

HARDWARE

Colour and decoration make people smile and aspire. Why do you need **hardware**?



### Shining Perspective

- Paint Company's global strategy is linked to protecting the environment for future sustainability
- Stringent environmental laws are forcing companies towards eco-friendly innovation
- Eco-friendly product innovation is always a costly affair
- High cost of product innovation could be managed by volume and increasing per capita consumption to bring affordability
- Affordable innovation will have far reaching impact on the society They are crucial concerns that need to be addressed

Most rapid gains will come from emerging markets like India and China. DIY (Do Your own paint) jobs will become an industry norm in developing world as home size continues to decrease and cost of occupancy continues to rise and consumers find it convenient and economic to paint their own houses.

Industry will wake up to the increasing consciousness about environment among consumers and their demand for eco-friendly paints. This will drive the shift to water based paints.

A single most important phenomenon with face-altering consequences for hardware industry is demand for lower energy consuming buildings and use of eco friendly raw material.

## Industry Growth Drivers

- Population growth
- Economic growth
- Decorative
  - Construction level growth-Residential & Commercial
  - Architectural and other display purposes
- Industrial- Quantity of specific end-use products manufactured such as:
  - Automobiles- cars, trucks and planes etc.
  - Engineering & Consumer durable
  - Furniture
  - Containers
- Easy availability of loan
  - It will drive both construction and automobile segment

- Increasing investments in infrastructure
- Govt. favorable policy
  - Fiscal incentives given by the government to the housing and auto sector
- Product innovation
  - Lower energy consumption in a building and use of more eco-friendly raw materials even if it pushes up costs
- Emerging markets
  - Growth is expected to be particularly strong in China and India, as well as in Russia and Brazil
- Globally, the decorative coating segment has grown at an annual rate of more than 5% in volume
- Globally, the decorative coating segment has grown at an annual rate of more than 5% in volume and ~8% in value over the past five years
- Similarly, industrial coatings have grown more than 6% annually in volume and slightly more than 7% in value terms globally. Geographical contribution (%) by Volume
  - Asia Pasific- 40%+
  - Europe- 25%+
  - NAFTA- ~20%
  - Latin America & Rest of the world- 14%

## Industry Competitive Scenario

- Intensifying competition between Global/ national players

- The Global paint & coating industry is dominated by large, globally oriented firms for which coatings are a core product line
  - The industry encompasses over 10,000 firms, although most are small, batch oriented producers
- Companies are focusing on brand building

## Industry Complexity

- Taxation policy
  - Custom duty
- Entry barrier- Huge capital investment
- High input cost
- Raw material intensive
  - Paint is a raw material intensive industry
  - It takes over 300 different raw materials to produce paint, most of which are petroleum-based
  - It constitutes approximately 30%-40% of the total manufacturing cost
- Stricter environmental Norm
  - Stricter environmental controls are forcing the paint industry to adjust

many of its products and processes, forcing the sector to become more dynamic

- Raw material Intensive
- Price sensitive sector
- Market runs on credit
- Managing distribution since distribution is the key
- Managing product differentiation

## Industry Pain Areas

- Economic recession/ slowdown
- Crude oil price fluctuations
- Currency risk- exchange rate fluctuation
- Product commoditization
  - Identical range of products for the decorative paint market
- Profit margins are low
  - Thus volumes play a major role
- High investment in technology
  - Modern and updated production technology needed



**Delivering extra benefit**

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