RELEVANCE OF INTER-SECTORAL BREAKTHROUGH MARKETING STRATEGIES IN THE INDIAN PAINT INDUSTRY

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1. Abstract:

This paper explores applicability of breakthrough marketing strategies adopted/ practiced across various sectors to the Indian paint industry in order to cater to the changing needs of the consumer and thereby increase the per capita consumption. The methodology adopted is two-fold; primary research through surveys/interviews of varied strata of consumers, manufacturers and retailers, and secondary research through review of literature on various breakthrough marketing strategies across industry verticals.

Associations (empanelment) with architects and painters, through commissions on orders booked, will result in an increased word-of-mouth publicity, through multilevel marketing. A Hyper-Mart initiative will provide not only all kinds of paints but also painting solutions and paint-education, increasing the visibility of the brand. Experimentations with direct selling to large customers like housing societies and entering in symbiotic relationships with construction majors, ensuring repeat sales, whereas the construction company gains from intangible benefits. Vending machines could be employed to dispense strips of paint on a suitable base, aiding potential experiential buying. The concept of a strip to heal a 'disfiguration' can be used to tap the bottom of the pyramid, de-necessitating need to re-paint the entire wall, thereby increasing affordability.

The focus is on strategies that would educate the customer, thus facilitating a wholesome buying experience. The paper studies several such strategies.

With increased emphasis on differentiation and customer orientation, drawing the consumers attention to existing best-in-class products presented in a brand new, suitably customized and 'convenient' platter, so as to provide for an experiential buying, is the order of the day.

2. Keywords:

Paint industry, experimental strategies, marketing practices, breakthrough marketing strategies

3. Introduction:

The setback to the world economy has not hampered the growth of Indian economy. In fact it is steadily on the rise. The growth rate for the current year is expected to be above 8% in contrast to that of 3% for the world economy. There has been rapid transformation in the Indian economy and the market. The major factors affecting these changes are globalization and the increase in competitiveness.

Today, the companies operate by the mantra of 'survival of the fittest'. In order to survive this cut-throat competition there is need of continuous evolution and innovation in terms of product as well as the marketing strategies. The consumers' demands have increased, they are willing to pay more but expect an equal satisfaction in terms of quality and services. It therefore becomes essential for companies to cater to these demands of the consumers and explore new arenas.

One such industry where we will see increasing competition is the Indian paint industry. The following facts corroborate this statement

- The Indian paint industry has been growing at an average rate of 13% over the last few years.
- Average per capita consumption is less than 1.5 kg, compared to 51.7 kg in Qatar, 38 kg in Singapore and 25.8 kg in US. Even among developing countries it is lower than china's per capita consumption of 2.5 kg and Sri Lanka's 3.5 kg
- A number of foreign players have set up joint ventures in India and many more are in the process of doing so.

The taste of the Indian consumers is evolving as can be inferred from the changing trends of the domestic paint market

- Premium products have seen higher growth than economic products
- Higher growth for economy emulsion paints compared to low priced distempers for interior
- Economy Exterior emulsions are gradually replacing cement paints
- Higher growth of dark shades as compared to whites and pastels shows a willingness to experiment and changing décor styles
- Increased involvement of consumer in home décor leading to higher demand for theme based painting solutions

Paint marketers are required to provide newer products and services, to meet the growing needs of the consumer. Brand consciousness has increased and pricing is not the only criteria in making a purchase decision.

4. Conventional Marketing Practices in Paint Industry- Literature Review

Currently the Indian Paint industry relies heavily on brand endorsements and media promotions. Mergers and Acquisition form a major part of strategies as this leads to increasing the product portfolio and there by acquiring the already present market share. Focus on communication and brand strategy along with customer relationship building initiations is important. Targeting the smaller towns and rural areas along with the urban market is important, to cater to a wide spread of customers.

Asian Paints has proactively sought to widen the domain of its business influence by aggressively entering global markets. To that end, it acquired of SCIB Chemical SAE of Egypt, which is the fifth largest paint player. The acquisition gave Asian Paints a foothold in an emerging market and also opened the possibility of exporting to neighbouring countries.

The other significant acquisition that the company made was of the Singapore-based Berger International in which it acquired a 50.1 per cent stake. This single move increased Asian Paints' footprint across the globe to as many as 22 countries.

Digital Marketing is an upcoming area which is sought after for companies to showcase their products to the world. Social networking sites such as Facebook, blogs, twitter are being used extensively as promoting medium.

The trend setting work for Asian Paints' Colour Next 2009 shone at several digital media awards functions

In order to cater to wide spread of customer base and enhance visibility of the brand, companies have been coming up with guide books which enable the users to be their own interior decorators.

The Asian Paints painting guide helps the consumer know everything before he starts painting his home. Focus is on how “the colors of your home are an expression of your personality” and other aspects of painting like the painting process, demonstration videos, post painting care, common defects, their causes and remedies.

Providing facilities like total paining solutions, online help, cost estimations form some of the strategies adopted by the major brands in the Indian paint industry.

5. Objective:

Even though all the above mentioned strategies are in place, there is still a heavy dependence of the consumers on architects and contractors. The end consumer is still ignorant about many aspects of the paint industry. The existing marketing strategies haven't percolated efficiently to the end consumers. This calls for a transformation in the marketing strategies. The paint industry needs to learn from sectors like the FMCG, media, services etc. which have a strong reach to the consumers. Also there have been marketing pioneers across industries whose strategies have helped them stand out in the crowd. The paper studies some of these innovative marketing strategies and their application in the paint industry.

6. Breakthrough Marketing Strategies from other industries – Literature Review

1. Amway – Multi Level Marketing

   Amway is known for its multi-level marketing concept wherein it sets-up Independent Business Owners who in-turn sell Amway products and also set-up IBOs, thus creating a multiple level of executives-cum-consumers.

2. Essar Steel Hyper-mart – One stop shop

   Essar Steel has set-up Steel Hyper-marts all over India, with the intention of limiting the role of middlemen and thus provide products to the end consumer at a lower price for the same-grade steel and with a higher trust factor.

3. Eureka Forbes – Direct Marketing

   Eureka Forbes pioneered the concept of direct selling in Indian market. Their sales representatives make cold calls till mid-day and typically capture 3-4 households for demonstration purpose. These households are given a demonstration of the product with the intention of closing the sales. The benefit of this system is a good customer-company relationship, increased trust and repeat sales.

4. RedBus.com – Symbiotic Business model

   The business model of RedBus.com (an online portal) involves tie-ups with leading local bus service providers. It provides option of choosing the seat number and type; all without actually owning even one bus of its own. The business model is symbiotic allowing customers an option of choosing among the various types of services.

5. PepsiCo – Vending Machines

   PepsiCo has its vending machines all over the world. The vending machine makes the brand visible and close to the customer.

6. Dainik Bhaskar – Customer Involvement in product development

   Dainik Bhaskar has always made sure that its products feature in the customer's voice as much as possible before the launch of the products in the market, be it the content of its newspapers, the language used or even setting up of its offices. The result has been it beating the competitor from the first day of launch itself.

7. FedEx/Starbucks – Branding to capture mindshare

   FedEx has been one of the later entrants into the US market dominated by players like UPS and USPS. Still, it has been able to carve out a market share in its 34 years of operation for what the others took over a century. The reason has been its branding, by focusing on the 'overnight' delivery service. The advantage these companies gained from a narrow focus was that it captured the mindshare of the customers.

8. Shampoo Sachets – Fortune at the bottom of the pyramid

   The concept of using smaller SKUs to reach the bottom of the pyramid was shown to have immense potential by the FMCG sector. A similar concept can be used to target the un-tapped market in India currently using brands from the unorganized market which has close to 25-30% market share in India.

9. Online Marketing – The future of marketing

   Companies are rushing to market themselves and their products on the web. The unrealized potential of the web to reach the masses has now been identified and hence we have companies like Dell using the online route effectively to market and sell their products.

7. Relevance and Applicability of Breakthrough Marketing strategies

Multi-level marketing has been used to a good effect by a lot of industries. These learning can be used to adapt the concept of multi-level marketing to suit the needs of the paint industry. A survey conducted on the paint industry shows three major influencers on the customer while making the paint-buying decision.

The company can 'recruit' an architect and/or a painter and give him commissions on every order booked through him and through his recruits. This will result in an increased word-of-mouth publicity and increase 'paint brand consciousness' among the consumers.

Currently the Indian market consists of a large number of small paint shops or outlets that cater to the local population. Another trend is the growing number of DIYers in India. These factors necessitate the need for the Indian players to set up exclusive or franchised retail outlets, which can act as a one-stop-shop for any paint buyer. This concept of a **Hyper-Mart** would provide not just all kinds of paints but also painting solutions and paint-education, besides increasing the visibility of the brand. Collaboration with providers of painting accessories and utilities is envisioned here, in order to set up a hyper mart that caters to all the requirements of a consumer looking to paint his home. The customers would be encouraged to visit the stores, and have an in-depth exposure to all products and accessories required for painting, the best processes etc. The company in-turn benefits from first-hand exposure to consumer needs and preferences.

In a country like India, which faces extremes in weather conditions, painting process is usually done once in 3 years. Besides, the customer is almost entirely dependent on the 'painter' or 'contractor' regarding the selection of paints. In such a scenario, the paint companies can experiment with direct selling to large customers like housing societies. The background data for an area can be obtained through an initial census and the relevant findings can be used to close the sales call. **Direct selling** thus would lead to effective relationship marketing. The company representatives would deal with 'committees' in the societies comprising of residents, thus leading to an enhanced understanding of consumer choices and needs. Long term contracts when established ensure high quality of the painting solution provided, and also facilitate responsive and effective support.

Symbiotic relationships have existed in the nature since ages. A similar concept can be used in the paint industry. The demand for decorative paints is directly related to the increase in the investment in real estate, thus increasing the cement area. Around 30-40% of the total demand for paint comes from new construction projects.

The size of real estate industry is estimated to grow to Rs. 18,517 Bn, over the next five years. Investment in real estate will be primarily led by housing. In India, about three-fourth of real estate development is for residential use and balance one-fourth is predominantly for commercial use. Housing investments (permanent, non-slum houses) are expected to grow at a TAGR of 12% over the next 5 years period.

On other hand, repainting activity which accounts for 70% of the decorative paint demand is also increasing, mainly due to increase in per capita income. The demand from the repainting activity has increased by 6-7 percent in the last two years. Based on the expected investment in the housing, demand for paint is expected to increase at a CAGR of 12 percent over the next 5 years.

The increased demand can be leveraged by the paint companies by entering into tie-ups with construction majors.

The paint companies benefit from a relationship-building with the customers to ensure repeat sales, the construction company benefits from intangibles like earning goodwill of the consumers, again resulting in faster sales of his properties, whereas the consumers benefit from getting 'Voice and Choice' regarding the type and shade of paints and also experiencing a sample 'wall'.

How many times have we felt thirsty and wanting for something to drink, and then you notice a Pepsi vending machine, and you have a source to quench your thirst. The same example can be said for newspapers, chewing gums, cigarettes, beers and so on, proving the fact that **Vending Machines** have become so popular and the brands have benefitted immensely because of the easy accessibility and brand visibility. The paint industry too can make use of the concept of vending machines, dispensing strips of paint on a suitable base. This is a step-ahead of the simulation softwares which show the colours on screen, thus providing for potential experiential buying. This could serve as an effective alternative to 'try-vertising' where consumers are encouraged to 'try' paints in small SKUs before finally making a choice. The paint strips would enable the consumers to choose the desired texture, feel and shade of paint, based on what a 'painted wall' looks and feels like, without having a third-party to influence his purchase decision. Location of these vending machines can be at offices of construction majors, paint stores, hardware stores etc.

How often has a product been launched in the market and been declared as the undisputed market leader on the same day. That's the benefit reaped by Dainik Bhaskar by **Infusing the Customer's Voice in their product.** The paint industry can employ similar practices. Regional census can be carried out to know the problems faced by consumers and what improvements would they like in an optimal product. The learning can be implemented in the product and pilot surveys with this product can be carried out. The exercise would definitely attract a lot of new customers, including first time buyers in the organised market, because of the quality and the requirement satisfaction capability in the product.

There are numerous examples of new companies rapidly taking up the market share of companies having a long vintage, on the **Strength of their Brand** name. These brands, more famous among them being Starbucks and FedEx, narrowed their market focus to one specific area, be it 'only coffee' or 'overnight delivery'. With the Indian paint market attracting a gamut of foreign players, one of the best strategies could be to brand itself as a specialist in one particular area and then use the strength of the brand name to launch line items and increase its market share. A consumer interested in 'specialty' paints for a specific requirement would be inclined to adopt a brand which promotes itself as a 'specialist'.

Statistics have shown that for a large number of brands, the sales of smaller SKUs have matched or led those of normal SKUs in the Indian market. This concept of **focusing on the Bottom of the Pyramid** can be applied across industries. A new concept of using a strip to heal a 'disfiguration' can be applied to good effect in the paint industry. Strips of paint would de-necessitate the need for re-painting the entire wall, thus allowing the paint companies to target a wider market and also to entice buyers of unorganized brands to shift to organized market as has been shown by the FMCG products.

Long recognized as a niche segment, online marketing has now emerged as the largest mass market after television and print media. The kind of business activities that can happen online vary from financial and transactional to promotional making it imperative for any organization to have an online presence. For a paint company, it can have an interactive website, wherein the customer can load a photo of his house/room he wants to get painted, feed in inputs like 'wall' type (age, brick/mortar, layers of primer etc.), shade of paint, so as to get the 'real' picture, along with simulation of the external environment conditions (like sunny, cloudy, rainy, dry, moist etc). The customer can then be encouraged to book online with the promise of delivery within the 'fixed' period along with the option of choosing 'Company-certified' paint professionals.

8. Methodology:

Existing literature about the various breakthrough marketing strategies adopted across all industries was studied. To glean out the relevant strategies, we interacted with industry experts and the outcome of the interaction was brainstormed upon.

Having incorporated the inputs received from industry experts, we researched the applicability and relevance of the innovative marketing strategies.

A survey questionnaire was designed for collection of primary data from consumers, distributors and retailers of paint. The objective of primary data collection was to gauge the mindset of the consumers and retailers and the acceptability of the new marketing strategies in the minds of the consumers. The findings were then tabulated and analyzed to select the most suitable breakthrough strategies for the Indian paint market.

9. Findings and implications:

The survey was conducted across India and from different demographics. The survey was mostly limited to metros and tier1 cities. The ideas were put forth to end consumers and distributors to check their feasibility, applicability and acceptability.

Almost 40% of the responders own their own house where as 60% either have company accomodation or have rented it. The company accomodation is considerably large. This can be utilised effectively while building up a new model.

People prefer to buy paints either from retailer or from contractors as they are easily available.

Contactors are the people, who are the most influential in the paint-buying decisions. Most consumers base their decision on the advice of contractors.

The frequency of consumption of paints for most of the respondents was once in 3 years or less. Only a minority responded to having conducted the process every year.

Majority of the surveyed consumers are pretty satisfied with the existing model in the paint industry

The consumers are willing to try new models for better value added services. The distributers were a bit sceptical but are willing to try new models for incentives and for increased customer base.

The survey showed that across ideas on an average the consumers and distributors were ignorant about the existence of such model.

Based on analysis of the surveyed data, we chose the cut-off point for selection of an idea as a potential breakthrough idea to be 50% level of feasibility, both at customer (consumer and distributor) level, as well as at the company level. We plotted our findings as follows:

Of the nine ideas put forth only multilevel marketing, hypermart, direct marketing and symbiotic business model seem feasible. The rest of the ideas have certain constraints faced either at the consumer of the side or from the industry point of view.

In Branding focus, it caters to a niche market to which the companies have a strong aversion as it limits their market segment. Bottom of pyramid has a high demand from the consumers but it is not feasible from the current technology. For it to be implemented, new implementation and technology needs to be developed which is not possible at this point. Similarly is the case with vending machines.

Online selling is a lucrative idea, but the consumers feel that for Indian paint industry it is a bit farfetched.

When questioned about the relevance of these ideas to the Indian paint industry, the respondents showed a positive trend. Majority felt the ideas were relevant to the Indian paint industry and that they could be implemented in the future.

While analyzing the results for applicability, we found out that the trend was mostly similar to that observed while studying the feasibility. However, there was an exception observed, in the case of 'Online Selling'. Both the customers as well as the company felt that the idea was applicable. However there was a variation in the time period assumed for the idea to be applicable. The customers felt that such an idea would take a long time to be perfectly implemented and accepted. This explains the low rating obtained during its feasibility analysis.

10. Conclusion

There are a large numbers of players currently in the paints industry, each of them having made tremendous headway in product-innovation. It is now essential for them to differentiate themselves from the others by adopting new marketing strategies, ingraining 'customer-orientedness' in a completely new and different fabric and providing for superior 'experiential buying'. The strategies identified in the paper as 'potential' breakthrough strategies provide the company with an opportunity to portray itself as having a USP different from the established industry norms. These ideas may lead to a potential revolutionizing of the marketing function in the paints industry. Whatever be the work behind-the-scenes, the proposed ideas achieve the ultimate objective of increasing customers' brand loyalty by enhancing their engagement and drawing attention to existing best-in-class products presented in a brand new platter, is the order of the day.

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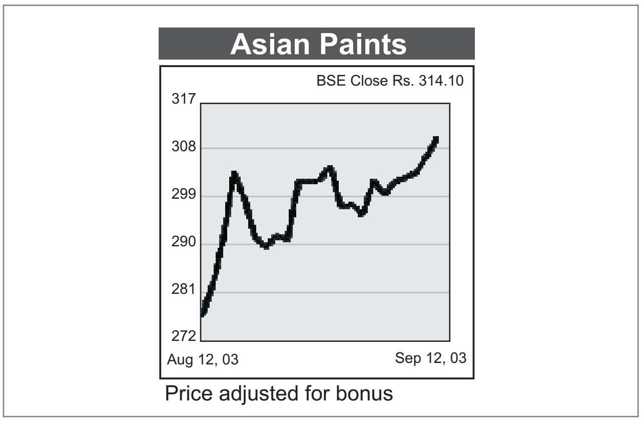

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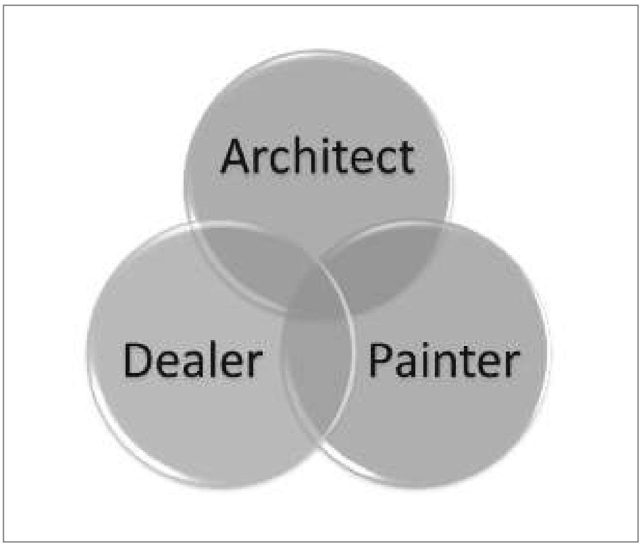

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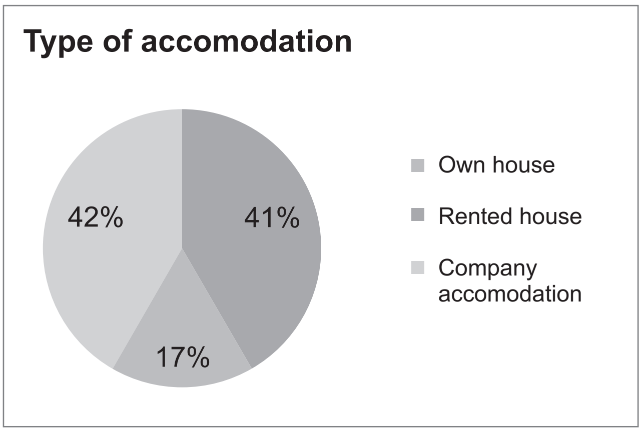

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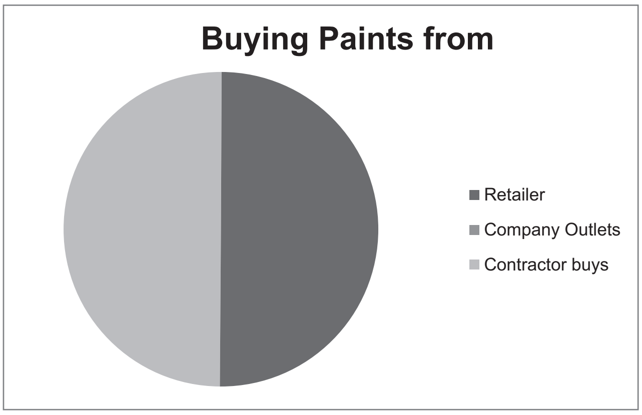

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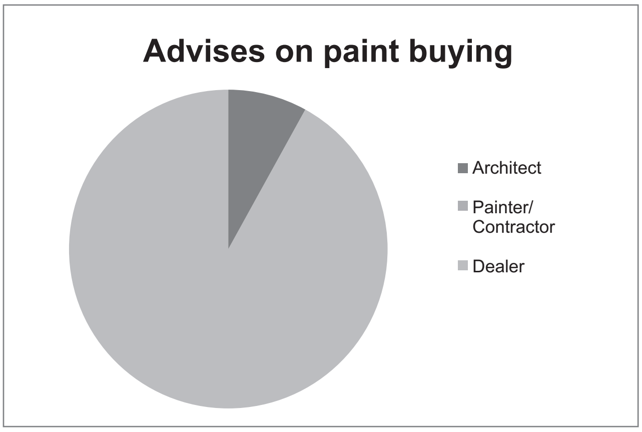

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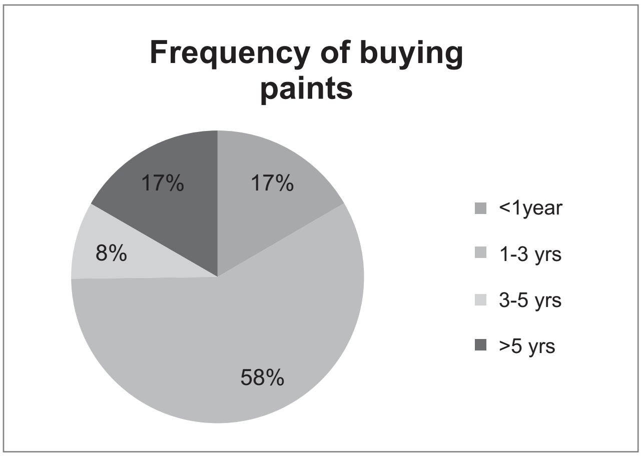

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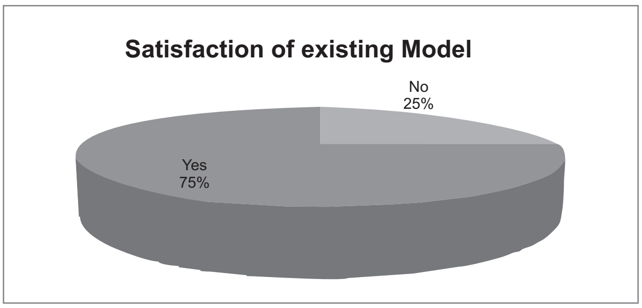

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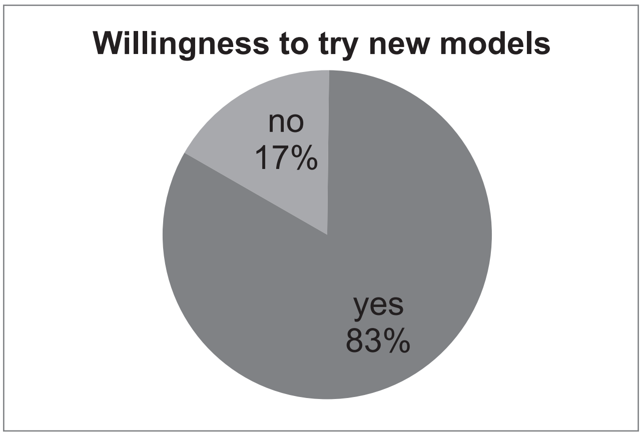

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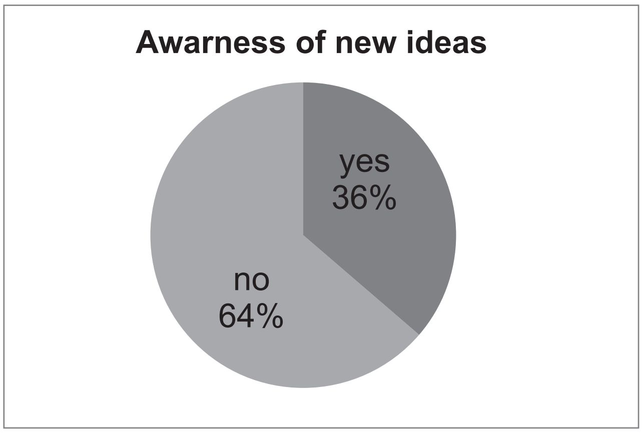
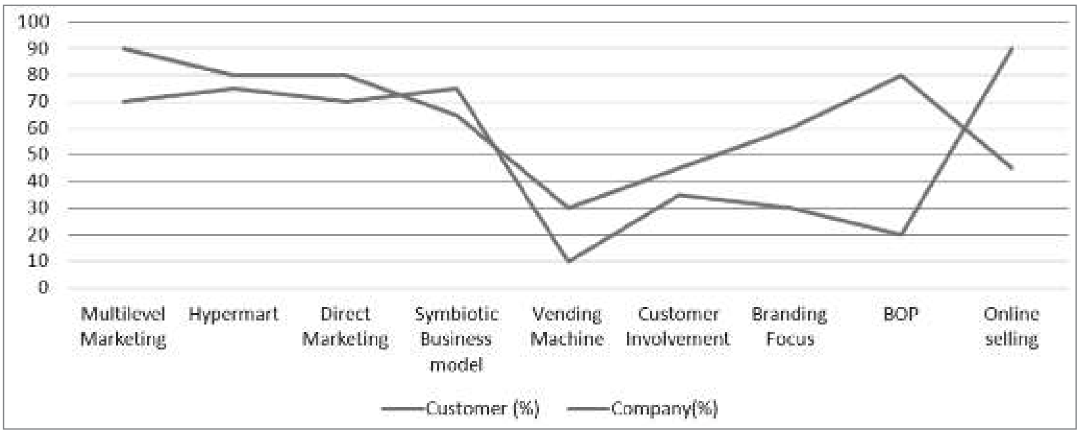


Figure 10

Feasiblity of ideas



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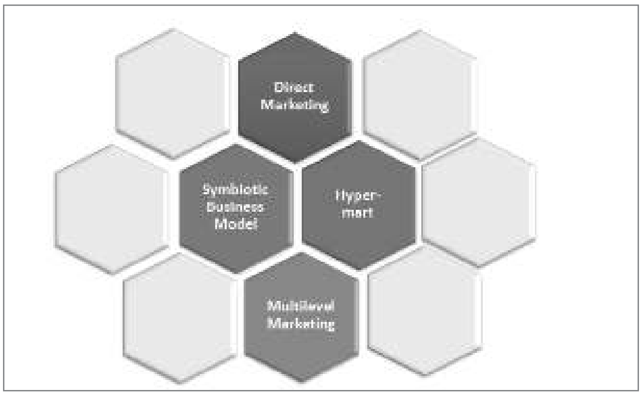

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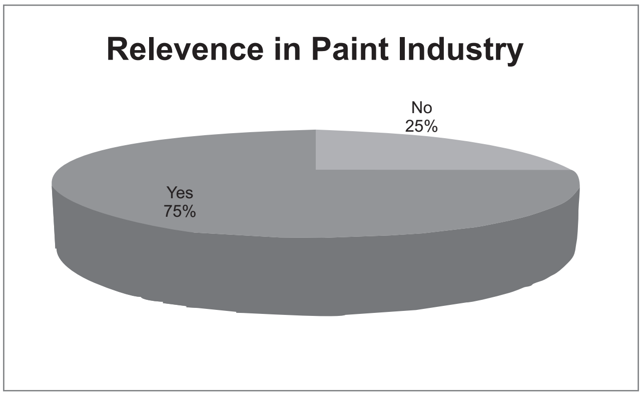

Figure 13

Applicability

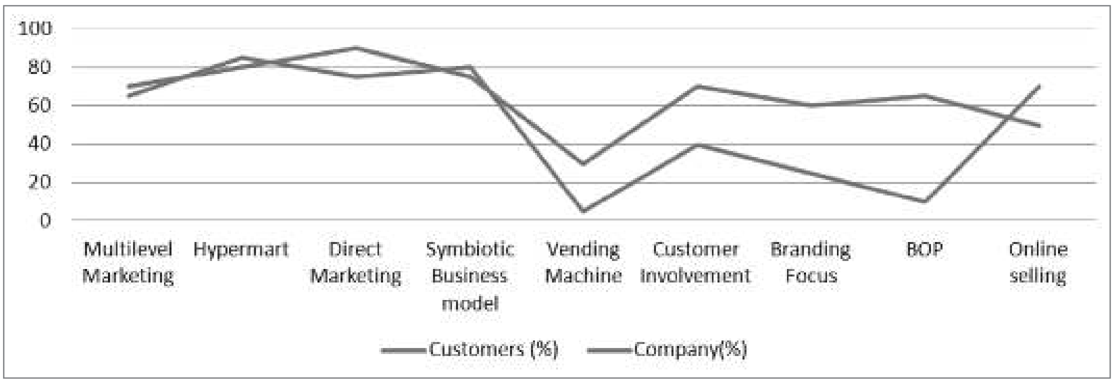

Figure 14