

PAINT INDUSTRY IN BANGLADESH: A CASE STUDY OF BERGER PAINTS BANGLADESH LTD.

MD. JAHIDUR RAHMAN¹, MD. MAHATHY HASAN JEWEL², SHYAMAPADA BISWAS³
and SHEGUFTA HASEEN CHOWDHURY⁴

ABSTRACT

The paper is about the scope of business performance of Berger Paint Bangladesh Limited (BPBL) with the objective to explore its marketing efficiency in the global context. It analyzes the marketing policies, techniques, methods practiced by BPBL to expose the organizational frame for marketing and to have a generalized view about paint industry with special emphasis on Berger Paints Bangladesh Limited. Regarding the methodology used it is to mention that the issue has no statistical database, no statistical tool or mathematical for analysis of the collected information and preparation of this paper. The article is made on the basis of the qualitative analysis of the information gathered from secondary and primary sources. In short, Strength, Weakness, Opportunity and Threat (SWOT) analysis has been used for investigation of challenges and prospects of paint industry and Berger paint Bangladesh Ltd in particular. The study was conducted during December 2008 to June 2009. The study leads to the presumption that the existing distribution network will be enhanced and problem to deliver smoothly will be solved so that customers become interested towards the goods of BPBL. More concentration on customers' satisfaction will be given to maintain existing clients and further develop new customer. More concentration will be given on customers' satisfaction to maintain existing clients and innovative initiatives will be taken to develop and gain new customer. Worldwide, Berger is the brand of trust since 300 years. With continuous product development and services to the customers Berger can convey the message to the customers that they have the right brand.

Keywords: Aqua Paints, Berger paints, Dyes and pigments, Network and SWOT analysis.

INTRODUCTION

Paint is a colored substance that is spread over a surface and dries to leave a thin decorative or protective coating (The Oxford Pocket Dictionary of Current English, 2009). The term 'paint' is normally used to describe the liquid material before application and 'coating' after it has been applied, dried and cured. Organic-based coatings form the largest use for protection and decoration, and these can vary widely in properties and characteristics ranging in thickness from a few microns to several millimeters (Bayliss, 2008). Bangladesh's paint industry claims has been thriving on an upbeat construction and healthy economy, despite the knocks it has suffered because of global liberalization of the country's key textile industry this January. Piggy-backing on a real estate boom, the Bangladeshi market for residential paints and wall coverings continues to maintain a relentless upwards march of around 7% a year. Moreover, there is plenty of scope for improvement, with annual per capita paint consumption still at around 250 grams, (Wangdi, 2005). According to the Bangladesh Paint Manufacturers' Association (BPMA), the industry's domestic sector demand is at the threshold of surpassing about 30,000 million ton, valued at US\$45 million today (Annual Report, BPBL, 2008). "Robust growth in the real estate sector has spurred enormous growth in the paint industry. Furthermore, demand for paint for interior and exterior decoration is still rising. The country's housing industry has registered almost a double-digit growth every year with property booms most in the capital Dhaka. This partly has fuelled by population growth. Bangladesh's healthy economy in general has also contributed to the growth in the paint industry, maintaining GDP growth at 5-6% a year.

Bangladesh Paint Manufacturers' Association officials said that the Bangladesh market provided high potential for growth as well as good opportunities for paint manufacturers to upgrade and expand their hold on the market. One of the outcomes of the growth in paint industry market, according to the Real Estate and Housing Association of Bangladesh, has been the entry of local and foreign investments in the country's paint industry. Their entry has made Bangladesh almost self-sufficient in paint today. A high official of a leading

¹Assistant Professor, School of Business, Ahsanullah University of Science and Technology, Dhaka, ²Lecturer, Department of Marketing, Patuakhali Science and Technology University, Patuakhali, Bangladesh ³Associate Professor, School of Business, Ahsanullah University of Science and Technology, Dhaka, Bangladesh. ⁴Lecturer, School of Business, Ahsanullah University of Science and Technology, Dhaka, Bangladesh.

paint company said low per capita consumption of paints, meant there was a vast potential to upgrade the market, widening a limited product range, especially considering the country's increasing urbanization and consistent GDP growth.

By far the most important player in the Bangladesh paint sector, which made its entry in 2008 and today commands one of the biggest shares in the Bangladesh paint industry, is the Berger Paints. Initially, Lewis Berger, a German national, founded a dye and pigment making business in England 1706 named Lewis Berger and Sons Limited. It grew rapidly with a strong reputation for innovation and entrepreneurship. It developed perfect process of making 'Prussian Blue', a deep blue dye widely used for many European armies' uniform. Production of dyes and pigments evolved into paints and coatings remains till today the core business of Berger (Annual Report, BPBL, 2008). Berger grew swiftly by establishing branches world wide and through merging with other leading paint and coating companies. Today Berger is one of the leading companies in the global paint industry; and Berger offers all kinds of painting solutions in decorative, industrial or marine segment for both decorative and protective purpose. Berger Paints is operating in Bangladesh since 1950s.

In an organization managers assess internal strengths (distinctive competencies) and weaknesses as well as external opportunities and threats to develop strategies that exploit opportunities and strengths, neutralize threats and avoid weaknesses (Griffin, 2006). In standard literature of strategic management the analysis of strengths, weaknesses, opportunities and threats of any organization are remarked as strengths, weaknesses, opportunities and threats analysis (Armstrong, 1996). Strengths, weaknesses, opportunities and threats (SWOT) analysis is a strategic planning tool. It is used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a business venture or in a project. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable for achieving that objective. The technique is credited to Albert Humphrey, who led a research project at Stanford University in the 1960s and 1970s using data from Fortune 500 companies (Griffin, 2006). Following are the Steps for using strengths, weaknesses, opportunities, and threats analysis of any organization (i) Orienting to an Objective, (ii) Generating Strategies, (iii) Internal and External Factors, (iv) Avoiding Errors, (v) Strengths and Weaknesses, (vi) Opportunities and Threats, (vii) Use of Strengths, Weaknesses, Opportunities and Threats Analysis, (viii) Human Resources, and (ix) Marketing (Armstrong, 2006). If strengths, weaknesses, opportunities and threats analysis does not start with a desired objective, it runs the risk of becoming useless. Strengths, weaknesses, opportunities, and threats analysis is a careful evaluation of an organization's internal strengths and weaknesses as well as its environmental opportunities and threats, where

- Strengths ascribe attributes (characteristics) of the organization that are helpful to achieving the objective.
- Weaknesses assign attributes of the organization those are harmful to achieving the objective.
- Opportunities specify external conditions those are helpful to achieving the objective.
- Threats state external conditions those are harmful to achieving the objectives (Griffin, 2006).

Organizational strengths are skills and capabilities that enable an organization to conceive of and implement its strategies (Menon, 1999). Different strategies depend on different skills and capabilities. Different strategies like these require different organizational strengths: Strengths, weaknesses, opportunities, and threats analysis divides organizational strengths into two categories: (i) common strengths and (ii) distinctive competencies (Business Week, 1996). A common organizational strength is an organizational capability possessed by a large number of competing firms. Competitive parity exists when large numbers of competing firms are able to implement the same strategy. A distinctive competence is a strength possessed by only a small number of competing firms. Distinctive competencies are rare among a set of competitors. Organizations that exploit their distinctive competencies often obtain a competitive advantage and attain above-normal economic performance (Hill and Westbrook, 1997). Indeed, the main purpose of strengths, weakness, opportunities and threats analysis is to discover an organization's distinctive competencies so that the organization can choose and implement strategies that exploit its unique organizational strengths. Working with diversity presents an unusual take on diversity as it relates to an interesting distinctive competence.

Organizational weaknesses are skills and capabilities that do not enable an organization to choose and implement strategies. Organization has essentially two ways of addressing weaknesses:

- First, it may need to make investments to obtain the strengths required to implement strategies that support its mission.
- Second, it may need to modify its mission so that it can be accomplished with the skills and capabilities that the organization already possesses.

Organizations that fail either to recognize or to overcome their weaknesses are likely to suffer from competitive disadvantages (Armstrong Scott, 1982)¹. An organization has a competitive disadvantage when it is not implementing valuable strategies that are being implemented by competing organizations. Organizations with a competitive disadvantage can expect to attain below average levels of performance. Effective business strategies generally spell out such things as distinctive competencies, resource deployment, and scope. Evaluating strengths and weaknesses² focuses attention on the internal workings of an organization. Appraising opportunities and threats, in the other hand, requires analyzing an organizations environment. Organizational opportunities are areas that may generate higher performance. Organizational threats are areas that increase the difficulty of an organizations performing at a high level. Porter's 'five forces'³ model of the competitive environment can be used to characterize the extent of opportunity and threat in an organization's environment (Kotler and Armsrong, 1996). Ideally a cross-functional team should carry out the strengths, weaknesses, opportunities, and threats analysis. For example, strengths, weaknesses, opportunities, and threats analysis team may include an accountant, a salesperson, an executive manager, an engineer, and an ombudsman.

The objectives of this study are: to explore the marketing efficiency of Berger Paints Bangladesh Ltd. (BPBL) in the global context, to analysis marketing policies, techniques, methods practiced by BPBL, to expose the organizational frame for marketing of Berger Paints Bangladesh Ltd. and to have a generalized view about paint industry with special emphasis on Berger Paints Bangladesh Limited.

METHODOLOGY

The information gathered was acquired from both primary and secondary sources. The primary information was collected through direct interaction with the concerned personnel of Berger Paints Bangladesh Ltd. For this purpose questionnaire was prepared and responses of the respective executives to the questions were gathered. The secondary information required was collected from the credentials, unclassified reports, and website of Berger Paints Bangladesh Ltd. As the study did not need any statistical analysis, no statistical tool or mathematical model have been used for the analysis and preparation of the paper. Instead, the paper is made on the basis of the systematic qualitative analysis of the information gathered from the secondary and primary sources in text format. The methodology used for the preparation of the study is qualitative descriptive approach (Cooper and Schindler, 2006). In short, strength, weakness, opportunity and threat analysis is used for investigation of the challenges and prospects of paint industry of the country and Berger paint Bangladesh Ltd.

SWOT analysis for marketing strategy of BPBL

Strength

Image as pioneer in paint industry: The BPBL has the corporate image as pioneer in paint industry and one of the leading paint companies of the world. Berger is a world wide famous brand in the paint industry which is operating its business for over 300 years. Though this fact is not known widely by the customers, however this works as advertisement itself. The image of being the pioneer of the industry makes the brand to be accepted by the consumers without much hesitation which is one of key strengths of BPBL (Table 1).

¹ Competitive disadvantage is a situation in which an organization is not implementing valuable strategies that are being implemented by competing organizations.

² Organizational opportunity is an area in the environment that, if exploited, may generate higher performance. Organizational threat is an area in the environment that increases the difficulty of an organization's achieving high performance.

³ Porter's five forces are (i) level of competitive rivalry, (ii) power of suppliers, (iii) power of buyers, (iv) threat of substitutes, and (v) threat of new entrants.

Table 1. SWOT analysis of BPBL.

Strength	Weakness
<ul style="list-style-type: none"> • Image as pioneer in paint industry and one of the leading paint companies of the world • Wide distribution network • Rich experience on Bangladesh Paint Market • Presence in all major segments of the market • Strong financial base 	<ul style="list-style-type: none"> • Insignificant presence in the international satellite channels • Perceived as premium priced company at semi-urban and rural market • Higher dependence on large dealers
Opportunities	Threats
<ul style="list-style-type: none"> • Growing market • Utilization of positive corporate image for corporate diversification • Popularize economy products at remote market 	<ul style="list-style-type: none"> • Fierce competition in Bangladesh market • Credit-driven market • Corrupt practices of the competing companies

Wide distribution network: As rural communication infrastructure is very poor in Bangladesh, Berger has created a wide distribution network with 7 sales offices over 1000 dealers. A research shows that Berger reaches 63.2% population of the country with its wide distribution network (Distribution Coverage analysis of the major companies). Hence, the distribution channel management must be identified as strength of BPBL.

Precious experience on Bangladesh paint market: Berger has been operating in the sub-continent nearly since the beginning of the colonial period. It is one of the oldest industries in the sub continent and naturally in Bangladesh. The company has valuable experience in terms of raw material acquisition, dealer management, political volatility, public perspective, and other important business issues which allow the company to forecast business related challenges before they may occur and initiate measures to mitigate them. It is a decisive strength of the BPBL.

Presence in all major segments of the market: Berger has strong presence in every segment of the market both paint category wise and customer wise. Paint category means decorative, industrial and marine. Berger has all types of paint, undercoat and thinners for each of the three paint wise segments to serve every possible customer need. On the other hand, customer wise means purchasing power of the customer. For instance, in decorative segment berger has distemper, plastic emulsion, luxury emulsion, easy clean etc. all of which are topcoat finish paints for walls. From Plastic Emulsion to Easy clean each brand costs higher than the previous brand respectively. Each brand is for buyers with different purchasing power. But as perceived, even the lowest priced products of Berger are premium priced. So consuming Berger product requires a minimum purchasing power. As a result, Berger has something for everyone who has the demand of consuming the best quality product.

Strong financial base: Berger is one of the oldest firm and pioneer in the paint industry. It has a strong and solid financial base thus provides the company with privilege of taking more risks and flexibility in the financial decisions.

Weaknesses

Insignificant presence in the international Satellite Channels: Berger is the leader of the paint industry. Berger has almost 50% market share of the total industry. This large market share and too few eligible competitors in the market have made the company too confident about its market position and it reflects in their reluctant presence in the international satellite channels. This is basically a weakness of the company because they are over confident.

Perceived as premium priced company at semi-urban and rural market: Berger has always been perceived as a premium priced brand world wide. In a third world country like Bangladesh doing business with a premium priced product and still holding the market leading position is a real challenge. In urban area, the customer understands and can judge the relationship between premium price and premium quality. In the semi urban and rural area only thing the customer understands is price. Because of lack of knowledge and lower income the semi urban and rural people avoid the brand. If the reason behind the premium price could be conveyed to them with proper understanding a large market share could be acquired.

Higher dependence on Big Dealer: Berger's distribution largely depends on its dealers. The same dealer can hold dealership of two or more brands. As paint is a product which is not talked about much the consumer's knowledge and consumption depends on the dealers' promotion to some extent. The dealer can promote the brand which is more profitable for him to sell at that time.

Opportunities

Growing Market: Paint industry in Bangladesh is a growing market. Because of the industrialization and promotion of real estate business the industry is growing persistently. Paint has a limited life time after which it needs to be repainted. In decorative interior paints, as for instance, the paint needs to be changed after three years. Limited life time of the paint constantly retains customers. Besides, in an expanding developing economy like Bangladesh, construction in general is expanding with growth of the population and living standard of the country. So, the paint market is growing continuously, which is a great opportunity to expand the business by grabbing larger share of the growing market.

Utilization of positive corporate image for corporate diversification: Corporate image of Berger is undisputed in the country. The company can exploit its corporate image to diversify and start new businesses. As Berger already has Home Décor service, they can take the wing to a different and higher level. Instead of providing paint solution and aesthetic consultancy, they can start a whole package of interior decoration service. As interior decoration is booming Berger would be able to hold a solid position because of its corporate image and brand name.

To popularize economy products at remote market: Berger products are conceived of as premium priced. It has been discussed previously that this perception of the semi-urban and rural customers are causing Berger to lose a large market share. If the message could be delivered to semi-urban and rural customers that Berger products are premium priced only because of its product quality and it is actually cheap comparing the quality and price, a large segment could be captured.

Threats

Fierce competition in the Bangladesh market: In the opportunity part it has already been stated that the paint market in country is growing rapidly. With the market growth the competition is getting fierce. New multinational companies are investing in the industry and offering their product at a very competitive price which is making Berger's business a little difficult. Because the new companies lack experience they haven't become a great threat for the company but once they gather enough experience they will become alarming threat for Berger.

Credit-driven market: Paint market is largely a credit driven market. Berger opposes the idea of running its business on credit. Most of Berger's dealers are cash dealers. On the other hand, dealers want to have the product on credit as much as they can. Now the new companies are using this opportunity and offering large quantity products on credit to the dealers. As a result, the dealers are promoting the brand which they can get on credit. Because the new brands are not very popular yet it's not a great threat.

Unethical and corrupt practices by the local companies: There are some local companies who are making slight change in the name Berger. Barger, Bager, Basjer with the identical writing style and logo of Berger and market their low standard product. This practice is done in the semi urban and rural areas where literacy level is low. This unethical practice is putting Berger's brand name in great threat. This is a huge threat for the company as it can destroy the brand image to a large segment of customers.

Inference

The SWOT analysis leads to the following presumption:

- Enhancing existing distribution network and solving warehouse problem to deliver smoothly so that customers are more authentic on BPBL.
- Space and cupidity maybe increased to make distribution more efficient.
- Focusing on the product's perceived value, as well as the need that it satisfies.
- Analyzing customers' need and developing products so that customer perceives more valuable than competitors offerings.
- Conducting customer satisfaction survey that studies the customers' perception about the company and using the findings immediately to enhance customer relationships.
- Creating customers' intimacy, reliability and bonds with completely satisfied and 'delighted' customer.
- Sharing knowledge and maintaining professional skills important to stakeholders' needs.

- Keeping close eye in external and internal activities.
- Giving more emphasis on stock holder equity.
- Giving more concentration on customers' satisfaction to maintain existing clients and further develop new customer.
- Developing the existing standard day by day to build up company's image as well as maximization of the company's wealth.
- Acquiring competitive technology that provides opportunities for customers.
- Giving more concentration on customers' satisfaction to maintain existing clients and further developing new customer.
- Giving more concentration on new idea to generate more business and increasing market share.

The management has to introduce good convenience to establish, maintain and monitor standards and policies for ethics, business practices, and compliance. They should focus on consumer behaviour pattern that must provide a framework for establishing a culture of business integrity and accountability in business practices.

CONCLUSION

Like any other company, Berger also has some internal and external flaws. It is easy to deal with the peripheral problems, as it is easy to recognize them. The problems that remain inside the company are difficult to recognize. So, to identify and reduce those problems special emphasis should be given. According to this report, some problems are identified. The probable solutions for those weaknesses are:

- They should give much emphasis to promote their products and especially to the international channels, so that people can easily recognize them
- They should give a special effort to make people understand that their products are much higher in quality, thus they are worth of premium pricing
- They should arrange for some campaign to make people understand about their products

These are some points that should be adopted by the authority of the company. It may also help them to make a well deserved market position in the industry. In the world of paint industry, worldwide, Berger is the brand of trust. This trust has grown in 300 years and it is very deep. With their continuous product development and the intention to provide all type of paint solution to the customers Berger is conveying the message to the customers that they have chosen the right brand.

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