|  |  |
| --- | --- |
|  | ISB_Logo_BW2 |

9B17A008

Dulux TileShield: Relaunching a brand

Professor Kirti Sharma and Puneet Sapra wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

*This publication may not be transmitted, photocopied, digitized or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e)* [*cases@ivey.ca*](mailto:cases@ivey.ca)*;* [*www.iveycases.com*](http://www.iveycases.com)*.*

Copyright © 2017, Richard Ivey School of Business Foundation Version 2017-02-28

In November 2012, Anshika Dhawan, senior brand manager in the exterior paints division of AkzoNobel India Ltd. (AkzoNobel), was at the company’s Delhi headquarters going through reports on Dulux TileShield (TileShield), a brand on which she had been working for the last two months. Launched by AkzoNobel in 2006, TileShield quickly became synonymous with roof tile protection, so much so that most competing brands in the category had adopted similar-sounding names. AkzoNobel’s competitors, such as Asian Paints, Berger Paints, and Kansai Nerolac Paints, had all developed similar technologies, which stepped up competition in the new category of exterior paints. As competition grew, it became increasingly difficult for TileShield’s sales force to ensure that it continued to be the preferred brand among customers. Even though the brand was facing profitability pressures, the regional sales office in Kerala was putting pressure on the brand team to reduce prices. The time for urgent action had arrived.

Dhawan knew she had to address the immediate pricing demands of the brand. She had to decide whether this was the right time for a major change in the brand offering, even though the effects of such a change would not be felt before the next sales season, about six months away. The alternative option was to wait and make only minor changes based on the identified issues and see how the market responded in the coming months. This wait-time delay, however, might take away TileShield’s early-mover advantage, something the company had been cashing in on for a long time. Dhawan and her team were also debating whether or not there was a need to take any steps at all. Perhaps what TileShield was experiencing was simply the norm in the life cycle of a product that operated in a fiercely competitive market.

THE Indian Paint Industry

Until the 1960s, the Indian paint industry was dominated by the unorganized sector.[[1]](#footnote-1) As late as 2009, the unorganized sector catered to about 35 per cent of the total demand.[[2]](#footnote-2) Most of the organized players in the paint industry operated at the national level, while their unorganized counterparts operated primarily at the regional level.

The industry was broadly divided into two segments—decorative paints and industrial paints. In the organized sector, decorative paints accounted for about 70 per cent of the market share and industrial paints accounted for the rest (see Exhibit 1). The decorative paints segment had a clear advantage over the industrial paints segment in terms of both market share and growth potential. Many types of decorative paints had been developed over a period of time and were classified under a unique system (see Exhibit 2).

Between 2001 and 2010, the industry had grown at a compound annual growth rate (CAGR) of more than 15 per cent, attracting many national and international players. By financial year 2011, the size of the industry was estimated at approximately US$4.2 billion.[[3]](#footnote-3) There were four major participants in the market: Asian Paints, Kansai Nerolac Paints, Berger Paints, and AkzoNobel Global (see Exhibit 3).

A variety of products were available in the exterior paints segment as well. By and large, organized participants sought to offer a wide range of products and variants (see Exhibit 4).

Buyers and Influencers in THE Market

The do-it-yourself culture was nearly absent in the Indian paints industry, so channel members and other influencers played a key role in this market (see Exhibit 5).Since painting usually involved technical steps such as dilution (i.e., percentage of solvent added to the paint before application), opacity (i.e., non-visibility of the undercoats), and coverage (i.e., area covered by one litre of paint under the recommended dilution and number of coats), consumers in India rarely undertook the work themselves. Instead, they outsourced painting jobs to contractors or to architects, who generally made the paint-brand decision. Although this trend was changing somewhat, with homeowners becoming gradually more involved in paint purchase decisions, their input was restricted to choices of paint colour and shade. By building brands through mass advertising, paint companies tried to reduce the influence of contractors and architects (customers) and increase the influence of homeowners (consumers) in decision-making; however, they were still a long way from achieving their goal.

AkzoNobel

In 1911, Brunner Mond & Co. began operations in Calcutta (now Kolkata), the capital of the Indian state of West Bengal, to sell alkalis and dyes. It was one of the four companies that would eventually combine with three others in 1926 to form Imperial Chemical Industries (ICI) (India). What followed was a period of sustained expansion, diversification, and growth. ICI began manufacturing activities in India in 1939 with the establishment of Alkali and Chemical Corporation of India Ltd. in Rishra, West Bengal.

In 1984, the ICI group companies in India were merged into what was one of corporate India’s largest mergers of that time. Nalco Chemicals India Ltd. was formed in 1987, with Nalco Chemical Company (United States) and AkzoNobel each holding 40 per cent of the equity. The first phase of AkzoNobel restructuring was completed in 1993, with the divestment of the seed, fibre, and fertilizer businesses. In 1995, the agrochemicals business was transferred to a joint venture with Zeneca Limited, United Kingdom.

In 2008, AkzoNobel N.V. became the sole owner of ICI. This shift in ownership became possible through an arrangement under Section 425 of the *United Kingdom Companies Act, 1985*, when ICI became a subsidiary of AkzoNobel N.V. To leverage the global strength of the AkzoNobel brand, in 2010, ICI India Limited was renamed AkzoNobel India Limited.

Roof Tile Paints

Roof tiles were a common feature of buildings in parts of India that experienced high rainfall, such as the state of Kerala, where these tiles were part of the traditional architecture. In Kerala, AkzoNobel broadly divided housing into four types (a classification that was also used for consumer segmentation): middle-class houses, bungalows, villas, and high-rise buildings.

The state of Kerala had a high average annual rainfall, and its two monsoon seasons—*Edavappathy* or the southwest monsoon(June to August) and *Thulavarsham* or the northeast monsoon (October to December)—tested the roofs of houses. Roof tiles were designed to bear the vertical impact of heavy rain and, except for high-rise buildings, were used in most homes in Kerala. The use of paint on the surface of roof tiles was intended to mitigate the effects of rain on the tiles. Historically, regular exterior paints fulfilled this function; however, research and development in the paint industry and growing customer awareness about the efficacy of painting roof tiles led to the birth of a new product category—roof tile paints. These new paints were made with a strong latex film that allowed them to bear the impact of rain much more effectively and for a longer period compared to the existing exterior paints. AkzoNobel India Ltd. (then ICI Paints) launched its pioneering product in this category in 2004 under the brand name Dulux TileShield (see Exhibit 6).

By 2010, the category had acquired an identity of its own, and consumers were able to distinguish between roof tile paints and other exterior paints. This level of improved consumer awareness was an outcome of promotional efforts by companies that provided point-of-sale material and by key influencers, such as painters and contractors, who purchased and used these paints. This growth in consumer awareness was accompanied by greater competition as other participants entered the market. By 2011, the category was expected to grow at a CAGR of 30 per cent for the next five years.[[4]](#footnote-4) Despite this growth spurt, beyond the distribution of print material (e.g., product guides and paint-shade booklets) at the point of purchase, no participant in the roof tile paint category spent additional money on media and promotional activities.

Despite the growth of the category, especially in the key state of Kerala, TileShield sales did not grow in financial year 2011/12. According to the sales team, the brand’s high price and increased market competition were responsible for its plummeting sales. Some time earlier, on the recommendation of the sales team in 2010–2011, the company had adjusted the price of TileShield by offering a discount on the prevailing dealer’s price; however, this adjustment had no visible effect on sales. Decreasing the price further would have resulted in reduced margins for dealers, who were already complaining of the negative effect of past price cuts. Dhawan knew that further reducing TileShield’s price was not an option, particularly given AkzoNobel’s bid to develop a premium brand image by keeping its prices 7 to 10 per cent above those of Asian Paints, the overall leader in the decorative paints category.

Apart from price, Dhawan and her team had identified other potential problems related to past issues with TileShield, such as increasing competition and rising consumer expectations, among others.

Product

About two years earlier, one of TileShield’s product lots had been found defective. Consumers complained that the paint peeled off and faded quickly. The company recalled the entire lot after receiving multiple complaints, but the negative effects of that product failure persisted. There had also been complaints by contractors regarding coverage issues,[[5]](#footnote-5) but subsequent product testing showed that these charges were baseless. In 2012, TileShield contributed nearly 3 per cent to overall sales in AkzoNobel’s exterior paints division.

Pricing

Like other industry participants, AkzoNobel offered dealers a 5 to 8 per cent margin on the recommended prices, which were market-driven and were called “market operating prices” (MOPs). The company followed a similar margin structure for TileShield. Only Asian Paints offered a lower margin of 3 to 4 per cent. As a brand in the premium paint category, TileShield promised dealers higher margins. AkzoNobel’s policy of keeping its prices higher than those of Asian Paints allowed it to give dealers higher margins.

The main paint base used in TileShield was sold to dealers at a price of US$83.60 per 18 litres, as per the dealers’ price list (DPL),[[6]](#footnote-6) while the DPL of Asian Paints’ equivalent product, TileGuard, was US$72.40 per 18 litres. Despite this price difference, dealers complained about the lower margins they were getting per 20-litre can (of which 18 litres consisted of base paint and the rest a mixture of tints required to get a desired shade). The volume was not necessarily always 20 litres, but 20-litre cans were the market standard. Exhibits 7, 8, and 9show the pricing structure of the different participants for the two major shades, “Terracotta Red” and “Sunrise,” which accounted for 70 per cent of the volume of shades. After their discussions with the dealers, the field team reported that, despite higher base prices and percentage margins, dealers were getting lower absolute margins on some of the TileShield shades they were selling. This point was yet to be verified.

Competition

Tile paints belonged to a super-premium category of paints; therefore, middle-class households did not accept them easily, preferring instead to use regular exterior wall paints on their roof tiles. Even for companies with a presence in the tile paints category, the focus area was bungalows.

By 2011, the company faced strong competition from national players, such as Asian Paints, Kansai Nerolac Paints, and Berger Paints. As the category gained greater acceptance and consumer awareness improved, regional competitors began to enter the market. The attractiveness of the market also lured some international participants like Sherwin-Williams and Nippon Paint, who were keen to make a foray into the Indian market. Some Southeast Asian companies also entered the fray. Southeast Asia had been the preferred employment location for residents of Kerala, which made product acceptance relatively easy for these companies because of their existing connection to the country of origin. By 2012, there were about nine companies competing in the roof tile paints category in India (see Exhibit 9).

AkzoNobel had seen its sales stagnate in recent years, but having led the category with more than 30 per cent market share in the past, the company expected sales to grow as the roof tile paint category grew.

Market Research and Consumer BehavioUr

The company hired a market research agency to evaluate consumer perception and behaviour with a view towards gaining a better understanding of consumer needs and influences. The research targeted consumers, contractors, and dealers primarily in the city of Cochin in Kerala. It focused on people whose homes had been painted in the last six months and who had used either Dulux roof tile paints or selected competitor brands.

The market research showed that increased competition had diluted the degree of product differentiation among the various brand offerings. Product attributes in the paints industry could be broadly divided into performance (durability, coverage, and ease of application) and aesthetics (the beauty or visual effect of the paint on the tile surface in terms of colour, finish, and similar factors). Typically, consumers of paints placed value on the aesthetic aspects of the product, while painters and contractors concentrated on performance attributes. However, an initial exploratory study on consumer behaviour, conducted as part of the overall market research, reported that in the tile paint category, consumers were more interested in the performance of the paint than in aesthetics. They saw roof tiles as the primary feature of the house, which needed good protection (see Exhibit 11). Since the life of the paint emerged as the most crucial parameter for consumers, most of the paint manufacturers in this category focused on paint quality.

The study indicated a high preference for natural shades, with Terracotta Red and Sunrise dominating among more than 2,000 shades and constituting nearly 70 per cent of the demand. The study also identified some shades of blue and green that were gaining popularity. However, natural shades emerged as the clear winners in both Indian and world markets.

To understand consumer requirements, the study tested three product concepts. Of these, the first focused on performance, the second on aesthetics, and the third on aspects of both. The third concept was primarily used to reinforce an understanding of consumer expectations with respect to the first two concepts.

The results of this part of the study revealed that consumers were well aware of the importance of the roof tiles’ function and therefore regarded performance as the primary requirement from roof tile paint. Further, consumers were found to identify closely with use of the local terms for the various conditions of the monsoon seasons, a factor that raised the question of how to use the local language on the product packaging as a way to attract buyers. Although the study results confirmed the importance of performance characteristics, they also made differentiation more difficult. Repositioning the product in the minds of consumers emerged as the only option. Some of the positioning points identified in the study included longer life, anti-fungal properties, the stability of the colours (anti-fading), and anti-leak/waterproofing properties. Some of these attributes would necessitate product improvements by the company’s research and development (R & D) team.

New Shade Range

Around the same time, in 2012, AkzoNobel’s R & D team came out with a new range of metallic paint shades, a product range that had already been accepted in some parts of the world. The historical attachment of Kerala temples and households to sheen supported the introduction of this new shade range. In 2011, one regional player, Indigo Paints, began to offer metallic shades in the roof tile category, but despite using mass media to promote the product, it had been unsuccessful. On the other hand, metallic shades continued to be a popular choice for interior walls. For AkzoNobel, the new shade range offered an opportunity to break free of similar offerings in the market, but it was important to first gauge the acceptance of the product and the influence on decision-making.

The study indicated that consumers regarded metallic shades as superior to matte-finish paints but tended to limit their use when it came to exterior paint jobs. For instance, for aesthetic effect, metallic paint would be applied on the borders of the roof for aesthetic effect. An alternative usage, prevalent in Kerala temples, was the application of metallic shades to pillars in houses. This use of paint was a market-abusive practice and posed another challenge to the company: Should it attempt to prevent this practice, or should it support it to improve sales? The company was aware that encouraging the practice could lend support to the argument that tile and other exterior paints could be used interchangeably.

Dilemmas and Decisions

Dhawan and her team had to tackle the problem on two fronts: one involved gaining some clarity on product differentiation and positioning, and the second involved getting the right combination of product, promotion, and other market parameters, especially price. The team also had to make a decision on the introduction of the metallic shade range. Should they launch it separately as a new product range or as a new shade range in the existing product line? Alternatively, should they opt against launching it at all?

TileShield was still the market leader and, due to the continued high growth in the roof tile paint category, it still had reasonable growth potential. However, the company could not ignore the pressure from the rapidly increasing competition. Further, dipping sales and revenues posed a definite concern, and the fact that dealers were demanding higher margins to push sales added an additional pressure. After considering multiple options in deciding the future of TileShield, Dhawan and her team shortlisted three options.

Continue with the Existing Value Proposition

The first option was to continue with the existing value proposition and focus on improving the paint’s quality and performance, and, if required, adjust the price to make sure that both dealers and consumers were satisfied.

In the team’s view, one of the major advantages of this option was that it could be implemented quickly. The peak season for tile paint sales would end in less than a month, and the other alternatives would take at least three to four months to implement. AkzoNobel believed that the main differentiators for TileShield in its current form were its quality and performance (see Exhibits 11 and 12). The management team felt that by making some adjustments to the product formulation, the R & D team could help bring down prices to the extent that everyone in the value chain would benefit.

The only concern with this alternative was that many international players had already entered the market, and most of them claimed to have a better quality product than TileShield (see Exhibit 13). In such an environment, it was unclear whether TileShield’s current positioning on quality was sustainable or not, especially given that the brand had already lost about 5 per cent of its market share in the last two to three years; the current market share for TileSheild stood at 30 per cent.

Relaunch TileShield

The market research study had already established that performance, more than aesthetics, mattered to the consumer. Thus, another option for the marketing team was to strengthen TileShield’s position in the market by redefining its consumer value proposition. This option could help the company in two ways. First, it could help redefine the price, which would reduce the pressure on the R & D department by removing the need for a reformulation effort. Second, it could help TileShield achieve the desired differentiation in a highly competitive market.

However, the identification of a new value proposition was a challenge that would possibly require the company to redefine other product elements, such as packaging and collaterals. The question was whether such a huge undertaking was called for since TileShield was still the market leader (see Exhibit 14). The other disadvantage of this alternative was that it would not benefit AkzoNobel in the current season; the company would have to wait until the following year to register the impact of the relaunch.

Use the Brand Equity of WeatherShield

WeatherShield was the front-runner in the exterior paints division at AkzoNobel. It was a highly regarded exterior brand, not only in India but also internationally. The company had given special attention to WeatherShield and had promoted it aggressively in recent years. It was the only brand in the exterior paints division at AkzoNobel that was promoted through television commercials in India, and the company’s research had shown that this approach had helped WeatherShield gain high brand equity. The brand name WeatherShield was associated with many products at that time; however, the advertising focus was primarily on Dulux WeatherShield and Dulux WeatherShield Max, both of which were exterior wall paints.

Could the company capitalize on WeatherShield’s brand equity to reduce some of the risks associated with the relaunch of TileShield? As Dhawan saw it, there were two alternatives in associating with WeatherShield: one was to completely replace the brand name TileShield with WeatherShield Tile (one of the names that was under consideration) by the start of the next major sales season; the second was to retain both brand names, namely TileShield and WeatherShield Tile, and split the tile paint into two variants with TileShield focusing on its current positioning. This strategy was in line with the option to continue with the current value proposition.Launching WeatherShield Tile with the new positioning before the start of the next season would require the company to undertake some consumer research in the coming months. In either case, the marketing team was not considering spending any additional promotional money on different media, largely because of the absence of promotion within the category and also because the company was in the process of mapping out its media activities for the umbrella brand, WeatherShield.

Although the latter of the two alternatives seemed to address the existing problems, there were some embedded issues. Keeping both brand names could lead to confusion among consumers. It could also lead to more supply chain problems as a result of doubling the number of stock-keeping units. Forecasting accuracy and the availability of stock-keeping units were already prevalent problems, and the related issues were likely to double if there were two brand names to deal with. If the marketers chose to replace the brand name TileShield with WeatherShield, the company would not be able to implement the change in the next three to four months. In either case, there was the risk of a negative impact on the WeatherShield brand name.

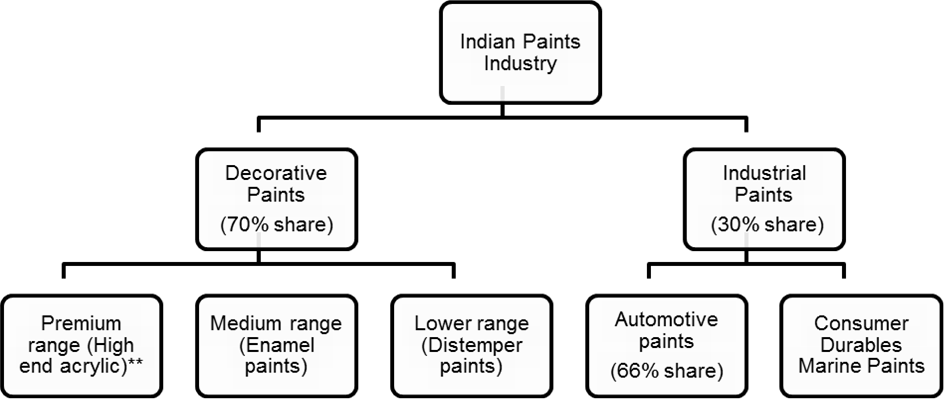
**The Way Forward**

Dhawan had to weigh all the options in light of future considerations and the current market scenario. There were many unanswered questions: Was there a problem in the pricing structure? If so, why had it not been identified by now? What changes, if any, needed to be made in the price points? What was more feasible— upward movement or downward movement in the price point? If the company did not increase TileShield’s market operating price, what could it do to make sure that its profitability, as well as that of its dealers, was not affected? Could the different consumer segments be targeted in different ways? Could different value propositions be used for different segments? What should they do about the metallic shade range? Should it be launched or not? Should the positioning be changed? If so, what would be the most suitable positioning point? Was further consumer research called for?

Even if she was able to answer all these questions, Dhawan faced a much bigger strategic decision: How should AkzoNobel’s marketing team execute the relaunch? Given the above questions, if it were possible to make the necessary changes, was a relaunch even required? The decision was an important one. If successful, it would help one of the company’s more profitable brands retain its leadership and market share. If not, the failure could affect the company’s profitability. Additionally, Dulux’s other brands could also take a hit.

|  |
| --- |
| Dr. Kirti Sharma is an Assistant Professor in marketing at Management Development Institute, Gurgaon, India. Puneet Sapra was a marketing student at Management Development Institute, Gurgaon, India. |

EXHIBIT 1: INDIAN PAINT INDUSTRY SEGMENTS (2011)



Notes: \*\*Premium range is a major driver of growth of the decorative paints and roof tile paint category;

Source: Company records.

EXHIBIT 2: DEFINITIONS AND USES OF EVOLVED SEGMENTS OF DECORATIVE PAINTS

|  |  |  |
| --- | --- | --- |
| **Form** | | **Definition and Use** |
| Metals | | For use over metal surfaces |
| Wood | | For use on wood/ wood finished surfaces  Available in two forms: clear coating (for a natural wood finish) and opaque coating (to give the desired design/ shade to the surface) |
| Walls | | Paints for use on walls—both exterior and interior |
| 1. | Exterior (30 per cent for AkzoNobel) | For use on exterior walls of homes; first to receive environmental impact |
| a. | Cement paint | Waterproofing coating applied on masonry, concrete, or brickwork, after the addition of water |
| b. | Emulsions | Water-based paints applied on walls. Roof tile paint category is a part of this segment. |
| 2. | Interior (70 per cent for AkzoNobel) | For use on the interior walls of homes |
| a. | Enamels | Oil/solvent-based paints |
| b. | Lustres | Oil/solvent-based paints with a lustre/ high-sheen finish |
| c. | Distemper | Water-based paints made from chalk and lime |
| d. | Emulsions | Water-based paints |

Source: Company records.

EXHIBIT 3: MARKET SHARE OF participants IN THE ORGANIZED DECORATIVE PAINT SECTOR

Source: Company records.

EXHIBIT 4: PRODUCT DescRiption of ESTABLISHED BRANDS (EXTERIORS)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Direct Competition—Brands** | |  | **Brands from other Players** | |
| **AkzoNobel** | **Asian Paints** |  | **Berger** | **Nerolac** |
| *WeatherShield Ultra Is clean*  Protects from most challenging weather conditions | *Apex Ultima*  Is the best exterior emulsion with seven-year warranty |  | *WeatherCoat All Guard*  Withstands extreme tropical conditions; has visible water repellency | *Suraksha Plus*  Uses colour lock technology |
| *WeatherShield SunReflect*  Keeps the surface five degrees cooler | *Apex*  Delivers superior performance as an exterior  acrylic paint |  | *WeatherCoat Smooth*  Withstands extreme weather conditions | *Excel Total*  Provides all-in-one protection emulsion |
| *WeatherShield Max*  Is a technologically advanced exterior emulsion | *Apex Stretch*  Gives long-lasting exterior wall finish; holds up under varying climatic conditions |  |  | Suraksha  Has superior protection emulsion |
| *WeatherShield Tex*  Provides designer textured finishes | *Apex Duracast* *Tex*  Is an exterior texture paint with best DPUR\* |  | *WeatherCoat Longlife*  Withstands extreme weather conditions; has elastic film | *Excel Anti-Peel Emulsion*  Offers protection from flaking |
| *Promise*  Is a highly durable emulsion paint, suitable for dry climatic conditions | *Ace*  Provides excellent adhesion in dry climate |  | *Walmasta*  Is suitable for dry weather; is an alternative to waterproof cement paint | *Suraksha Anti Algal Emulsion* |
| **TileShield** | **Tileguard** |  | **WeatherCoat**  **Tile Protektor** | **Excel Tile Guard** |

Note: \* DPUR: dirt pick-up resistance.

Source: Company records and competitors’ websites: “Ace,” Asian Paints, accessed June 30, 2015, www.asianpaints.com/products/exterior-walls/plain-finishes/ace.html; “Products: Exterior Paints,” Kansai Nerolac Paints Limited, 2012, accessed June 30, 2015, www.nerolac.com/low/decorative/subcatproduct/exterior/2; “Exterior Wall Coatings: Exteriors Represent the Imaginative Inclination of the People Living in It,” Berger Paints India Limited, 2015, accessed June 30, 2015, www.bergerpaints.com/products/exterior-wall-coatings.

EXHIBIT 5: JOURNEY OF PAINTS, FROM PRODUCTION UNIT TO FINAL USER



Contractors/ Architects

Source: Case authors’ market study and company’s internal research.

EXHIBIT 6: launch OF TILESHIELD

*The Financial Express*, Tuesday, March 23, 2004:

Paint major ICI India Ltd has come out with a new variety of exterior paints. Company sales general manager KS Grihapathy said the two of superior acrylic latex-based paints for exterior walls and roof tiles were being launched for the first time in the country.

He said there was a marked shift in consumer tastes and the company which had mainly concentrated on internal solutions had decided to shift to exterior paints.

. . . About choosing Kerala for the launch, he said the state had a highest share of 12 per cent in the country’s exterior paint market of around 3,000 kilolitres.

. . . About the price, he said the WeatherShield paint was priced around 20 per cent higher than the existing exterior acrylic paints while the TileShield was priced at a premium of 25–40 per cent.

Source: “ICI India Paints New Shades in Kerala,” The Financial Express, March 23, 2004, accessed June 30, 2015, http://archive.financialexpress.com/news/ici-india-paints-new-shades-in-kerala/101800.

EXHIBIT 7: Prices of Tints USED in coloration of base

|  |  |  |
| --- | --- | --- |
| **Tints (per litre)** | **AkzoNobel (DPL\*) (US$)** | **Asian Paints (DPL) (US$)** |
| Yellow Oxide (YOX) | 6.98 | - |
| Lemon Yellow (LFY) | 8.90 | - |
| Thalo Green (TGL) | 7.28 | - |
| Thalo Blue (TBL) | 7.04 | - |
| White (WHT) | 6.40 | - |
| Magenta (MAG) | 11.82 | - |
| Fast Fast Red (FFR) | 14.68 | - |
| Black (BLK) | 5.44 | - |
| Red Oxide (OXR) | 6.86 | - |
| HT Yellow | - | 30.16 |
| HT Red Oxide | - | 12.28 |
| Fast Yellow | - | 9.30 |
| HT White | - | 9.50 |
| HT Blue | - | 8.58 |
| Fast Yellow Oxide | - | 7.82 |
| Fast Blue | - | 7.82 |
| Interior Red | - | 7.82 |
| HT Green | - | 9.28 |
| Fast Green | - | 7.34 |
| Fast Black | - | 5.36 |
| Exterior Red | - | 17.50 |
| HT Violet | - | 18.68 |
| Magenta | - | 18.30 |
| Orange | - | 25.10 |

Note: \* DPL = Priced as per dealers’ price list.

Source: Case authors’ interactions and interviews with company representatives as well as with dealers who sell to AkzoNobel and its competitors.

EXHIBIT 8: PRICING OF SHADES

|  |  |  |  |
| --- | --- | --- | --- |
| **Shade** | **Tint Mix (per 20 litres, or 18 litre base + tint volume)** | | |
|  | **AkzoNobel** | **Asian Paints** |
| **Terracotta Red** | Base used | Yellow | White |
| Total tints volume (mL) | 1,926.08 | 1,273.80 |
| Net DPL for tints used (US$) | 19.22\* | 22.26\* |
|  | | | |
| **Sunrise** | Base used | Yellow | White |
| Total tints volume (mL) | 2,402.97 | 1,127.40 |
| Net DPL for tints used (US$) | 35.074\* | 32.760\* |

Note: Terracotta Red and Sunrise were not independently mentioned in the DPL, but some other shades were. Therefore, the DPL for these two shades was calculated based on the information given in Exhibit 7.

Source: Case authors’ interactions and interviews with company representatives and with sellers who deal with AkzoNobel and its competitors.

EXHIBIT 9: COMPETITION

|  |  |  |
| --- | --- | --- |
|  | **Company** | **Brand Name** |
| National/ International Competitors | AkzoNobel | Dulux TileShield |
| Asian Paints | Tile Guard |
| Kansai Nerolac | Excel TileGuard |
| Berger | WeatherCoat Protektor |
| Sherwin-Williams | -- |
| Nippon | Weatherbond |
| Jotun | JotaShield |
| Regional Competitors | HBC | Climex Plus Roof TileCoat |
| Classic Paints | Tile Décor |
| Indigo Paints | Tile Coat |

Source: Case authors’ interactions and interviews with AkzoNobel’s sales team and other company representatives as well as with sellers who deal with both AkzoNobel and Asian Paints.

EXHIBIT 10: CONSUMER INSIGHTS

Source: Case author’s market study and company’s internal records.

EXHIBIT 11: DIFFERENTIATION CRITERIA AMONG COMPANIES

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Brand** | **Acceptable Features** | | | | **Special/Improved Features** | | | | |
|  | **Life** | **Finish** | **Coverage** | **Shades** | **Life** | **Finish** | **Shades** | **Special Shades** | **Brand Promotions** |
| **Asian Paints** | ✓ | ✓ | ✓ | ✓ |  | + | +++ |  | +++ |
| **Berger** | ✓ | ✓ | ✓ | ✓ |  | + | ++ |  |  |
| **Nerolac** | ✓ | ✓ | ✓ | ✓ |  | + | ++ |  | + |
| **Dulux** | ✓ | ✓ | ✓ | ✓ | + | ++ | +++ |  | + |
| **HBC (Regional/Local)** | ✓ | ✓ | ✓ | ✓ | + |  |  |  |  |
| **Classic Paints (Regional/Local)** |  | ✓ |  | ✓ |  |  |  |  |  |
| **Indigo (Regional/Local)** |  | ✓ | ✓ | ✓ | -- | + | + | ++ | ++ |
| **Nippon** | ✓ | ✓ | ✓ | ✓ | ++ | ++ | +++ |  |  |
| **Sherwin- Williams** | ✓ | ✓ | ✓ | ✓ | +++ | +++ | +++ |  |  |

Notes:

\* Meeting the minimum expectations of consumers with respect to the parameters of life, finish, coverage, and shade

\*\*Extent of positive impact

\*\*\*Extent of negative impact

Source: Company records.

EXHIBIT 12: BRAND PERCEPTION MAP

Premium Pricing

Affordable Pricing

Classic Paints

HBC

Berger

Nerolac

Asian Paints

AkzoNobel

Sherwin-Williams

Nippon

Acceptable Brand/ Product Features

Improved/Special Brand/Product Features

Indigo (Metallic)

Source: Case authors’ market study and company’s internal records.

EXHIBIT 13: CONSUMER PERCEPTION OF BRANDS

|  |  |  |
| --- | --- | --- |
| **Company** | **Selling Points** | **Hindering Factors** |
| **AkzoNobel** | Better finish; longer life | Coverage; overall high cost |
| **Asian Paints** | Good coverage; overall low cost; long life; promotions | Finish |
| **Berger** | Affordable price | Products with similar features in same price range |
| **Kansai Nerolac** | Promotions—television commercials | Products with similar features in same price range |
| **Nippon Paint** | Good finish; good coverage; dealer offerings | High price |
| **Sherwin-Williams** | Very high quality | High price |
| **Classic Paints** | Lowest price | Low quality |
| **HBC** | Affordable price; five-year warranty | Products with similar features in same price range |
| **Indigo** | Metallic shades | Low quality of non-metallic shades |

Source: Case authors’ market study and company’s internal records.

**EXHIBIT 14: ESTIMATED MARKETING COSTS**

|  |  |
| --- | --- |
| **Cost Element** | **Estimated Additional Costs** |
| Product reformulation cost (R & D) | 0.5% of previous year’s annual sales value |
| Packaging-related consumer research cost | US$4,000 |
| Packaging and point-of-purchase (PoP) material-related design cost | US$1,000 |
| Packaging and PoP material production/ procurement cost (if changes are introduced in three months) | US$14,000 |
| Packaging and PoP material production/ procurement cost (if changes introduced after three months)\* | Nil\* |

Notes: \* Nil because it would still be necessary to produce/ procure the packaging or PoP material after three months even for the existing brand, implying that there would not be any additional costs.

Source: Company data.

1. The difference between the unorganized sector and the organized sector involved the presence of electronic billing and records in the organized sector. Case writer's field notes. [↑](#footnote-ref-1)
2. “Paints,” Equitymaster Agora Research Private Limited, August 8, 2009, accessed June 30, 2015, www.equitymaster.com/research-it/sector-info/Paint/index-aug09.html. [↑](#footnote-ref-2)
3. All figures are in U.S. dollars unless stated otherwise; INR1 = US$0.02 on May 13, 2012. [↑](#footnote-ref-3)
4. Company’s internal assessments and records. [↑](#footnote-ref-4)
5. Contractors complained that the product could not offer the coverage (area covered per litre) claimed by the company. [↑](#footnote-ref-5)
6. The dealers’ price list (DPL) denotes the price at which the material is sold to dealers, before taxes. [↑](#footnote-ref-6)