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ASIAN PAINTS: REINVENTING THE SUPPLY CHAIN IN AN EVOLVING MARKET

INTRODUCTION

In 1997, Asian Paints was engulfed in grave internal turmoil. A dispute regarding the company's global rights created a deep divide between the founding families of the firm. Share prices took a nosedive while profits dwindled. The firm's rock solid image was currently taking a hit in its consumer's eyes. Moreover, the company lost Champaklal Choksey, one of its founding fathers and erstwhile chairman. The inheritor of these woes was Ashwin Choksey, Champaklal's eldest son and the onus was now on him to bring this company back to its winning ways.

Ever since independence, India has witnessed industrialization on an unprecedented scale. Like any burgeoning economy, automotive, industrial, and infrastructural sectors saw an upward spiral and with it came the demand for paint. By the turn of the century, the country had developed into a full-fledged economy. The Indian consumer had evolved as well. The complexity of his demands increased in line with his spending power.

"Earlier, people used to paint when the walls were peeling. Now, it is about decor. A person can choose a particular pattern with a particular color. We perceived this before

Prof. Indranil Bose of the Indian Institute of Management Calcutta and Prof. Satyendra Sharma of the Birla Institute of Technology and Science, Pilani developed this case study as the basis for class discussion rather than to illustrate the effective or ineffective running of an organization.

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most of our competition."

- Mr. K.B.S. Anand, managing director and CEO¹, Asian Paints

Homeowners now suddenly gave a lot more importance to aesthetics and were willing to spend money to accentuate walls of their homes. The tables had turned. Decorative paints now accounted for 75% of the industry's revenue², and Asian Paints³ was keen to consolidate its position in this market.

In 1998, Asian Paints lucidly charted out its vision to become one of the top global companies in the decorative paints market, and its innovative supply chain was hugely instrumental in helping it realize this vision. While other major Indian players at the time chose to maintain the status quo, Asian Paints decided to stop and listen intently to the voice of its customers.

The four families together held the majority shares of the company until the 1990s when a dispute arose regarding global rights resulting from its international expansions. The disputes resulted in Chokseys selling their 13.7% shares and exiting in 1997. The demise of Champaklal in 1997 saw his son take over. Champaklal's son was torn between maintaining the company's legacy and making investments to revitalize the Asian Paints supply chain to make further inroads into the local market and enter the global market. Management consultant Booz Allen and Hamilton⁴ was brought on board to have a relook at several aspects of the business. Recommendations from the experts suggested that a complete operational and technological overhaul was the way ahead. This was the beginning of a new era for the company.

¹ Asian Paints Brightens Up India's Growing Middle Class", Forbes India, August 28, 2013

<https://www.forbes.com/sites/forbesasia/2013/08/28/asian-paints-brightens-up-indias-growing-middle-class/#4e742d546286>

² Paint Sector Analysis Report", equitymaster, February 3, 2016

<https://www.equitymaster.com/research-it/sector-info/paint/Paints-Sector-Analysis-Report.asp>

³ Asian Paints website, <https://www.asianpaints.com/more/research-and-technology/vision.html>, Accessed July 2017

⁴ Booz Allen to chalk out mega growth plan for Asian Paints, <http://expressindia.indianexpress.com/fe/daily/19981015/28855584.html>, October 15, 1998