Cleaning of painted walls: Any fluid like ink, pigment or the one which leaves shabby scars on the walls presents or makes the walls to look dirty. If the stained spot is cleaned with soap or any other stain remover, it leaves some dirty mark on the wall. It may even remove the superficial layer leaving behind the shade of an earlier paint to be visible. To mask the scars the wall may have to be repainted. Painting only a small spot may not suit the whole wall. In that case whole room has to be repainted.

The paint companies know better about the formulation and the chemistry of the paints. They can

provide the cleaning solution which is suitable for different type of paints to remove the dirt on the wall at the same time the wall should retain the paint.

2. **Customer relation:** Most of the paint companies do not contact the end user or the house owners to get the feed back on the paints used. Normally, when the dealers receive the complaints, they will be indifferent and ignore the complaint. Very rarely the complaint reaches the company. There should be routine method by which companies receive the end users opinion and if there is any problem, the efforts have to be made to get to the roots of the problems so that appropriate steps can be taken to avoid problems in future and also to avoid spreading of the wrong message through the grape wine.
3. **Establish R and D:** It is universally accepted that Quality of the goods and services offered by a company is very important to make the company successful or unsuccessful. Quality is the result of dedicated R&D efforts and efficiency. It is observed that some paint companies, because of excellent R&D facility are enjoying the competitiveness and are successful. The study indicates that in the case of some companies though the R&D departments exists with experts who can help in bringing out new products and continuously adopt new technologies to qualitatively improve the existing products, most of the time they are busy looking into the production related problems or field complaints. To attain competitiveness they need to concentrate on only R&D activities and leave it to the technical support team to attend to regular production related issues. There is need to segregate R&D activities, Repairs and maintenance activities and activities concerned with total quality control.
4. **Polarisation:** The entry of international giants into the country may lead to the activities like Mergers and Acquisitions. The initiations are already come to light with Akzo Nobel, one of the leading paint companies in the world which has bought ICI paints. The huge manufacturing facility, technology, network and finance will all help consolidation of business. The Indian paint leaders can think of coming together to face the challenge.
5. **Retail, Retail and Retail:** 'Retail' is the watch word in the recent past. The retail concept is in vogue in the present day business especially in the urban markets. The paint business has limitations of its own. Notwithstanding this, the retail concept can be redefined for paint business in a different form. The retailing with respect to paints can mean penetrating into the rural sector.
6. **Eco-friendliness:** Usage of solvent based coatings results in gallons and gallons of solvent just getting escaped into the atmosphere by way of oxidation and evaporation. These solvents are all crude based ingredients. The solvents have a temporary life and serve only as a medium to disperse the solids and the pigments in the paint. While the paint film dries the solvents escape to the atmosphere only to add air pollution. This ultimately results in the advanced problems like global warming and acid rains etc. Many advanced countries the usage of solvent based paints is not permitted. The paint producers can bring in the innovative water based paints like other countries to avoid future problems. No doubt the synthetic enamels and the industrial paints of different applications like heat resistance and UV resistance paints need the solvent ingredients. But nothing like saving the earth to save ourselves. This not only helps with respect to the health of the individuals but also the financial health of the country by minimizing the foreign exchange.
7. **Cost management:** Cost management is very important in a business. However once the cost controls are achieved the organisations need to strengthen the "key Success factors" because of which one can attain competitiveness and over all success. It is observed that inventory management is very crucial in paint business especially decorative paint business. The efficiency of the supply chain can be achieved through proper integration of the dealers' indents and the supply points.
8. **The Painting Cost:** The painting cost (labour) is expensive than the cost of the paint itself. This may be accepted by the consumers at the time of constructing of the new house. Notwithstanding the cost factor the painting is a troublesome and

a hassle. This is more pertinent when it comes to repainting. Hence there is an absolute need of paint producers to offer paints that can be sprayed and also easily handled by a common man. The spraying machine can be even made available for hiring at the dealer counters. A user manual can also be given with the details to make it more user friendly.

9. Advantage experience: Some paint companies are century old in their operations in India. The long journey in the business path might have brought many a laurels. It may be for introducing a particular system or a paint type for the first time. It may be very existence in business for many long years. This can be made use of to reinforce the strength into the brand or the marketing methods.

10. Apply and Supply: The organized companies can tie up with leading painting contractors to implement the apply and supply system. The consumers may feel relaxed about the type of paint as well as quality of application. This will also ensure definite sales and at the same time improve brand awareness.

11. Target market segmentation / Niche market development: The interaction with the experts in the industry reveals that the organized paint companies have been relatively strong in particular areas. For example KNP is strong in automotive paint business. It has the collaboration of Kansai of Japan and gets all the technical expertise from their principals. They have the capability to come out with the new systems and products. Similarly BPIL is strong in Protective coatings, ICI is strong in auto-refinishes, APL is very strong in the decorative segment and SPL has the advantage of can coatings. This indicates that these companies can think in terms of getting focused in a particular segment. This will lead to developing the "Niche" market.

Once the paint companies decide on the mission and set the objectives, it will lead to streamlining the operations like technology improvement, collaboration arrangements and product portfolio in the particular segment.

Some of the opinions and suggestions as per the Dealers and customers are as under:

1. One coating for all: Painting involves application of primers, putty, base coat and finish coat etc. All these consume time, materials and in addition very expensive. Apart from this painting involves manual labour which is costlier than the cost of paint. The paint companies can introduce an innovative product to avoid different steps by offering one coating for all purposes.
2. Hygienic value: There has been a notion that paint serves two purposes one the aesthetics and the second protection. Some dealers are of the opinion that the paints can also have the hygienic value. For example in Hospitals especially in the operation theaters and intensive care units the joints of the tiles on the walls are the breeding ground for the microbes infecting the surroundings. The manifestation of the bacteria starts from here. There can be a paint which can be used instead of the tiles so that the manifestation of the harmful micro organisms can be avoided. The paint can contain the chemical ingredients to repel or kill the micro organisms and avoid infections.

Another example where the hygienic paint finds the use is the kitchens. The paints can have the properties to repel or kill the cockroaches and lizards, house flies and mosquitoes. The harmful diseases like the dengue fever or Chikoon guniya could be avoided.

3. Washability: Though the paint producers advocate the washability of the paint, no paint withstands the washing in the real sense. It is more a conditional property of paint. If the walls are painted with 'emulsion' or 'washable acrylic distemper' according to the paint companies, washing of the painted walls has to be done with very mild and diluted shampoo or soap. When the painted walls are washed regularly, the paint will not withstand resulting in peeling. There is a need to offer the consumers a water based wall coating which can withstand real washing still not losing the properties.

4. Dust Pickup Resistant Paints: The paints /coatings now available have the property to attract the dust. This will pose health related problems. In light of this there is a need for "Dust Pickup Resistant" (DPR) paints which can avoid attraction of dust. The paint producers can develop this type of paint and communicate the same to the consumers so that it can be of use in some special occasions or needs.
5. Do-it-yourself paint system: This is the system in existence in the western countries because the labour is very expensive. Even in India the labour cost is more than the paint cost. Keeping this in mind the paint companies can offer the do-it-yourself kits to the consumers so that the consumers can paint their houses on their own. Apart from this the spray paint system with respect to the interior and exterior paints will also save money, material and the hassles of the labour involvement. The convenient and suitable spraying equipments can be arranged by the dealers/companies on hiring basis.
6. Once a customer is always a customer: There is a famous saying "Customer is the king and he makes the pay days possible". As it is difficult to develop loyal customers it is equally difficult to retain them. Developing customers means creating awareness. As per the opinion of the dealers and the consumers the paint companies have to constantly work to get closer and closer to the customers through some programmes. It may be by conducting painting contests at the school or college level, participating in the trade shows and exhibitions, organizing the painting melas, tie up with the art or painting institutes, sponsoring some artists etc. The mission has to be customer oriented. This is the difference between competitive and not so competitive.