

**A REPORT ON
GENERIC STRATEGY ANALYSIS**

By Cost Leadership, Differentiation, Core Competencies, BCG Growth Share Matrix ,SPACE Analysis and Blindspot Analysis

Under Supervision of

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Group Details

Group Number: 02

Industry: PAINTS

Company Names: Asian Paints, Berger, Kansai Nerolac



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Table of Contents

Introduction:	5
Cost Leadership:	7
Differentiation:	9
Asian Paints:	10
Berger:	10
Nerolac:	11
Core Competencies:	11
Asian:	11
Berger:	12
Nerolac:	12
BCG Growth Share Matrix:	13
Asian paints:	14
Berger :	15
Kansai Nerolac:	16
Space Matrix:	16
Financial strength	17
Competitive Advantage	25
Industry Attractiveness	30
Environmental stability	34
Final Rating of Companies:	38
Strategy Followed:	39
Blindspot Analysis:	42
Asian Paints:	42
Berger:	42
Kansai Nerolac:	43
Best company overall:	43
Conclusions:	44
References	45

Introduction:

Profitability of a business is often influenced by the factors such as quality of the product, multifunctionality of the product, the cost of the product to the customer, the opportunity cost to the customers if the product breaks. These factors are the outputs of the competitive strategy followed by the company.

Usually competitive strategies are classified into following two types-

1. Cost leadership
2. Differentiation

Although one of these two types of strategies are followed, a firm following one of these two strategies can't neglect the other one.

Cost leadership is essentially the way to reduce the production cost of the product which in turn will increase the overall profitability of business. Cost leadership is often practiced by applying the concepts of Economies of Scale and Economies of learning. Differentiation is a competitive strategy which makes the product quality sub par. The differentiated products have characteristics which add value to its customers.

Alongwith the generic strategy analysis, BCG matrix is used to know which product is the major source of income for a company and which product needs to be removed. SPACE analysis is being used to analyze the strategic approach of a company by evaluating the following factors- 1. Industry Attractiveness 2.

Financial Strength 3. Environmental Stability 4. Competitive Advantage.

Blindspot analysis is used to assess the faulty assumptions made by the company regarding the other companies in the industry.

There are around 2000 unorganized enterprises and roughly 12 organized companies in the Indian paint industry. Decorative and Industrial are the two primary divisions of the paint business. The paint industry has a total capacity of about 9, 00,000 metric tonnes. The organized sector has 63% of the market. The paint manufacturers through their association avoid excess production and always ensure there is equilibrium between demand and supply. The Indian paint sector has benefited from the economic reforms as well. In the construction materials sector, paint was one of the most expensive products. Paints used to have an excise charge as high as 40% in the 1980s. Reforms caused the excise rate to progressively decrease from 40% to a lower level. The excise tax is currently as low as 16%. The facilities for modvat and cenvat have also aided in the expansion of the sector. The MRTP Act and FERA have been somewhat watered down, which has helped the Indian paint business expand.

Competitive strategies

A company's profitability is determined by its industry structure as well as the strategic decisions it makes in positioning itself in the industry.

The two generic competitive strategies are 1. Cost Leadership and 2.

Differentiation(or Focus)

We'll answer the following question elaborately in the subsequent pages

1. How to Achieve Cost Leadership?
2. Benefits of being Cost Leader?
3. How to achieve tight cost reduction?
4. Features of differentiation?
5. How differentiation can be Achieved?

Cost Leadership:



Cost Leadership is more often than not the clearest way used by companies to establish competitive advantage.

When a product transforms into a commodity, it results in no differentiation and no switching costs in addition to it being price sensitive.

Commodities carry low margins so the only escape route for profitability turns out to be volume. Thus, in the case of commodities, cost leadership is the only point a company can survive on.

On grounds of cost management, Kansai Nerolac leads the pack followed by Asian paints and then Berger.

Nerolac and Asian Paints exhibit efficient management of costs. This is opposed to sales in absolute values where Asian Paints is the industry leader suggesting sales is not the only metric to judge competitiveness.

Kansai Nerolac's "Inventory Management" is comparatively better than other paint companies owing to its automotive paint business. This is the only gray area for Asian Paints.

Asian Paints has the maximum decorative business and hence is forced to maintain heavy inventory and in turn higher overhead costs.

How to Achieve Cost Leadership?

Cost Leadership can be achieved through Economies of scale & scope and Efficient production.

Economies of scale and scope states to produce more and sell more reiterating the point that profit will come from volume wherein fixed cost per unit reduces and variable cost also comes down to an extent.

Asian Paints is the best in this respect to the “ Stock Keeping units” management. This has been achieved due to integrating the requirements of customers and dealers with the manufacturing units made possible by SAP Enterprise resource planning. Similarly Kansai Nerolac and Asian Paints are better in Inventory management. In order to remain competitive, paint firms that work in the decorative industry must successfully manage inventories.

Efficient production is a function of Quality, time for production, Minimum Inventory, low input cost, simple product design and efficient operations.

Asian paints, through its 26 manufacturing facilities across the globe caters well to supply chain management. Operating cycle also plays a vital role here, longer the operating cycle , firms are forced to carry finished goods. This has been managed well by Asian paints, thanks to the computer color mixing facility (CCMF) wherein they have over 15,000 installations throughout the country.

How to achieve tight cost reduction?

Tight Cost reduction can be achieved by minimizing overhead costs. One possible solution for minimizing might be outsourcing. Asian paints and Berger have explored outsourcing as a potential option as Berger Paints recently outsourced 17 depots to increase operational efficiency and Asian paints successfully deployed to digitize source to Contract process. Their strategic sourcing procedures will be improved by outsourcing it to Ivalua's Contract Management and Supplier Information solutions. Asian Paints R&D have implemented a substantial number of innovations with the goal of lowering its overall carbon footprint, boosting the usage of renewable raw materials, and creating energy-efficient processes. Kansai Nerolac is making R&D investments in core technologies such as CED(Cathodic Electro-Deposition) which is the base for the company's star product. Making it a point to make little investment in risky R&D. Another key gateway to achieve tight cost reduction in efficient scale plants. Asian Paints are set to invest RS 960cr to

expand their Gujarat Unit, Berger paints are working on setting up RS 1,000 cr manufacturing unit in Lucknow and Kansai Nerolac have also invested Rs 450 cr lately as it expected demand to grow in double digits: all these expansions are to align supply with demand.

Such cost leadership techniques will help the cost leader to earn above average profit by merely changing price and could possibly force the competitor to cut prices and accept lower returns (or even force them to exit the industry).

Differentiation:



Following the differentiation approach, a company aims to stand out from the competition in some aspect that customers greatly appreciate. While successful businesses can choose between cost leadership and differentiation, cost leaders cannot compete unless they reach a certain threshold on important factors, including quality and service, where rivals might differentiate.

Asian Paints:

- The company's own signature boutiques, which offer customers expert advice from qualified professionals who offer specialised furnishing and design solutions, are its standout feature. Over the years, the corporation has implemented other similar strategies to lessen the impact of artists on consumers' brand preferences.
- The customers who want to check out the product and services can avail the direct quotations from the company's help line.
- They also introduced the Indian markets with Royal Health Shield, their antimicrobial sanitizing paint which helped them differentiate from their competitors.

Berger:

- Berger achieves differentiation by having an enormous product catalog, the firm offers paints, adhesives and coatings for almost all applications. Some of the well-known goods in the market include Berger Silk, Easy Clean, Berger Luxol HiGloss, Bison, Weathercoat All Guard, and Weathercoat Floor Protector.
- One of the unique products that Berger introduced was the Berger- Easy Clean paint. Along with their marketing slogan of "No Daag, No Dhabba", Berger was able to convince the Indian markets that their line of paints could be cleaned effortlessly.

Nerolac:

- Nerolac is the smallest decorative paint manufacturer of all the 3 companies we are evaluating, but it is the largest industrial paint company in India. Industrial paints is where its differentiation lies.
- Nerolac is one of the largest provider of industrial coatings and automotive paints
- Nerolac has a large variety of products to offer, some of the unique ones being their lead free and heat guard paints which made them stand out.
- Nerolac has also made its presence in categories like wood finishes, adhesives, construction chemicals, waterproofing and soldier paints.

For characteristics of differentiation to be effective, a company must be able to pinpoint one or more qualities that customers value in a product or service and then position itself to specifically satisfy those demands. The ideal cost for differentiation is to be lower than what the client is willing to pay for the differentiated service. This can be achieved by providing intrinsic value via product quality, variety and delivery timing as per order acceptance. Investing in signals of value such as brand image and R&D(process and product).

Core Competencies:

Core competencies are factors which differentiate a firm from its rivals which gives them an advantage over other competitors. It is generally the non-financial assets of a firm such as business skills, interpersonal skills,etc. This are the factors which help a particular firm to exceed even if sometimes it is not as financially stable as its rival companies.

Asian:

Core Competencies of Asian paints are:

- 1) strong supply chain
- 2) brand value
- 3) best Cost Management
- 4) Customer Satisfaction
- 5) larger variety of products



Berger:

Core Competencies of Berger are:

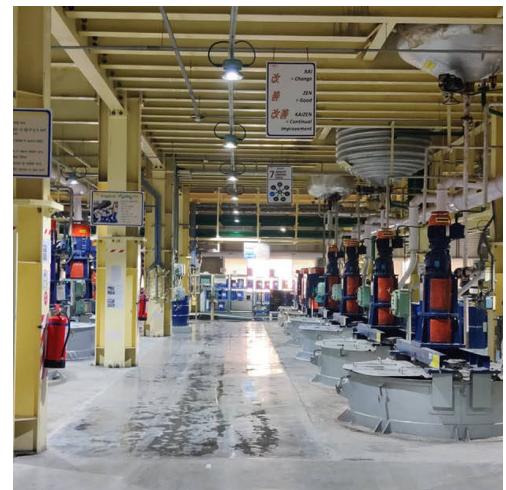
- 1) High capacity utilization of units
- 2) Better quality of indoor paints
- 3) Known for its unique design and color scheme
- 4) Customer Satisfaction is given first priority
- 5) Bit more economical than its competitors



Nerolac:

Core Competencies of Nerolac are:

1. Good Inventory Management
2. Better Cost Management
3. Research and Development team
4. Technologically advanced than its competitors.

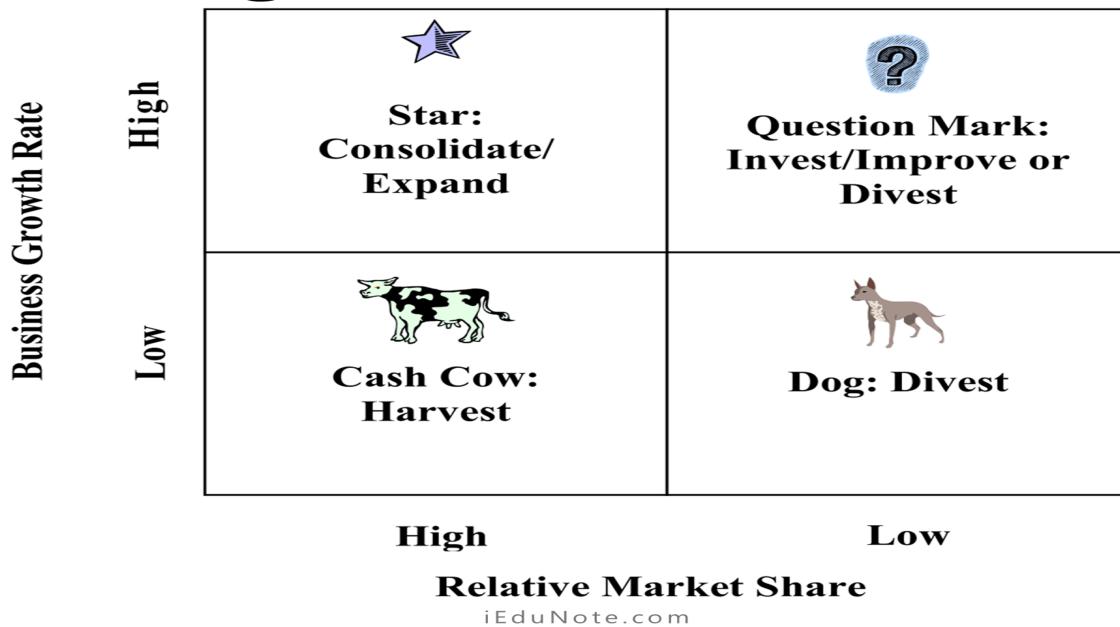


BCG Growth Share Matrix:

Boston Consulting group in the year 1965-66 developed experience curves, which explained “Why some competitors outperform others.” By using these experience curves a portfolio analysis tool named “Growth share matrix” was developed. This matrix helps companies to compare each area’s relative potential for investment.

This matrix classifies products into four categories on the basis of relative market share and Market growth.

Strategic Business Unit (SBU)



Star- These are the products which have a high market share and growth rate, these products usually require significant investment to maintain market leadership.

Cash Cow- These are high market share low growth products, these products require adequate investment to generate significant amounts of cash which can be used in other products.

Question mark - These products are often called problem children. These products require a huge investment but there is no guarantee if these products will become star or not.

Dogs- These are the products which will not generate an impactful benefit, thus withdrawal from these SBUs is the best strategy.

Asian paints:

The star product of Asian Paints is the Asian Paints Royale, the market cap of this product is the highest and is also growing at a high rate. Which is why Asian Paints advertises this product the most in the hope of keeping the growth high which requires them to invest more into this product.

The potential star, also known as the Question mark product, is the 'Viroprotek' range of sanitizers and the Health Shield range of disinfectant paint introduced by the firm during COVID. The market share of these is low but the product is gaining popularity among the Indian market swiftly. Which is why the company is investing huge amounts of capital into these products as they might turn up to become the best sellers.

Cash cow is the product line with a relatively high market share in a low growth market . Asian Paints UTSAV belongs to the economic metal primer market i.e. water base interior wall paint of distemper type. The market in itself grows at a slow rate and the global metal primers market is forecast to grow at a CAGR of 2.9%. Asian Paints have the highest market share in this category domestically. Asian paints exterior wall product lines consisting of ACE, ULTIMA and APEX also fall under this category.

Dog is the product line with low market share in a low growth market. Asian paints marine paints and automobile paints fall under this category. This suffers from low market share in a market that's also growing at a slower pace. Investment in these

sectors will have marginal benefit and liquidation/ withdrawal is the best strategy for such dog products.

Berger :

Berger is no different than its rivals. As we all know that there is slow growth in the paints industry, Berger is therefore considered a Cash cow as it has slow growth and the second biggest market share in the whole paints industry. But if we talk in terms of the products of Berger then its products are classified in all four categories of the BCG Growth Share Matrix.

The star products of Berger include its Berger Silk paint, Berger Wall Master Paint. These are star products as they have a high market share and have a very high growth rate. Thus, Berger should focus on expanding the market reach of these products by making significant investments.

The Cash cows of Berger are its WeatherCoat paint and its silk metallica paint as it has high market share but the sales are growing at a slow rate. Hence, adequate investments should be made to sustain the relatively high market share of these products.

Now talking about its Potential Stars i.e. Question marks are its Easy Clean Fresh and Royal Interior Emulsion Paints. These products have an extremely high growth rate but overall their share in the market is somewhat at a low level. Berger should either invest in huge quantities to make these star products or they may become dogs.

Talking about Dogs i.e. the products having low market share and low growth is the Berger Butterfly Paint. This is because the paint is existing from a lot of time and now there are new and improved versions of paints available which have a lot better adaptability and properties. Thus, Berger should discontinue selling this paint and start investing in other products which would help in their growth.

Kansai Nerolac:

Star Products- The star product of Nerolac paint is the “automobile coating.” Although it generates a significant amount of cash, it also requires a significant cash investment due to the technological requirements in coating industry.

Cash cow- “Decorative paint industry” is the cash cow for Nerolac paints, this sector generates significant revenue due to the higher volume of sales.

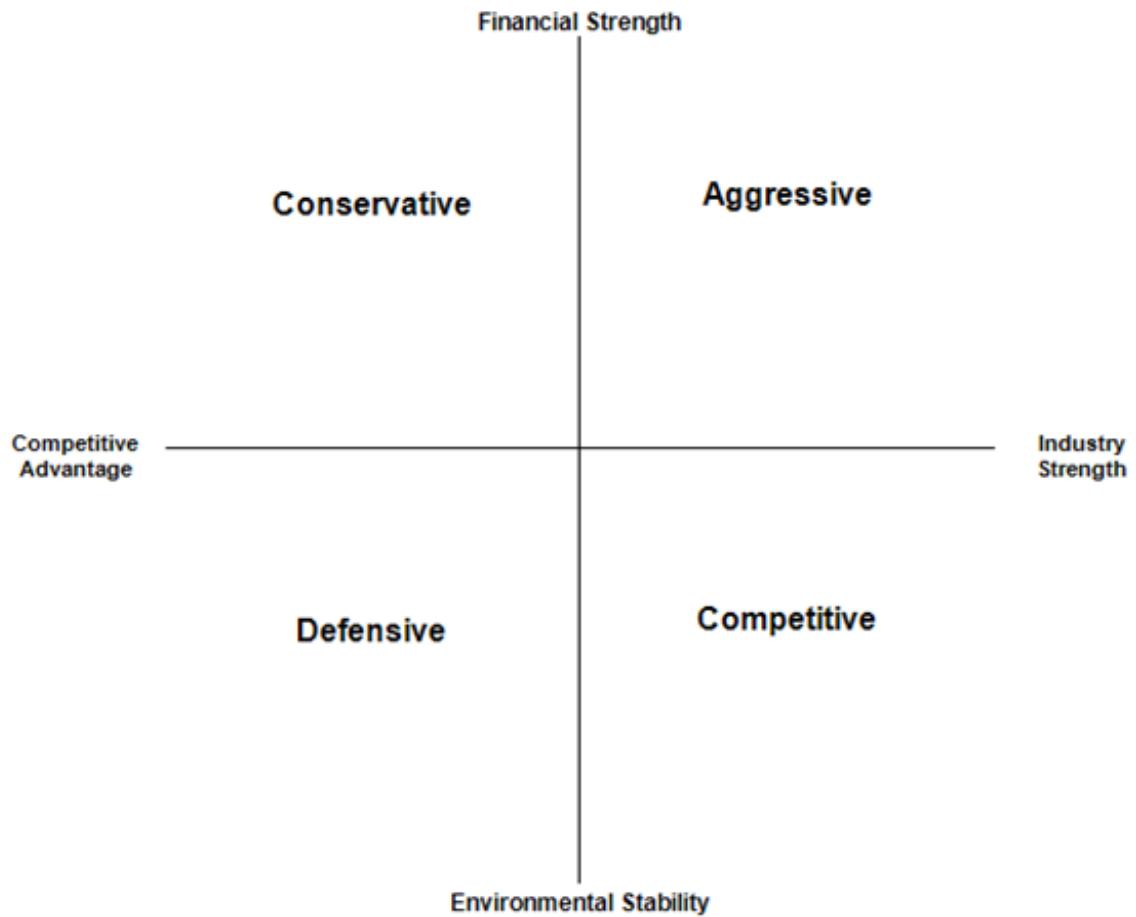
Question mark- Nerolac healthy Paint Products are the question mark products for Nerolac Paint, it is still unclear how the market will react to these types of products, and that's why its placed as question mark.

Dog- Nerolac emulsions is the dog product of Nerolac Paints, as it is in a relatively slow growing market, and as all companies have emulsion paints available, this product is marked as a dog.

Space Matrix:

The Strategic Position and Action Evaluation(SPACE) Matrix is a four-quadrant framework which gives us the ideas of which strategies a company is following and whether it is appropriate or ineffective. There are namely four strategies which are:

- 1) Aggressive
- 2) Conservative
- 3) Defensive
- 4) Competitive



Financial strength



Financial strength is a company's ability to generate revenue and have sufficient cash flow. It helps a company grow and return capital to owners. Financial strength is determined by the following factors:

1. Return on Investment
2. Leverage
3. Liquidity
4. Capital required vs capital available
5. Cash flow
6. Ease of exit from market
7. Risk involved in business
8. Inventory turnover
9. Economies of scale

Return on Investment

ROI is a key metric to gauge a company's economic profitability. We consider only operating assets wherein total assets = investment with some assets not yet utilized. We calculate ROI as EBIT/Total assets. Here EBIT is at market price and Total assets is usually considered at cost price, so we convert denominator at cost price to market price.

AP -0.187, Berger-0.145 , Nerolac- 0.107

Company	Asian Paints	Berger	Nerolac
Rating	5	4	3

Leverage

There exists 2 types of risk and 2 types of fixed cost; we can measure business risk through 2 types of leverage.

Change in one variable and its influence on other variables.

Degree of Leverage = (% change in EBIT) / (% change in sales)

Operating fixed cost leads to operating risk and financial fixed cost contributes to financial risk.

This denotes degree of business risk; increases with increase in fixed cost

Degree of financial leverage = (% change EPS) / (% change in EBIT)

Degree of total leverage = Degree of Leverage * Degree of financial leverage

Asian Paints- 65.4%/80%, Berger -60%/53.45%, Kansai Nerolac-(-27%)/46.2%

Company	Asian Paints	Berger	Nerolac
Rating	4	5	1

Liquidity

Ability to meet its liability. Bankruptcy is declared when liquidity position is not good irrespective of profitability. Operating cash flow is more important than profitability and is the real indicator of liquidity. Financial cash flow (net +ve), investment cash flow (net -ve) operating cash flow can still be +ve and thus can generate profit. One of the most important factors in determining a company's potential profitability and capacity to fulfill its ongoing financial commitments is liquidity. You can determine how much leverage ASIAN PAINTS is employing to maintain its present operations by looking at its cash, liquid assets, total liabilities, and shareholder equity.

Company	Asian Paints	Berger	Nerolac
Rating	4	3	3

Capital Required Vs Capital Available

An appropriate measure for this factor is to check retained earnings (internal accrual) and its relationship with investment. Higher the retained earning, more is the risk taking ability. Retained earnings are a company's entire net earnings or profits after subtracting dividend payments. Asian Paints- 54.294, Nerolac- 58.48, Berger- 65.502

Company	Asian Paints	Berger	Nerolac
Rating	4	5	6

Cash Flow

Cash flow refers to the net balance of cash moving into and out of a business at a specific point in time. Here we will be evaluating the firms based on their net change in cash and cash equivalents. Increase in sales doesn't necessarily mean increase in operating efficiency.

Asian Paints: (in Rs Cr.)

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18
-1068.99	2439.65	-462.43	473.29	-473.92

Berger Paints: (in Rs Cr.)

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18
-24.7	35.02	-28.42	-33.92	35.47

Kansai Nerolac: (in Rs Cr.)

Mar 22	Mar 21	Mar 20	Mar 19	Mar 18
-13.86	-91.33	84.73	18.37	16.64

Company	Asian Paints	Berger	Nerolac
Rating	4	3	2

Ease of exit from market

The hurdles to exit, such as highly specialized assets that may be challenging to sell or shift, and high exit costs, such as asset write-offs and closure charges, determine how easy it is to leave the market.

Company	Asian Paints	Berger	Nerolac
Rating	1	1	1

Risk involved in business

A business risk threatens a company's financial goals. Business risks can be categorized as internal or external risks and can include:

- Acquisitions and fusions
- Health crises
- Political alterations
- Location risks
- reputability threats

Based on these factors we can rate the companies as:

Company	Asian Paints	Berger	Nerolac
Rating	2	4	3

Inventory turnover

Now, coming to this financial indicator, it helps us to know how a stock of a company is related to COGS(cost of goods sold over a time period). A firm can take financial decisions important for the firm. This indicator is one of the very important financial ratios.

Asian Paints:

2022	2021	2020	2019	2018
3.29	2.86	6.08	6.34	6.50

Berger Paints:

2022	2021	2020	2019	2018
2.47	4.02	4.88	4.08	5.03

Nerolac:

2022	2021	2020	2019	2018
3.06	4.3	5.31	4.9	5.69

Company	Asian Paints	Berger	Nerolac
Rating	4	3	4

Economies of Scale

A proportionate saving in costs gained by an increased level of production is known as Economies of scale.

All the three firms have a well developed supply of raw materials with an efficient production line.

Company	Asian Paints	Berger	Nerolac
Rating	5	3	3

Overall Financial strength

Company	Asian Paints	Berger	Nerolac
Final Rating of Financial Strength	3.67	3.44	2.89

Competitive Advantage



The characteristics of a company that allow the production of goods and provision of services at a cheaper rate than its rival companies is called Competitive

Advantage. Competitive Advantage is an internal dimension located on the negative x- axis of space matrix, it ranges from -1 to -6, where -6 means bad whereas -1 means best.

Competitive Advantage depends on the following factors mentioned below:

1. Market Share
2. Product quality
3. Customer Loyalty
4. Technological Know-How
5. Vertical Integration
6. Product Life Cycle
7. Product Replacement Cycle
8. Competition's Capacity Utilization
9. Speed of New Product Introductions

Below is a detailed explanation of the factors on which competitive advantage depends:

Market Share

The share of market of Asian paints is the most in the traditional paints products, which is about 50%. On the other hand, Kansai Nerolac is leading in market share in the automotive paints sector with more than 57% of the market share, although in overall, it has a market share of 10%. Lastly, Berger has a market share of 12% of the total paints industry. Although Berger has a 60% market share in interior house paints. After comparing all these points, Asian Paints has a significant competitive advantage in this factor.

Company	Asian Paints	Berger	Nerolac
Rating	-1	-2	-2

Product Quality

Product quality is very important when it comes to competitive advantage. A consumer would always choose the product with better quality when all products are available at the same price. Looking at the spray paints in the automobile sector, Kansai Nerolac is hands down the best paint available in the market. This is because Kansai has provided Nerolac with special Japanese technology in the paints, which makes them state-of-the-art. In the sector of wall paints, Asian Paints has better paints for the exteriors, which are essentially oil paints. In the interior range of Emulsion type of paints, all three companies provide equal quality of goods. But Berger Easy Clean is one of the best emulsion paint available for interior walls as it has a rich look and a rare property of complete washability, which makes this paint the best paint as it has the best product quality. All are equal in this factor.

Company	Asian Paints	Berger	Nerolac
Rating	-1.5	-1.5	-2

Customer Loyalty

Whatever may be your product quality or market share, if your customers are not loyal to the company, then the company is going to be left behind. We all know that it is easy to have customer loyalty in B2B as the suppliers and customers are in direct contact. In B2C, it is difficult to have customer loyalty as the switching costs of products in paints is low. It is a pattern that most of the customers are loyal to Asian paints despite sometimes it is slightly more expensive than Berger and Kansai Nerolac.

Company	Asian Paints	Berger	Nerolac
Rating	-1	-2	-2.5

Technological Know-How

To maximize profit and increase the sales, all firms are needed to have complete knowledge relating to the production, development, and operations of a particular product. Improving the efficiency of the products and quality are major concerns. Patents regarding these are also very important. For e.g., Kansai Nerolac has several patents regarding the cationic electrodeposition coating method and water-based paints which contain which contains a hydrophobic film made out of different resins. Berger has patented their star product which is a special type of emulsion paint and also their unique method of painting. Asian Paints has 94 patents around the globe of which nearly 4/5 th parts consist of patents in India. Kansai Nerolac has the most competitive advantage due to their use of the exclusive Japanese technology in the production of paints.

Company	Asian Paints	Berger	Nerolac
Rating	-2	-2	-1

Vertical Integration

Vertical Integration is very important in the paints sector as a result of rising crude prices and increase in the price of TiO₂ which an important raw material. All of these companies have applied vertical integration and have control over the stages of production starting from extracting raw materials to shipping final product. All companies have equal level of vertical integration.

Product Life Cycle and Replacement Cycle

Product life cycle curve is very important as it is an indicator of future net annual sales of a company. Let's look at the product life cycle of Berger Products. The few of the products in the R&D stage include Weathercoat Kool & Seal, Berger Glass and wood coating. The products in the introductory stage are Weathercoat Anti Dust, Easyclean Fresh and Royal interior emulsion. On the other hand the products in the growth stage are Water based PU ,the epoxy block primer and silk illusion metalica. The product which is in the decline stage is its Berger Butterfly Paint.

Thus we can see from above that it is very important to introduce new product at proper intervals otherwise someone else will cannibalize your products which will lead to decline in the competitive advantage. Also, it should be on par with the industry replacement cycle. All the companies in this analysis have their products in every stage thus there is equal competitive advantage in the industry. All the competitors are on similar level considering this factor.

Competitor's Capacity Utilization

It is a very important factor as even if a company has less capacity but better utilization it will have a competitive advantage over other companies. In capacity utilization, Asian paints and Nerolac have their capacity utilization at 65-70% of their total producing capacity. Berger has a significant competitive advantage in this factor as its capacity utilization is approximately 93% which gives Berger a edge in the paints industry.

Company	Asian Paints	Berger	Nerolac
Rating	-2.5	-1	-2.5

Speed of New Product Introduction

The speed of new product introduction matters a lot considering the latest innovations. Asian Paints, Berger and Kansai Nerolac have equal speed of product introductions.

Overall Competitive Analysis

Considering all the factors, the conclusion of this analysis is that Asian Paints has an overall higher competitive advantage over Berger and Kansai Nerolac. Even though Asian Paints has significantly less capacity utilization and technological know how, it is the market leader of the Paints Industry in India. This is as a result of its extremely big market share and customer loyalty.

Company	Asian Paints	Berger	Nerolac
Final Rating of Competitive Analysis	-1.6	-1.7	-2

Industry Attractiveness



Industry attractiveness depends on the following factors-

Growth Potential

If we use the sales growth as a proxy for growth potential, we find that all of the three have similar % sales growth, and Paint Industry has a CAGR of 6.68% due to which we can consider CAGR as an average rating, and on that basis we can give the following rating.

Company	Asian Paints	Berger	Nerolac
% Sales revenue growth	6.18	8.1	6.81
Rating	4	5.2	4

Although the % sales growth is less than average for Asian paints, we have given an above average rating for it considering its relatively high market share.

Profit Potential

If we see the net profit growth then berger paints has an edge. So as these three are leaders in the Indian Paint Industry, we can give the highest rating of “6” to berger and “4” each to Asian Paints and Nerolac.

Company	Asian Paints	Berger	Nerolac
%growth net profit	16.5	15.7	1.6
rating	5	4.8	2

Financial Stability

As Asian Paints and Berger have a well developed network and comparatively larger market share and these companies are delivering profits from a quite a long time, due to this all of these companies are financially stable.

Technological know-how

In the industries where the profit is directly a function of sales volume, technological advancements become important, to increase the efficiency of production. That's why these companies have invested significantly in technology development, as Nerolac, the Indian counterpart of Kansai Japan, has advanced Japanese technology and due to this it gets a relatively higher rating on a space matrix. Although Nerolac is technologically advanced, Asian Paints and Berger are not that behind in technological development.

Company	Asian Paints	Berger	Nerolac
Rating	5	5	6

Resource utilization

Asian Paints through its R&D team is constantly developing ways which will enhance the use of Renewable Resources as Raw materials alongwith this Asian Paints is using A software called "Eureka" which helps in taking developmental ideas from its employees which further boosts its resource utilization, Berger and Nerolac Paints are also using environmental approach involving recycle which also puts it on the higher side on rating scale.

Company	Asian Paints	Berger	Nerolac
Rating	5	4.8	5.4

Capital Intensity

Paint Industry is a highly capital intensive industry, it requires a significant investment in developing supplier and dealers network, Asian paints and berger paints have a high market share, this signifies relatively higher investment by these two companies so these two are getting relatively high rating.

Company	Asian Paints	Berger	Nerolac
Rating	5.5	5.5	4.5

Ease of Entry into market

As this industry is a capital intensive industry and it requires a lot of production to earn significant revenue, due to this, Paint Industry has a very less ease of entry into the market.

Product/Capacity utilization

Berger has a 93% capacity utilization and Asian Paints and Nerloac have 65-70 % capacity utilization, this is why, we give a rating of “6” to berger and “4.75” to other two.

Company	Asian Paints	Berger	Nerolac
Rating	4.75	6	4.75

Final rating for IA:

Company	Asian Paints	Berger	Nerolac
Rating	4.875	5.216	4.44



Environmental stability

Environmental stability is an external dimension located on the negative y-axis of the space matrix, it ranges from -1 to -6, where -1 is excellent and very stable whereas -6 means poor and unstable.

Environmental stability depends on the following factors mentioned below:

1. Technological changes
2. Rate of inflation
3. Demand variability
4. Price range of competitive product
5. Barrier to entry to market
6. Competitive pressure
7. Price elasticity of demand
8. Pressure from substitute product

Technological changes:

To sustain itself, a business has to adapt to the latest technology. Whenever one thinks of exciting new technology, one may not think of the paint industry, but Technological changes have a significant impact on the paint industry.

Some of the technological advancement includes- 3-D paint visualization of paints, washable paints, germs-killing paints, odor-eliminating paints, air cleanser and environment-friendly paints.

Advancement in technology i.e AI and ML has helped the paint industry in supply chain management, analyzing corporate strategy and plannings future.

Asian paints is considered as the most technologically advanced company in the segment. With its supercomputer, it can predict overall demand forecast

Company	Asian Paints	Berger	Nerolac
Rating	-1.5	-2.5	-1.5

Inflation rate

Inflation has a negative impact on the paint industry in India. India being an importer of crude oil, as inflation increases, the value of the rupee decreases, therefore the paint industry has to spend more to buy crude oil, which is one of the major components of paints.

Company	Asian Paints	Berger	Nerolac
Rating	-1.5	-2.5	-1.5

Demand Variability

Demand variability means how much variability is there in demand of paints. it has been observed that demand of paints decreases in the rainy season and picks up in the festive season like Diwali. Demand of industrial paints is seen to be constant and increasing in steady state. Therefore compay like kansai nerolac which has its major revenue through industrial paints, demand remains constant.

Company	Asian Paints	Berger	Nerolac
Rating	-1	-2.5	-1.5

The price range of competitive product

With increasing prices of raw materials and increase in the number of companies, the competitiveness is at its peak and maintaining a minimum price

compared to the industry has been very difficult. Smaller companies have a huge impact as their quantity of production is less and therefore cost of production is higher compared to large companies.

Company	Asian Paints	Berger	Nerolac
Rating	-1.5	-2.5	-2

Barrier entry to market

With increasing demand for paints, the barrier to entry is decreasing which is having a negative impact on asian paints , berger paints and nerolac as their market share is decreasing.

Competitive pressure

With increasing competition, companies are feeling its pressure. The larger the companies lesser the pressure they feel as they can absorbing capacity is high because of higher production

Price elasticity of demand

As the demand for paints changes, price changes and therefore it becomes difficult for companies to set prices. Bigger companies have multiple products at different price ranges and therefore change in price becomes less difficult for them.

Pressure of substitute product

As new products are being formed, the threat of substitutes for paints has increased. Increases in wallpapers, coating have decreased demand for paints.

Rating

Company	Asian Paints	Berger	Nerolac
Rating	-1.5	-2.5	-2

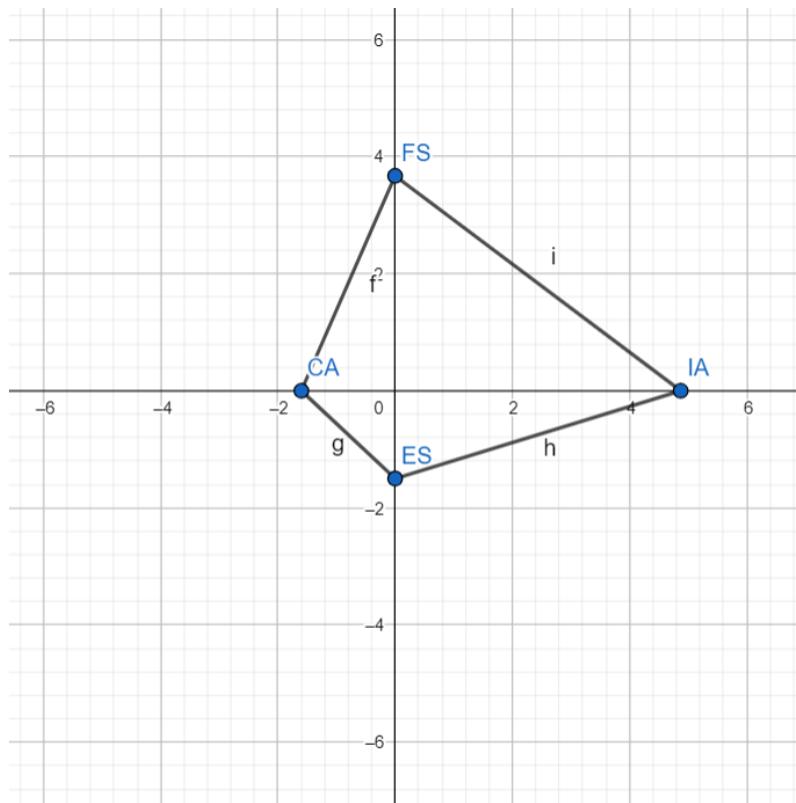
Final Rating of Companies:

Company	Asian Paints	Berger	Nerolac
Environmental Stability	-1.5	-2.5	-2
Industry attractiveness	4.875	5.216	4.44
Competitive advantage	-1.6	-1.7	-2
Financial Stability	3.67	3.44	2.89

Strategy Followed:

Let us look at the strategy followed by these 3 companies with the help of the space matrix.

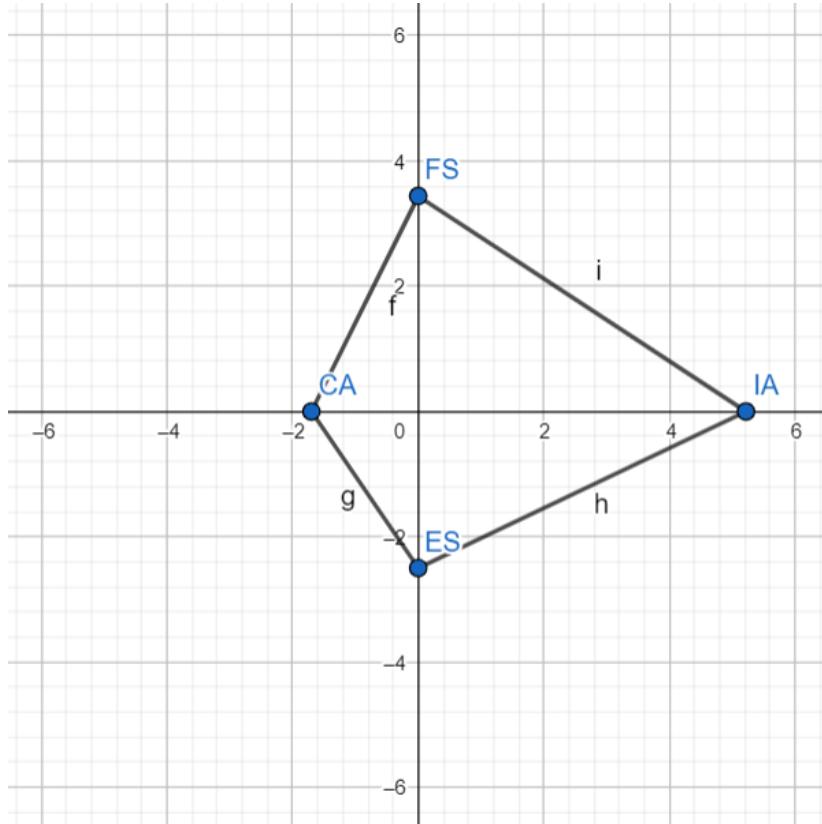
Asian Paints: Very Highly Aggressive Strategy



Explanation:

Asian paints is in a favorable position to adopt an aggressive growth strategy. The paint industry in itself is attractive and stable. Asian Paints also possesses competitive advantage and significant financial strength.

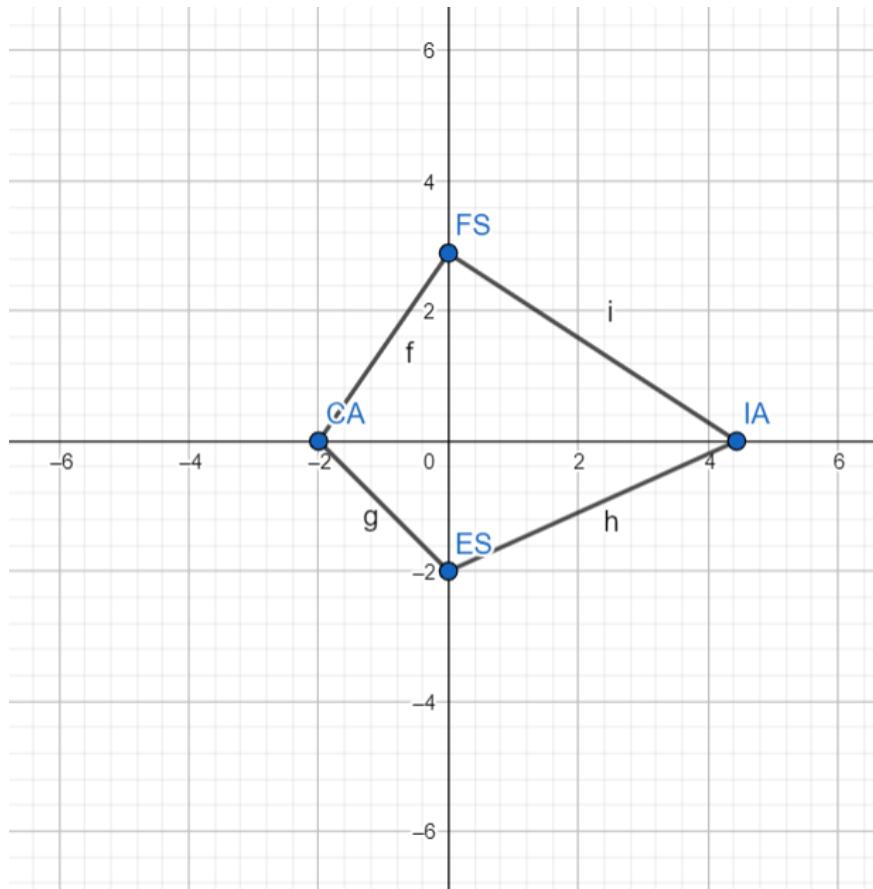
Berger: Very High Aggressive Strategy along with High Competitive Strategy



Explanation:

Berger paints have a good financial position and a good competitive advantage, the company should follow an Aggressive Strategy, the company should try to expand its capacity to a further extent preserving its competitive advantage.

Kansai Nerolac: Moderately High Aggressive Strategy with Fair Amount of Competitive Strategy



Explanation:

Kansai Nerolac has a very good Industry Attractiveness and has a fairly moderate value of Financial Strength. Thus the company should follow Aggressive strategy. The company should try to expand its capacity and also try to improve its Financial Strength as it is relatively less than other rival companies.

Blindspot Analysis:

Introduction-

Blindspot analysis is a method aimed at uncovering obsolete assumptions in a decision makers scheme.it is synonymous with conventional wisdom which no longer holds true but still guides the business strategy and leads to ineffective strategies.

There are 6 blindspots-

- (1) misjudging industry boundaries;
- (2) poor identification of the competition;
- (3) overemphasis on competitors' visible competence;
- (4) overemphasis on where, not how, rivals will compete;
- (5) faulty assumptions about the competition; and
- (6) paralysis by analysis.



Asian Paints:

Asian Paints is the top company in the paint industry that exists in India. In the past it was the only major player which was leading in the paint industry. But, Asian Paints poorly identified its rivals and had faulty assumptions about them. Asian paints thought that these minuscule companies could never reach a significant level. Thus, due to these blindspots, even though Asian Paints is today the market leader, it would have been at greater heights than it is today.

Berger:

Berger paints is the 2nd largest paints company in India. Berger paints mainly focuses on the lower to middle-class category of people, and therefore it

overemphasizes were and not how. being in the top 2 companies it poorly identifies its competition which led to more companies entering this segment. This blind spot also leads to faulty assumptions about the competition.

Kansai Nerolac:

Kansai Nerolac is a company which has succeeded due to these blind spots. This is because Asian Paints and Berger focussed too much on Nerolac's visible competence. This is because Kansai Nerolac has the best R&D units and has the special Japanese Technology used in the production and application of paint. Thus, it helped Kansai Nerolac to have a greater share of 60% in the industrial sector which the rivals had falsely assumed that Nerolac could not generate profits. But, they did not know that it was busy investing in its R&D sector.

Best company overall:

Asian Paints offers excellent supply chain management services through its 26 manufacturing plants throughout the world. Additionally, the operational cycle is important since the longer the working cycle, the more finished items the enterprises are required to carry. Thanks to their over 15,000 installations of the computer color mixing facility (CCMF) across the nation, Asian Paints has successfully managed this. Asian paints has a huge variety of products ranging from Industrial to Housing applications. Asian paints also has the greatest market cap, profits and cash flow.

Conclusions:

To summarize, in this report we first talked about the 2 competitive strategies namely Cost Leadership and Differentiation and discussed in detail about these strategies which helps the firm to get an edge over its competitors. We also know that a company cannot just ignore one strategy if it is following another strategy. In the paints industry it is very important as being a cost leader is beneficial as a customer always prefers the cheaper product with the same quality. Differentiation also plays an important role as superior quality of paint is the one that most of the customers prefer over normal paints.

We talked next about core competencies and how they help a firm to succeed in the business. Most of the time, firms tend to ignore the core competencies as they are non-financial in nature but this leads to problems as these factors are very important for a company to generate revenue. In this Industry, the quality of paint, customer satisfaction and the skill of the painter is very important for a company to increase its revenue.

BCG matrix suggested the star products and cash rich products of all three companies. With the help of these matrix, we were able to know more about the profit producing product and loss making product line.

Blindspot analysis of all three companies was done through which 3 main reason for flaws were identified

- 1) Companies mistaken or incomplete view of its industry and competition
- 2) Poor design of competitive analysis
- 3) Inaccurate managerial perception or ineffective organizational structure.

In the market analysis to determine the firm's strategic position in the marketplace, we worked upon the Strategic Position and Action Evaluation (SPACE) Matrix to devise a strategy for each company from Aggressive, conservative, defensive or competitive. We rated each of these companies backed by historical data &

statistics over the 4 axes based on cumulative factors constituting each of these axes (FS, IS ,CA &ES) (two internal and two external dimensions).

We found out that in terms of overall Financial strength and competitive advantage, Asian Paints is marginally better than Berger Paints distantly followed by Kansai Nerolac. Whereas in terms of Industry attractiveness Berger leads the pack followed by Asian Paints and Nerolac. In terms of Environmental stability, Asian Paints tops the list and is closely followed by Kansai Nerolac and Berger Paints respectively. With the help of these ratings, we plotted graphs on appropriate axis in SPACE matrix and suggested strategies to be followed by each of these companies

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