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## A RESEARCH APPROACH TO PAINT INDUSTRY IN INDIA - A STUDY OF ITS MARKETING STRATEGIES

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### ABSTRACT

The Indian paint industry has consistently experienced double-digit growth over the past five years, making it a standout segment in the chemical industry. This study examines the marketing strategies of paint products, focusing on consumer satisfaction, brand image, reputation, and loyalty. The research aims to provide valuable insights for marketing professionals by identifying key factors that influence customer satisfaction, repurchase decisions, and brand recommendations. By analyzing both primary and secondary data, this exploratory study assesses the effectiveness of current marketing strategies in the paint industry and suggests improvements. The findings indicate that the rapid growth in paint usage can be attributed to effective advertising and increasing consumer awareness of product quality.

**KEYWORDS:** Marketing Strategies, advertisement, Indian Paint Industry.

### INTRODUCTION

Paint has been used for thousands of years, with evidence of its use found in ancient cave paintings. The Chinese are credited with being the first to manufacture paint. Today, paint is artificially produced and serves various purposes. It consists of four key components: solvents for fluidity, binders for adhesion, pigments for color and opacity, and additives for enhanced properties. The Indian paint industry, established over 100 years ago, began with Shalimar Paints in Kolkata in 1902. Initially, small producers and foreign companies dominated the market. After World War II, local entrepreneurs entered the scene, but foreign companies maintained their lead. Historically, the Indian paint industry grew at a rate 1.5 to 2 times faster than India's GDP. With the government aiming for 10% economic growth, the paint sector is poised for significant expansion.



## **RAW MATERIALS**

The paint industry's profitability heavily relies on managing raw material costs, which account for 60% of total expenses. The industry utilizes around 600 raw materials, all of which are tied to crude oil prices. Titanium dioxide is the most critical component, making up 25-30% of costs. Other essential raw materials include resins, linseed and soybean oils, and turpentine. The industry produces a range of products, including paints, timber finishes, and various surface coatings, all of which are impacted by fluctuations in raw material costs.

The paint industry in India is divided into two main segments: industrial (30%) and decorative (70%). In contrast, developed countries have a more balanced ratio of 50:50. Additionally, India's per capita paint consumption is relatively low at 800-900 grams per year, compared to 4 kg in Southeast Asia and 22 kg in developed countries, with a global average of 15 kg. Decorative paints are further categorized into premium (acrylic emulsions), medium (enamels), and distemper (economy products) segments, with distempers dominating the unorganized sector. Industrial paints include powder coatings, high-performance coatings, and automotive and marine paints, with automotive paints accounting for two-thirds of production. While industrial paints protect against corrosion and rust, decorative paints safeguard valuable assets like buildings.

## **INDIAN PAINT MARKET**

The Indian paint market is comprised of both organized and unorganized sectors, with the organized sector dominating at 57% and the unorganized sector accounting for 43%. The industry's total turnover is estimated to be around ₹11,200 crores, growing at a rate of 16% per annum. The decorative paint market, a highly competitive segment, has a turnover of ₹7880 crores, with a few major national players and numerous regional players. The market has experienced exponential growth in the last decade, driven by the increasing adoption of "Dealer Tinting Systems". There are approximately 16,000 companies operating in this market. Meanwhile, the industrial coatings market has a turnover of around ₹3400 crores, with the automotive coating segment accounting for 45%, protective and powder coating segment accounting for 30%, and emerging segments like road markings and floor coatings making up the remaining 25%.

## **FACETS OF PAINT INDUSTRY IN INDIA**

There are various dimensions of paint industry in India. They are as follows.

- i. Promotional Bodies
- ii. Quality Parameters.
- iii. Price Sensitivity Factors.

### **i. Promotional and Regulatory Bodies**



Two key organizations play a significant role in promoting India's paint industry. CAPEXIL (Chemicals and Allied Products Exports Promotion Council), established in 1958 by the Ministry of Commerce and Industry, is a non-profit organization that has been instrumental in boosting paint exports from India. The Indian Paint Association (IPA), founded in 1962, is the industry's apex body, representing both large and small-scale manufacturers. As a voluntary, non-political, and non-profit organization, IPA promotes the interests of the paint industry and society. With a diverse membership that includes small-scale manufacturers and major paint producers, IPA represents over 80% of India's total paint production, making it a comprehensive and representative forum for the industry.

The production of paint in factories poses environmental and health risks due to the chemicals used. To mitigate these risks, countries establish regulatory bodies to oversee manufacturing processes. In India, several laws and regulations govern the paint industry to ensure safety and environmental protection. These include:

1. Pollution Control Acts and Regulations to control pollution from paint manufacturing.
2. Packing Commodity Rules to standardize packaging.
3. Standard Weights & Measures Act to ensure accurate measurements.
4. Industries, Energy, and Labour Department Act to regulate industry practices.
5. Factory Act, 1948, which classifies paints and solvents as flammable and requires caution.
6. MRP Rules under the Packaged Commodity Act to regulate pricing.
7. Petroleum Act to govern the use of petroleum-based products.

These regulations aim to minimize harm to the environment and workers while ensuring a safe and responsible paint trade.

Bureau of Indian standard has some specifications are

- (i) General requirements
- (ii) Products specific requirements.

## **ii. Quality Parameters**

Paint manufacturers take great care to ensure the production of high-quality paints by implementing rigorous quality control measures. They conduct thorough tests on both the ingredients and the manufacturing process, and then inspect the finished product for quality. Specifically, they check the paint's:

1. Density
2. Dispersion
3. Viscosity
4. Fineness of grind

Additionally, they apply the paint to test its:



1. Drying time
2. Texture

By conducting these comprehensive tests, paint manufacturers can guarantee that their products meet the highest standards of quality and performance.

### **iii. Price Sensitivity Factors**

The price of paints is heavily influenced by the fluctuating cost of raw materials, which can lead to corresponding changes in the final price of paints. The paint industry is highly dependent on raw materials, with around 70% of its costs attributed to them. Key factors affecting paint pricing include:

1. Raw material intensity: The industry relies heavily on imported petroleum products, making it vulnerable to oil reserve deficits.
2. High-cost raw materials: Titanium dioxide, ophthalmic anhydrous, and peutarithrithol account for 50% of total costs, while other materials like castor, linseed, soybean oils, and turpentine add to the expense.
3. Import dependence: Paint manufacturers import around 30% of their raw materials, making them susceptible to changes in import policies.
4. Packing material costs: While prices of HDPE, BOPP, and tinsplate have decreased, the government's ban on importing tinsplate waste may lead to a price surge in the near future.

### **NEED FOR THE STUDY**

In India, the paint market is driven by two main factors: new housing construction (30% of total demand) and repainting (70%), particularly after monsoon rains and before festive seasons. The market is highly competitive, with a growing trend towards eco-friendly water-based paints, such as distempers. This shift presents a significant opportunity for small-scale and tiny industries to grow alongside larger units. The industry's future development will be shaped by global trends, technological advancements, and innovative products. Therefore, it is essential to conduct research on the marketing strategies of the paint industry in Andhra Pradesh, with a broader focus on its performance at the national level, to understand and navigate this dynamic market.

### **STATEMENT OF THE PROBLEM**

India's paint industry is poised for growth, driven by changing economic developments, but faces local challenges that require in-depth analysis and corrective measures to ensure sustainable growth. Key issues include:

1. Limited paint supply due to underutilized production capacity and low per capita consumption (800-900 grams vs. 15-25 kg in developed countries).
2. Low global market share (1.8%) and per capita consumption (5.33-3.6%).

3. Unpredictable demand patterns due to changing consumer preferences.
4. Inefficient distribution networks, leading to poor demand forecasting and investment in sophisticated supply chain management tools.
5. Margin pressure from dropping prices, forced by market leaders, and OEMs' demands for price reductions.
6. Dependence on rainfall, with poor rainfall impacting paint demand in the decorative division.

To address these challenges, it's essential to strengthen existing systems, improve supply and demand, and enhance internal efficiencies to retain profits and drive growth in the Indian paint industry.

India's paint market has a unique distribution landscape, with over 50,000 paint shops and outlets, mostly small and local. Unlike in developed countries, there are no company-owned outlets or large retail formats for DIY customers. Instead, paint companies directly supply products to these shops, using a large network of depots and sales forces. Many shops have automated or manual tinting systems, with over 20,000 in operation, the highest number in any country. This poses a challenge in managing a vast number of stock-keeping units (SKUs) to serve a large customer base spread across the country. Additionally, the Indian paint industry is highly competitive, with equal presence of organized and unorganized players, including small and medium enterprises (SMEs) in the unorganized sector, as shown in Table 1.

### **Indian Paint Industry - Players**

<b>Parameter</b>	<b>Organised</b>	<b>SME</b>
Number of players	10-12	25,00
Paint volumes (MT pa)	600,000	450,000
Paint volume share (%)	57%	43%
Influence	National	Mostly Regional
Architectural paints (MT pa)	465,000 (56%)	375,000 (44%)
Industrial Paints (MT pa)	135,000 (65%)	75,000 (35%)

The organized sector of the Indian paint industry is led by companies such as Asian Paints, Goodlass Nerolac, ICI (India), Berger, Jenson & Nicholson, and Shalimar, which together account for around 80% of the market share. The top players in the decorative segment are Asian Paints (29% market share), Berger Paints (10%), Nerolac (8%), ICI (6%), and Shalimar (3%). In the industrial paints segment, Goodlass Nerolac dominates with a 41% market share, followed by Asian Paints (15%), Berger (10%), ICI (9%), and Shalimar (8%). Goodlass Nerolac's strong presence in industrial paints is attributed to its technical collaboration with Kansai Paints, which holds a 29.5% equity stake in the



company. However, despite the organized sector's dominance, their sales promotion efforts have yet to effectively reach customers in both organized and unorganized sectors. Furthermore, the paint industry's advertising efforts fail to serve the purpose, allowing producers in the unorganized sector to capitalize on this and influence rural consumers.

The paint industry in India faces challenges in strategic advertising, brand recognition, and marketing strategies. Despite efforts, brand awareness remains low, especially in rural areas. The industry's marketing approaches have not yielded desired results, and there is a need for innovative strategies to reach target audiences. Historically, the market was dominated by MNCs, but Indian companies like Asian Paints have made efforts to innovate and differentiate themselves through packaging, distribution, and communication. However, such strategic management practices are rare in the organized sector and absent in the unorganized sector. The industry struggles to deliver desired services to its target audience, prompting a thorough study to investigate the problems and prospects of the paint industry in India, with a focus on Andhra Pradesh. The study aims to address the following objectives:

- Investigate the challenges in strategic advertising and brand recognition
- Analyze the marketing strategies of organized and unorganized sectors
- Examine the innovative practices of companies like Asian Paints
- Identify the problems and prospects of the paint industry in Andhra Pradesh

The study seeks to provide insights and recommendations to improve the industry's performance and delivery of services to its target audience.

### **OBJECTIVES OF THE STUDY**

The study aims to achieve the following objectives:

1. Assess the demand and supply dynamics of various types of paints in India.
2. Evaluate the distribution strategies of paint manufacturers and marketers in Andhra Pradesh, identifying strengths and weaknesses.
3. Examine the sales promotional measures employed by paint companies in Andhra Pradesh.
4. Investigate the impact of paint advertisements on consumers in the study area, determining their effectiveness.
5. Analyze the factors influencing paint marketing strategies in Andhra Pradesh from the consumer's perspective, including pricing, market segmentation, and product lines.
6. Provide recommendations and suggestions for improvement in the paint industry's marketing strategies and overall performance.

By achieving these objectives, the study aims to gain a comprehensive understanding of the paint industry in Andhra Pradesh and offer actionable insights for growth and improvement.



## **RESEARCH METHODOLOGY**

This study combines primary and secondary data collection methods. Secondary data will be gathered from various sources, including reports, periodicals, journals, magazines, newspapers, and company annual reports. Primary data will be collected through personal interactions, observations, and discussions with selected respondents, comprising company officials, paint dealers (wholesalers and retailers), and paint consumers (general public and construction contractors). Customized questionnaires will be used to collect firsthand information from the sample population. The study period for secondary data analysis is five years, while primary data collection will take place in 2023. The researcher plans to employ statistical tools like correlation, regression analysis, and scaling techniques (F-test, t-test, chi-square test, and ANOVA), along with simple statistical methods like percentage analysis. Additionally, graphical representations like graphs, pie charts, and bar diagrams will be used to illustrate findings where necessary.

## **SAMPLING FRAME AND SIZE**

The Indian paint industry comprises both organized and unorganized sectors, with 5 manufacturers in the organized sector and approximately 2500 in the unorganized sector. For this study, a sample of 10 manufacturers was selected, including 2 from the organized sector and 8 from the unorganized sector, with units located in Andhra Pradesh.

The study also sampled dealers, painting contractors, paint workers, and direct household consumers.

- 348 dealers were selected from a total of 11,625 in Andhra Pradesh, representing 3% of the total.
- 15 dealers were chosen from each of the 10 city corporation districts, and 9 dealers from each of the 22 municipal districts.
- 64 painting contractors and 64 paint workers were selected, with 1 from each of the 32 district capitals and 1 from a taluk headquarters in the same districts.
- 576 direct household consumers were chosen, with 9 from each of the 32 district capitals and 9 from a taluk headquarters in the same districts.

The total sample size for the study is 1062. The judgment sampling method was used to determine the sampling frame, allowing for a targeted selection of participants.

## **PRETEST AND PILOT STUDY**

Before conducting the main survey, a pilot survey will be carried out to test the questionnaire. This pretest will help refine the questionnaire to reflect current trends in the paint industry and gauge respondents' attitudes. The pilot survey will involve a small sample of participants, comprising:

- 1 manufacturer (10% of the sample)
- 34 paint dealers (10% of the sample)
- 57 direct domestic consumers (10% of the sample)



- 6 painting contractors and painters each (10% of the sample)

This pretest will ensure that the questionnaire is effective and relevant, allowing for accurate data collection in the main survey.

### **HYPOTHESES OF THE STUDY**

The following hypotheses have been formulated for the study:

- i. regional differences in Andhra Pradesh significantly influence the demand patterns of paint users.
- ii. Major paint manufacturers in the study area exhibit significant differences in their marketing strategies, including advertising, sales promotion, pricing, and supply chain management.
- iii. Consumer behavior in the study area varies significantly based on socio-economic characteristics and standard of living.

These hypotheses will guide the investigation and analysis of data to uncover insights into the paint industry in Andhra Pradesh.

### **LIMITATIONS OF THE STUDY**

There are certain limitations of the study as stated below:

1. The study only focuses on individual paint consumers and does not include industrial paint users, who are not part of the sample population.
2. The study only collects data from respondents once during the study period, which may not capture changes in opinions or circumstances over time. However, this is unlikely to significantly impact the study's findings.
3. The study relies primarily on opinion surveys, which necessitates the use of simple statistical analysis in some cases. Despite these limitations, the study achieves its intended goals and objectives.

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