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COMSTRAT 2005

Asian Paints Wood Finishes

*Note: This case has been developed for purely academic purposes and is not in any way the intended or actual plan of Asian Paints (India) Limited.*

## The Indian Paints Industry

The Indian paints industry is valued at Rs. 66 billion with current demand estimated at 650,000 tons per annum. The organized sector accounts for 70% of the sales in India.

The Indian paints industry is broadly split as follows:-

- 1) Decorative Paints (70%)
- 2) Industrial Paints (30%)

Asian Paints is the overall market leader with 44% market share. Nerolac is the leader in the industrial paints sector and overall No. 2 with 20% share. Berger Paints and ICI Paints are the other major competitors.

## The Wood Finishes Industry

Wood Finishes are essential for protecting wooden surfaces of furniture and enhancing the beauty of the wood by highlighting the grain. 95% of wood finishes in India are clear finishes hence help in retaining the natural look, 5% are pigmented finishes which hide the grain. (Wood stains are available to add some color without hiding the grain pattern of the wood)

Wood finishes are classified as solvent-based and water-based wood finishes. The different types of solvent-based wood finishes are French Polish (Shellac), Varnish, NC Lacquer (Nitrocellulose Lacquer), Alkyd, Melamine, PU & Polyester. Melamine, PU and Polyester are the new generation of wood finishes and are priced at a significant premium to traditional finishes like French Polish (Shellac) and NC Lacquer. Water-based wood finishes are a comparatively recent introduction in this market. The present market of the water-based PU wood finishes is worth Rs. 15-20 million and in volume worth 40 kl per annum.

The organized sector which includes Alkyd, Melamine, PU, Polyester and water-based finishes is estimated at Rs. 3 billion.

The organized sector is split as follows:

Type	%
PU	10 %
Melamine	30 %
Alkyd	12%
Lacquers & Other Speciality Products	48 %

Wood finishes are also classified based on the finish as Matt and Glossy and based on the area of use as Exterior and Interior wood finishes.

On the basis of application, wood finishes are classified as Brushable (those which can be applied with a brush) and spray-ons (which have to be sprayed). A key worry in brushable wood finishes is the appearance of brush marks especially in PU and Polyester. Application is a key factor even in the final efficacy of the product, but many applicators in India tend to flout the recommended application procedure, premium wood finishes like PU, Polyester and water-based finishes are not resistant to this abuse while Melamine

has a higher tolerance level and is more robust even if the procedure is not followed perfectly.

Formal estimates for the unorganized sector are not available but this segment is expected to be significantly larger than the organized sector especially in lower end finishes like alkyd, French Polish and Melamine, However unorganized sector presence in premium finishes like PU, water-based PU and Polyester is negligible.

### **Our Product**

Asian Paints is launching a brushable water-based PU wood finish in which would be at a premium over the existing solvent-based PU wood finish. The brushable wood finish is so designed that even if brushed, brush marks will not be visible hence lower skill levels are required than for solvent-based PU and Polyester, even so the option of using it as a spray-on wood finish is also available. The water-based PU wood finish would cost between Rs. 120 - 150 per square feet.

The advantages of water-based wood finishes are that they are environmentally safe, extra training for the finish applicator is not essential though it could be desirable, Water-based PU wood finish is not hazardous to health. It does not have the odor associated with solvent-based wood finish and does not yellow over time.

Some disadvantages of the solvent-based wood finishes are that they are environmentally harmful, poisonous and could be hazardous to the health of the person who applies the finish. The finish in some cases tends to yellow over time. Solvent-based wood finishes also have a strong smell or odor.

On the other hand, Water-based wood finishes have a shorter life span as compared to solvent-based finishes. They are more expensive and especially in case of glossy wood finishes may not be able to meet current consumer expectations of glossy finish. This problem does not exist in matt finishes. They also provide less protection from moisture.

The present brand portfolio of Asian Paints is as follows:

Alkyd Wood Finish – Asian Paints Touchwood Matt & Glossy for interiors

Melamine Wood Finish – Asian Paints Melamyne Matt & Glossy for interiors

PU Wood Finish (solvent base) – Asian Paints PU Matt & Glossy for interiors and exteriors

### **Competition**

All the leading corporates in the Paint industry are present in the wood finish category, in addition to this some leading players like Pidillite and MRF which are not paint companies also operate in this segment.

Goodlass Nerolac with Wonderwood Melaminised and Wonderwood PU

ICI Paints with Dulux Timbertone Melamine

Berger Paints with Woodkeeper Melamine and Woodkeeper PU

MRF Tyres with MRF Woodcoat PU

Sheenlac has PU wood finishes, Melamine wood finishes, Water-based exterior and interior finishes.

Pidilite with Wudfin Melamine, Woodfine PU and its premium brands Showcase Polyester, Showcase Acrylic, Showcase PU. Pidilite, has already entered the water-based wood finish segment with its premium brand Showcase *Aqua*

Other competitors who have recently launched water-based wood finishes are Sirca, Linea Coats and ICA. These have been launched in a small way mainly in metros with very few dealers. However since this category is so nascent no brand has been able to establish a clear leadership position in the market.

Linea Coats is a wood coatings and finishes company based in Mumbai. The company has a tie-up with Arch Coatings Italia Spa and Sayerlack from Brazil. The product portfolio includes the following brand s

Lineathane PU – interior and exterior in matt and glossy variants

Polycoat Polyester – for interiors – glossy coat

Lineablue – Water-based wood finishes available for interiors and exteriors in matt and semi-gloss variants.

Sirca is an Italian company and its products are imported into India. Sirca offers wood finishes across the range from lacquers to polyester and also offer water-based wood finishes.

ICA is an Italian company with a range of wood coatings. It offers water-based coatings for interiors and exteriors.

Most companies are building a complete portfolio in this sector with newer product launches.

## Pricing

The pricing environment in this category shows some sharp increments depending on the wood finish used.

The cost to the consumer is in terms of cost per square feet of wooden area which needs to be finished (labour and material),

- 1) French Polish – Rs. 10 per square feet
- 2) Alkyd – Rs. 15 per square feet
- 3) Melamine – Rs. 30-40 per square feet
- 4) PU (solvent-based) – Rs. 80-120 per square feet based on whether it is to be used for interior or exterior application. Rs. 80-100 is indicative cost for interior application and Rs. 100-120 for exterior application.
- 5) Polyester – Rs. 200 per sq.ft.

Presently PU is the most premium wood finish available in the Asian Paints portfolio. However some competitors have launched Polyester wood finish which is at a substantial premium to PU in the market. Polyester provides a tough, glossy finish which is clear and offers very good protection.

**Distribution**

Wood finishes in India are mainly retailed through paints and hardware stores. The institutional segment is addressed through an institutional sales team.

**Consumer**

Paints as a category is comparatively a low involvement category and within wood finishes the involvement levels are even lower.

Though internationally wood finishes are applied in various parts like wooden floorings, panels and exteriors, In India, they are mostly used to protect furniture.

Interaction of consumer with wood finishes occurs in one of the following ways:

- 1) If readymade furniture is purchased, then the wood finishing is completed by the shop-keeper or furniture manufacturer before delivery.
- 2) If furniture is made at home then the wood finish is applied at the residence.
- 3) In some cases and some areas the consumer himself purchases the wood finish and supplies it to the contractor.

There are some regional skews in this segment –

- Mumbai and south are relatively low involvement markets and especially in Mumbai since house sizes are relatively small.
- Delhi and northern areas like Punjab are labor markets viz. the contractor only supplies labor while the material is sourced by the end consumer. Since residences in these areas are also larger the use of wooden furniture is much higher. The consumerist culture in North is also more pronounced therefore this market is more lucrative for the premium wood finishes. PU is particularly strong in the north.

**The Task**

The task is to provide a comprehensive communication strategy to launch the new water-based PU wood finish in India. The strategy should cover the following areas -

- 1) Target Audience
- 2) Positioning
- 3) Consumer understanding
- 4) Communication and creative strategy
- 5) Media strategy
- 6) Explore alternate distribution channels
- 7) Thoughts on product, pricing and promotion

Please note: Quality of insights, analysis and recommended strategy will be given weightage. Media strategy and creative strategy should only be directional in nature. Detailed media plan and creatives are not expected as part of this case study. Assumptions made, if any, should clearly be spelt out in the proposal.

## Rules & Regulations

1. Please support your recommendations with requisite rationale and critical assumptions. Creative concepts/renderitions are not a part of this assignment.
2. Only one entry per institution will be accepted. Participating teams should consist of three members.
3. A synopsis on the case should be submitted either through email to [comstrat@fcbulka.com](mailto:comstrat@fcbulka.com) or by post to FCB-Ulka Advertising Pvt. Ltd., 4<sup>th</sup> Floor, Nirmal, Nariman Point, Mumbai 400 020, in an A4 sized envelope superscribed with the legend: FCB-Ulka Comstrat 2005 Case Study Entry, Attention: Mr. Sunil R Shetty. The last date for receipt of the synopsis is 10<sup>th</sup> November 2005.
4. Please mention your email address clearly on the synopsis to enable us to acknowledge receipt of your entries.
5. The synopsis should not exceed 15 pages with a minimum font size of 10 and single line spacing.
6. A shortlist of six teams shall be arrived at on the basis of the synopsis received. The shortlist shall be declared on 17<sup>th</sup> November 2005. It will be posted on the website [www.fcbulkacomstrat.com](http://www.fcbulkacomstrat.com) and communicated to K J Somaiya Institute of Management Studies and Research, the institute partner for FCB-Ulka Comstrat.
7. These six teams have to make a presentation to a panel of judges on 26<sup>th</sup> November 2005 between 2pm to 5 pm in Mumbai.