

# Trade-offs and Market Dynamics: A Study of Asian Paints and Akzo Nobel India

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## ABSTRACT

The research paper discusses the impact of the COVID-19 pandemic on the paint industry in India, with a focus on two leading paint companies, Asian Paints and Akzo Nobel India. It highlights the trade-offs and market dynamics that these companies faced during the pandemic and the strategies they adopted to cope with the crisis. Asian Paints shifted its focus to producing new products related to hygiene and sanitation, such as hand sanitizers and surface disinfectants, while Akzo Nobel India prioritized launching products that were in high demand, such as a protection solution for beverage cans and expanding into adjacent categories of waterproofing and woodcare. The article also highlights the measures that these companies took to conserve cash, find alternate sources of raw materials, and use renewable energy.

**Keywords:** Akzo Nobel India, Asian Paints, market dynamics, paint industry, trade-offs.

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## INTRODUCTION

The financial year 2020-21 started with an unprecedented status of the Indian economy owing to the pandemic, spread of infection, panic in public, lockdowns and several kinds of business restrictions imposed across India and the world. The governments across the country and the world had to come to immediate action for the economic relief packages, leading to huge liquidity in the market to support the economy.

Like any other business enterprise, the paint industry also suffered an economic blow during the pandemic. But my discussion shall cover the pandemic journey of two Paint industries- Asian Paints and Akzo Nobel (Dulux etc.) that witnessed a stance of uncertainty and a significantly lower growth rate as compared to the previous years.

I chose these two companies as they are leaders in their respective fields. Despite their stable performances and unwavering reputations, these two companies introduced new products keeping in view the pandemic situation and the products that were high in demand, regardless of the fact that they had to deviate from their mainstream manufacturing.

### Asian Paints

Established in 1942, Asian Paints Limited is one of the leading brands in paint products in India. It manufactures paints in several categories like Decorative, Automotive and Industrial. It operates in 17 countries and caters to consumers in over 65 countries.

The Company did well in several products: The Waterproofing and Construction Chemical business, the Paint Total service, Company's digital property- beautifulhomes.com etc. Owing to the pandemic and the spread of infection on a mass scale, there was a sudden change in demand of products. The market looked forward to products associated with sanitization, hygiene and pharmacy, as a result of which the Company had to prioritize its manufacturing areas and look towards the commodities in demand.

The opportunity cost can be determined by the altered choices and prioritized decisions of the Company in terms of introducing new products related to demand created by the pandemic. It deviated from its focus on modular kitchen solutions market, industrial coatings and home décor to new products especially the hand sanitizers.

### Foray and New Products

- It launched Vioprotek range of hand sanitizers and surface disinfectants to support the government in its efforts to tackle the spread of the pandemic and address the huge need of hand and surface sanitization products.

- It launched Royale Health Shield that helps consumers maintain good standards of hygiene and bacterial protection for their homes.
- It launched Smart Care Ultron in the waterproofing segment, first of its kind.
- Its product, Woodtech GloMax Ultra Polish offers an unmatched gloss and grain filling at a price point 40% cheaper than its closest competitor.
- It invested in digital technologies like AI, ML, Robotic Process Automation (RPA), security systems and advanced analytics to create enhanced customer experiences and improve operational productivity.

#### **Market Dynamics**

- The Company acted as a socially responsible organization by fulfilling the excessive demand of sanitizers and address the huge demand of hygiene products. Viroprotek range of hand sanitizers and surface disinfectants was manufactured at the plant at Ankleshwar, Gujarat and was extended for an additional capacity at a plant in Rohtak, Haryana to accommodate the supply.
- The Company took steps to find alternate sources of raw materials when there were supply chain disruptions in China to ensure that its operations could continue.
- The Company implemented stringent cost control measures to conserve cash to address any evolving situation resulting from the pandemic. It also ensured constant touch with its key vendors, keeping an eye on the demand.

#### **Akzo Nobel India Ltd**

AkzoNobel is a leading paints and coatings company. It is headquartered in Amsterdam, Netherlands and is active in over 150 countries with 33,000 employees. In India, it is well known for its Dulux brand.

The Company reported “a consolidated net loss of Rs 20.26 crore for June quarter, 2021 due to lower volume and demand impacted by lockdown. Revenue from operations at Rs 258.5 crores declined by 64 per cent over the previous year,” mainly due to shutdown in the country. (Devdiscourse, 10 August 2020).

In this case, the trade-off involved the change of priority from its core areas towards launching the products that were more in demand. The **Innovations and New products** it prioritized were-

- It launched BPANI (BPA Non-Intended) Internal Spray Lacquer, a protection solution for beverage cans. Demand for the domestic packaged food and beverages, and products catering the sanitizers industry, remained high.
- There was an innovative Liquid to Powder conversion in Industrial and Automotive Markets.
- It expanded into the adjacent categories of waterproofing with Dulux Acquatech and woodcare (Sadolin) during the year.
- With an aim to use 100% renewable energy by 2030, all its factories started deriving significant portion of their energy requirements through solar energy.

#### **Market Dynamics**

Due to the pandemic, the coated steel market witnessed a significant downturn along with the construction industry declining almost 10-11%. Coatings for aluminium facades, door/window frames etc. also faced stunted growth as many important projects were halted by the loss of demand and labour migration. However, the Company coped up in the second half with a strong growth in the steel sector in domestic as well as export volumes.

Commenting on the performance, the managing director of AkzoNobel India, Rajiv Rajgopal said: “Business came to a standstill in April due to a complete lockdown, the partial resumption in May and Unlock 1.0 being announced in June. Demand from automotive, infrastructure, oil and gas and construction segments were heavily impacted.” (Business Standard Aug 10, 2020).

#### **Analysis**

Both the Companies witnessed a sluggish economic environment and slow growth in the past two financial years. Health and hygiene became the focal point for government and business companies. The year saw many Companies including these two expanding their portfolio to include offerings with antimicrobial properties, sanitizers and disinfectants. In addition, the two Companies increased their focus on adjacent products in waterproofing, construction chemical, putty and adhesives segments. Last two quarters of the fiscal year saw Automotive industry come back strongly.

While both companies faced significant challenges due to the pandemic, they responded differently to the situation, and their performance outcomes were also different. Asian Paints, being an established player in the Indian market, showed more agility and responsiveness to the shifting market dynamics during the pandemic. The company quickly realized the shift in consumer behavior towards sanitization, hygiene, and pharmacy products, and started producing products that catered to these demands. For instance, the company launched the Viroprotek range of

hand sanitizers and surface disinfectants, which saw a huge demand in the market. It also launched other products like Royale Health Shield, Smart Care Ultron, and Woodtech GloMax Ultra Polish, which were well received by consumers. The company's response to the changing market needs, coupled with its ability to manage costs and find alternative sources of raw materials, helped it weather the pandemic's impact on the business.

On the other hand, Akzo Nobel India, despite being a global player in the paint industry, struggled to respond to the pandemic's impact on the business. The company faced a consolidated net loss of Rs. 20.26 crore for the June quarter of 2021, mainly due to lower demand and volume impacted by the lockdown. However, the company's focus on launching new products that catered to the changing market needs helped it sustain its business during the pandemic. For instance, it launched the BPANI Internal Spray Lacquer, which is a protection solution for beverage cans. It also expanded into adjacent categories of waterproofing and woodcare during the year, indicating the company's effort to diversify its product portfolio. Additionally, all its factories started deriving a significant portion of their energy requirements through solar energy, indicating the company's commitment to sustainability.

In terms of market dynamics, both companies responded differently to the challenges posed by the pandemic. Asian Paints acted as a socially responsible organization by fulfilling the excessive demand for sanitizers and hygiene products. The company took steps to find alternative sources of raw materials and implemented stringent cost control measures to conserve cash to address any evolving situation resulting from the pandemic. It also invested in digital technologies like AI, ML, Robotic Process Automation (RPA), security systems, and advanced analytics to create enhanced customer experiences and improve operational productivity.

On the other hand, Akzo Nobel India faced supply chain disruptions, which impacted its operations, and had to rely on launching new products to sustain its business. The company's focus on diversifying its product portfolio and adopting sustainable practices indicate its effort to stay relevant and competitive in the market.

## **CONCLUSION**

The downturn in business activity has been the sharpest during the lockdowns due to lack of demand. With cases of Covid on the rise and reverse urbanisation that caused migrant labour to move back to their hometowns and villages, the non-essential and labour-intensive sectors of the Industry were the most affected causing these Companies to take to trade-offs.

During this unprecedented situation, the focus of both Companies has been on the safety of its employees & operations and to ensure connectivity with customers, preserve Cash & liquidity and work on reducing costs. To sum up, both companies faced significant challenges during the pandemic, but Asian Paints' ability to respond quickly to changing market dynamics and Akzo Nobel India's effort to diversify its product portfolio and adopt sustainable practices helped them sustain their business during the pandemic. The study highlights the importance of being agile and responsive to changing market dynamics, diversifying the product portfolio, and adopting sustainable practices to stay competitive in the market.

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