**Consumer Behaviour**

**April 2024 Examination**

**1. How has Tata group expanded its companies in the market? What was the marketing strategy of launching their retail products in the Indian market? (10 Marks)**

**Ans 1.**

**Introduction**

The Tata Group, a conglomerate with a storied legacy in the Indian and global markets, has adeptly expanded its presence across various sectors, including technology, steel, automotive, and consumer goods. This expansion is not just a testament to the group's diversified interests but also to its strategic approach towards understanding and tapping into consumer behavior. In the Indian market, particularly, Tata's entry and growth in the retail sector highlight its adept maneuvering through the complex tapestry of Indian consumer preferences and competitive landscapes. By leveraging a mix of traditional values and modern retail practices, Tata has not only established a robust footprint but also set new benchmarks for retail excellence in India. The group's marketing strategy, focusing on customer-centricity,

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**2. How does display improve the sale of the product and grab the customers attention, explain it with an example of a spectacles industry? How do the promotions help in the sale? (10 Marks)**

**Ans 2.**

**Introduction**

In the dynamic realm of consumer markets, the presentation and promotion of products play pivotal roles in influencing purchasing decisions. A well-crafted display not only enhances the visibility of a product but also significantly contributes to its appeal, making it more attractive to potential buyers. This principle holds true across various industries, including the spectacles industry, where the manner in which eyewear is presented can drastically affect consumer interest and sales. Effective displays capture customers' attention by highlighting the product's features, quality, and design, thereby creating a desire and a perceived need. Similarly, promotions serve as a powerful tool to stimulate interest and encourage purchase

**3. Case Study**

**Asian Paints: Giving its business model a fresh coat of paint**

**A temporary ban on paint imports during World War II resulted in an opportunity for domestic production. Sensing a similar opportunity, 26-yard old entrepreneur Champaklal H Choksey and his three friends- Chimanlal N Choksi, Suryakant C Dani and Arvind R Vakil- set up Asian Paints in Mumbai. By 1967, Asian Paints had become the largest paint company in India-a position it holds until this day (excerpts from The Unusual Billionaires by Saurabh Mukherjee, founder and chief investment officer of Marcellus Investment Managers).**

**Asian Paints, which controls a significant chunk (over 40 per cent in decorative paints) of the paint market in India, has done so by working on various strategies through the years to keep its growth intact whilst also remaining competitive in the industry.**

**In the first phase of growth, it went on to become India's largest paint company in 1967. In its second phase, Choksey decided to bring in professionals to grow the company. Among his early hours was PM Murty, who joined Asian Paints in 1971 and rose through the ranks to become managing director and chief executive officer in 2009. Murty was one of the big hires that Choksey made when he decided to bring professionals in board. KBS Anand, who joined the paint major in the 1970s, was at the helm between 2012 and March 31, 2020.**

**From working on its weaknesses and leveraging its strength in distribution to closing in on the gaps in the industry, Asian Paints became the second-most valuable paint company in the world by market capitalisation. From having the highest number of tinting machines to increasing its dealer count, along with macro factors, the form has grown consistently over the years.**

**Rising aspirations and shortened paint cycles at homes, form seven/eight years to four- five years, have helped both the company and the decorative paint industry grow in volumes. These macro factors have been one of the major growth drivers for the company in the last few years, said Sachin Bobade, vice-president - research, Dolat Capital. The other government initiatives to convert 'kuchha' homes into 'pucca' have also helped the company grow.**

**Another key growth Grover was bringing paints under the 18 per cent goods and services tax slab, compared to the earlier 28 per cent. This, too, helped Asian Paints, said Vishal Gutka, V-P-research, Phillip Capital.**

**Vishal Gutka said that if paints had continued to remain under the higher tax slab, it would have had an impact on not just its financials, but on the industry at large.**

**Over the past seven decades, Asian Paints has built India's largest paint dealer network of more than 70,000, from the 35,000 dealers in 2013-14(FY14). The game changer for the paint industry was the introduction of tinting machines in the early 1990s. While the technology of tinting machines was brought into the country by Jenson & Nicholson. Asian Paints and Berger Paints replicated the same in no time. While Berger Paints introduced the concept in 1995-96, Asian Paints soon caught up.**

**Dolat Capital, in its report last year, showed that tinting machines for the firm have grown from 27,000 in FY14 to 46,000 in 2019-20(FY20); it's competitor was far behind at 20,000 in FY20. Tinting machines help paints dealers offer a variety of colours, which was earlier restricted. A tinting machine uses a base of three colours and 16 colourants to produce 5,000 colours instantly.**

**Gutka also explained that over time, Asian Paints has ironed out the kinds. It has products across price points, "The company has a weak standing in the economy paint segment, which it covered by the launch of products to help it combat players in the unorganised segment and also pushed for the use of its putty aggressively through its existing network."**

**Asian Paints gives a warranty on the full use of its products, which has helped the company push all its products. On the financial front, the company has the highest margins in the industry, compared to its peers. In FY21, its operating margins stood at 23.9 per cent, while its peers (Berger Paints, Kansai Nerolac, AkzoNobel, and Indigo Paints) saw their margins in the range of 15-18 per cent.**

**In the first half of the year, which was largely governed by high raw material prices, its operating margins were at 16.2 per cent, while other players saw their margins at 12.2-**

**15.5 per cent. It initiated rounds of price hikes through the year to mitigate the impact of higher raw material prices. Gutka said the firm has taken price hikes to the tune of**

**20-22 per cent (year-to-date) and will take another round of price hikes in January. On the revenue front, Asian Paints is more than 3x larger than India's second largest paint maker (Berger) in FY21.**

**Despite the bigger size, its revenue grew at a compound annual growth rate (CAGR) of 6.2 per cent over the last three years (same as Berger's). Same on the net profit front (CAGR of 20.7 per cent). However, it is growing at a faster pace compared to Kansai Nerolac (FY21 sales of Rs5,074 crore) and AkzoNobel (Rs2,421 crore).**

**a. What is the reason Asian Paints is number one in India? What other reasons affect the sales of a company? (5 Marks)**

**Ans 3a.**

**Introduction**

Asian Paints' ascent to the pinnacle of India's paint industry is a testament to strategic innovation, robust growth initiatives, and an unwavering commitment to quality. This remarkable journey, from its inception during a time of import restrictions to becoming the market leader, underscores the company's ability to navigate challenges and seize opportunities. Beyond its historical context, several factors contribute to its sustained

**b. Why are the margins better for Asian paints and how will it impact the sales? What is the importance of distribution network in the retail sector and how does it affect the sales? (5 Marks)**

**Ans 3b.**

**Introduction**

Asian Paints' superior operating margins and its expansive distribution network are central pillars supporting its leadership in the paint industry. Operating margins, a critical measure of profitability, reflect the efficiency with which a company converts sales into pre-tax profits. For Asian Paints, higher margins signify not only financial health but also strategic pricing, cost management, and brand value. Simultaneously, the distribution network plays a pivotal