

DIGITAL LEADERSHIP

An interview with

Manish Choksi

Head of Strategy and Chief Information
Officer of Asian Paints

***Building a world leader through
Digital Transformation***



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Head of Strategy and Chief Information Officer of Asian Paints

Capgemini Consulting: Could you describe Asian Paints and its main strategic challenges?

Asian Paints is the largest paint manufacturer in India, with US \$1.6 billion in turnover. Around 80% of our business is in India and the remaining 20% is located internationally, distributed across 20 emerging and fast-developing countries. In India, which is the fastest growing coatings market in the world, we currently have a 40% market share in the decorative paints business. We also address the Industrial and the Project markets. In India, the company has about 120 warehouses and 10 coatings manufacturing plants. Around 20% of our products are manufactured by outside contractors.

We face stiff competition from major international companies in our domestic market, notably Japanese and American, as well as from newer players entering India. Our competitors pursue niche strategies in all of our key markets.

To beat this increasing competition, we constantly need to adapt our product portfolio to the ever-changing and increasingly segmented market demand by introducing new products that meet the décor needs of the country and are environmentally friendly as well. Another challenge is to drive efficiency and growth

“The Indian society is experiencing a digital revolution with Internet and mobile connectivity transforming people’s lives”

in a business spread over 120 locations, which deals directly with 20,000 to 30,000 retailers. Keeping our manufacturing and supply chain costs under control is a tough challenge, given constraints of infrastructure and logistics in India. Finally, the company has also begun to sell services (such as a “painted wall”) instead of products (a can of paint, for example). Gaining better knowledge of end-customer preferences is a high priority for the company, since its traditional business model - operating largely through retailers - has had very low levels of customer involvement.

The aim of Asian Paints is to be in the top five global decorative coating companies. This will not depend on luck alone.

Digital Transformation in India

Capgemini Consulting: How is digital changing Indian society and consumer behavior?

Indian society is experiencing a digital revolution. Internet and instant mobile connectivity have completely transformed people’s lives, and the information divide between urban and rural communities is rapidly disappearing. The number of mobile telephones in India far outstrips

the number of landline connections. Even relatively cheap mobile devices, at US \$20-30, are now able to deliver an Android-type experience to the end consumer. More people access social networks, such as Facebook or Twitter, from their mobile devices than from their desktops. This is true across all age groups and demographics, and particularly among the under-25 age group that has grown up with this technology. But the phenomenon is actually much broader. Take what is happening in our rural areas, where we see farmers leveraging their mobile devices to access real-time market prices for their crops in several Indian markets, and therefore optimizing their income.

Capgemini Consulting: How is this digital phenomenon transforming business practices in India?

Digital is not only shaping people’s lives, but also driving Indian GDP growth. Similar to many Western companies, most Indian firms have recognized the need to invest in digital in order to transform their operations. Substantial strides are being made in investments, although the pace depends on the maturity of the company and the ability of the organization to transform itself. In comparison with other Asian countries such as Japan, Korea or China, India’s investment is entrepreneurial and private sector-led rather than spearheaded by the government. The Indian government is trying to catch up with the private sector.

“The pace of investment in digital will depend on the maturity of the company and their ability to transform themselves”



Capgemini Consulting: What are the main roadblocks to an economically progressive digital society in India?

One roadblock is India's mix of cultures and demographics. The country's middle class is growing rapidly and it is here that the digital revolution has taken a firm hold. For the country's mass of rural people, however, there may be some cultural and ideological constraints. But as we saw earlier, even in rural areas, our entrepreneurial culture has led to some interesting digital initiatives. Another potential roadblock is the poor enforcement of legislation, as concerns over privacy rules, for example. Finally, there must be a lot more investment in physical infrastructure if the country is to live up to the expectations of its citizens. At present, the ability of companies to deliver products and services is severely constrained by the poor state of India's infrastructure.

Digital Transformation Waves

Capgemini Consulting: So coming back to Asian Paints, how has the digital revolution speeded up the transformation and development of your company?

Over the past decade, Asian Paints has systematically transformed its business with the aim of improving revenues, customer satisfaction and internal processes. There have been three major waves of transformation investments.

▪ Industrialization as a Foundation

In the early 2000s, as part of an effort to reduce debt and increase internal efficiencies, the firm implemented a 'traditional' enterprise-wide ERP and advanced Supply Chain. This helped to create an enterprise-wide platform that was the basis for further improvements in sales and customer processes. The

“Our digital transformation came about in three distinct waves of investment in industrialization, customer-centricity, and automation”

change also liberated working capital that helped fund acquisitions in emerging markets. By 2003, we began to expand in markets in the Middle East and Egypt, as well as in Bangladesh and Sri Lanka. Asian Paints became more efficient by linking subcontractors and suppliers on a B2B portal.

During this period, we built an extremely strong financial and operational foundation for the company's growth, through continued investments, as well as further expansion into emerging markets.

▪ A Customer-Centric Priority

A second wave of transformation investments was directly linked to the possibilities provided by mobile technology to enhance our customer experience and our sales performance. We centralized our order-taking process into a single corporate call center. This change helped the company further improve operational efficiencies and sustain its growth. The biggest change as a result of centralized order taking was in the way salespeople interacted with retailers. Liberated from routine order collection, our sales team was able to focus on building stronger relationships. To enable a more meaningful dialogue between the sales team and each retailer,

the company provided salespeople with vital customer data in the field using mobile devices. A rollout of tablet devices, which is currently underway, will further enable the sales staff.

▪ Fully Automated Plants

Asian Paints' digital transformation also extended to internal production processes. High growth in paint demand created the need to set up new manufacturing plants every three years. Given the size and scale of these operations, the challenge is to build world-class manufacturing plants. This calls for a high degree of automation to deliver higher labor efficiency, but also better quality and less waste – raw materials comprise 60% of our costs, so control is important. In April 2010, we opened a 200,000 ton manufacturing plant that was almost wholly automated.

A new, fully-automated and integrated 300,000 ton plant near Pune, about 140 kilometers from Mumbai, is scheduled to open in January 2013. The new plant will meet the highest safety and environmental standards. Currently, all our plants boast zero liquid emissions, and we are working toward our target of eliminating all solid emissions in the near future.

Digital technology plays a key role in powering growth and mitigating management risk. Asian Paints has grown at a compounded annual growth rate of almost 17% a year over the past decade.

“Digital technology plays a key role in powering growth and mitigating management risk”



Capgemini Consulting: Being both Head of Strategy and CIO is a pretty unique combination. What do you see as the main benefits it brings to your organization?

Having a combined role as Head of Strategy and CIO gives me a unique understanding of what makes this business work. From a technology perspective, our strategy revolves around mobility, cloud, social media, and understanding these connections offers a better overall view of how to drive and support Asian Paints' digital transformation.

Bringing Consumers and Employees on Board

Capgemini Consulting: Where do you see the major developments in terms of your digital transformation over the coming years?

The next phase of our business analytics strategy is to link up our internal metrics and data with the world of social media. This means looking at all the unstructured data both within and outside the company, either on the Web or on social platforms, and merging them. We have already started this journey by integrating social platforms such as Facebook and Twitter with our customer processes to see how we can engage in a relationship with our consumers. The next move will be toward greater collaboration - trying to predict customer demands, so that we can offer products and services that the customer

wants. Creating proactive relationships with our partners, retailers' networks and end-consumers involves building new technological capabilities within the Marketing and Sales teams. We are just at the beginning of our transformation from a product to a service company (as I said, selling 'painted walls') which involves building a new ecosystem of partners and gathering insights from our consumers.

These large areas for investment will require a change of mindset. The way in which the company engages with employees at all levels within the hierarchy will change. Our management team will have to be more transparent and accountable.

“We are at the beginning of our transformation from a product to a service company - from selling paint cans to a painted wall”





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Asian Paints is India's leading decorative coatings manufacturer. The company has been able to maintain its fast growth (doubling its revenues every five years) and globalize, while increasing efficiency, transforming its customer experience and reducing its environmental impact. None of this would have been possible without the successive waves of transformation on which the company embarked a decade ago and that are now becoming Digital Transformation. Manish Choksi, Head of Strategy and Chief Information Officer explains how the digital revolution has transformed the company's operations, and how he views the digital challenges as the company sets out on its ambition to become one of the top five global companies in the sector.



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