

FROST & SULLIVAN

# 2024 MARKET LEADER

*IN THE INDONESIAN  
PAINT AND COATING  
INDUSTRY*

FROST & SULLIVAN

BEST  
2024 PRACTICES  
AWARD



## Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Avian Brands excels in many of the criteria in the paint and coating space.

AWARD CRITERIA	
Growth Strategy Excellence	Technology Leverage
Implementation Excellence	Price/Performance Value
Brand Strength	Customer Purchase Experience
Product Quality	Customer Ownership Experience
Product Differentiation	Customer Service Experience

### *Achieving a Competitive Edge through Innovation and Industry Convergence*

In Indonesia’s evolving paint and coating market, embracing innovation, managing competition, and pursuing cross-industry collaboration are crucial for sustained market leadership.

Innovative business models are essential for adapting to shifting consumer needs and emerging digital channels. Local brands can leverage models like direct-to-consumer and e-commerce platforms to increase accessibility and build stronger connections with consumers across diverse regions. Subscription-based or on-demand service models offer additional flexibility and appeal, allowing consumers to order specific paint solutions directly. By integrating digital tools and innovative revenue streams, companies enhance customer convenience, making high-quality paint products more accessible and widely adopted.

Amid increasing competitive intensity in Indonesia, companies sustain leadership by prioritizing quality, affordability, and superior customer service. As the market grows and new competitors enter, brands distinguish themselves by offering reliable, high-performing products that cater to residential and commercial needs. Cost-effective solutions and consistent service quality are also key to building customer loyalty, enabling companies to maintain a strong position even as competition intensifies. Establishing a trusted reputation through product quality and service excellence helps these companies stand out in a crowded market and retain loyal customers.

In the Indonesian paint and coating market, industry convergence drives growth by enabling companies to integrate expertise across sectors such as retail, construction, and environmental sustainability. This approach fuels product innovation and widens market reach by offering solutions that cater to a broad

range of customer needs, from budget-friendly to premium options. By developing training centers, collaborating on government projects, and focusing on environmental, social, and governance (ESG)-aligned innovations like lead-free and mercury-free products, companies can respond to shifting regulatory demands and appeal to environmentally conscious consumers, strengthening their position in a competitive market.

Frost & Sullivan believes Avian Brands effectively harnesses these strategic imperatives to secure its Indonesian market leadership. By adopting innovative business models, the company enhances accessibility and convenience for consumers through direct-to-consumer channels and e-commerce, making its products widely available across diverse regions. With a focus on product quality and customer service, Avian Brands sustains its competitive edge, meeting residential and commercial needs and ensuring strong customer loyalty. Additionally, by integrating ESG-aligned innovations and collaborating across sectors, the company expands its market presence and aligns with regulatory trends, ensuring its relevance in an evolving market.

### ***Avian Brands Paints a Bold Future: Balancing Innovation, Market Expansion, and ESG Goals***

Founded in 1978 and headquartered in Sidoarjo, East Java, Indonesia, Avian Brands is a leading paint and building materials company that brings vibrant colors and high-quality products to Indonesian homes. With a production capacity of more than 200 million kilograms annually and a vast distribution network that includes 178 distribution centers across the country (including 15 mini distribution centers and 39 independent distributors), the company ensures accessible and reliable solutions across the nation.<sup>1</sup> Guided by a vision to be an integrated, environmentally friendly, leading, and trusted paint company, Avian Brand fosters a collaborative and inspiring work culture, allowing employees to grow and contribute meaningfully to Indonesia's future.

### ***Addressing Industry Challenges***

The Indonesian paint and coating industry faces considerable challenges due to economic pressures and strong competition. Weak purchasing power, influenced by food inflation, online gambling, and digital lending, has lowered disposable income and consumer demand. Avian Brands, however, remains focused on executing its strategies, adapting to market conditions rather than attributing sales slumps solely to the economy.

High brand loyalty, or “stickiness,” among painters intensifies the challenges even further. To counter this, the company introduced loyalty programs for painters and incentives for employees of retail outlets, ensuring smooth, automated reward distribution and fostering strong loyalty among shopkeepers, painters, and contractors.

Geographical logistics across Indonesia's vast archipelago also presents operational hurdles. Avian Brands overcomes these challenges through strategically located distribution centers, enhancing delivery efficiency and accessibility. The company has a complete product line, ranging from economical to premium class, catering to consumers from all income levels.

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<sup>1</sup> Frost & Sullivan's Interview with Avian Brands, October 25, 2024.

Through consistent product innovation (launching 14 new products in 2024) and targeted marketing initiatives, Avian Brands continues to bolster its competitive advantage, building trust and loyalty among its retail partners and reinforcing its market leadership.

### **Team Alignment and Creativity**

Avian Brands promotes continuous improvement and innovation through its annual Internal Improvement Initiative (also known as I3) program, which engages 40 to 50 employees from different departments to identify areas for proactive improvement. Additionally, the company's suggestion system and Quality Control Circles (QCC) encourage bottom-up idea generation. The suggestion system rewards individual contributions, while QCCs bring cross-departmental teams together to solve complex issues, enhancing efficiency and cost savings. Avian Brands' key performance indicator system further aligns goals within and across departments, reinforcing accountability. Together, these initiatives foster a culture of proactive problem-solving and collaboration.

### **Growth Strategies and Implementation**

*"Frost & Sullivan is impressed by the company's strategic approach to tackling competitive pressures through innovative business models and proactive market adaptation. Avian Brands strengthens brand loyalty by offering incentives, training programs, and digital rewards for retail outlet employees, and addresses logistical complexities by expanding its distribution network to reach remote areas. With a focus on product innovation, the company is well-positioned to compete with international brands and leverage industry convergence to capture a larger market share in retail and project-based segments."*

**- Ojaswi Rana**  
**Best Practices Research Analyst**

Avian Brands' growth strategy combines dynamic short-term marketing efforts with sustainable, long-term initiatives to reinforce its leadership in Indonesia's paint and coating industry. The company enhances brand visibility and expands its customer base through aggressive marketing and incentive programs.

In the long term, Avian Brands prioritizes product innovation, focusing on environmentally friendly offerings and expanded green-label products. To secure its supply chain and minimize import reliance, the company invests in backward integration, producing 30% of its packaging materials, 98% resin, 11% additive, 78% colorant in-house.<sup>2</sup> These initiatives align with Avian Brands' ESG goals, which include efforts to eliminate lead and mercury from its products.

To support product accessibility, the company bolsters its distribution network across Indonesia, including new centers in remote areas, and enhances express delivery services. Expanding its dominance in tinting technology, Avian Brands is installing 5,000 additional tinting machines, building on its current 6,000-unit base, to increase custom color options at retail locations. The company also strengthens its community engagement through training centers for painters and applicators and improving employee capabilities to ensure exceptional service quality.

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<sup>2</sup> Frost & Sullivan's Interview with Avian Brands, October 25, 2024.

Avian Brands' comprehensive approach includes a strategic entry into the project-based market, focusing initially on government and public projects. It expects this segment to contribute 10% of the total revenue within five years, complementing its retail revenue and supporting its overall target of a 30% market share.<sup>3</sup> This balanced strategy (addressing retail and project markets alongside ongoing ESG and internal improvements) positions Avian Brands to drive sustainable growth and capture significant market opportunities amid Indonesia's growing economy and urbanizing population.

### **Branding Strategies**

Avian Brands' branding strategy effectively addresses the competitive landscape and strengthens its position in the Indonesian paint and coating industry. Understanding the significance of high brand loyalty, the company focuses on building substantial brand equity through targeted marketing and strategic brand ambassadors. For example, Cinta Laura (an Indonesian actress, singer, and model) represents the premium interior wall paint, Supersilk Anti Noda. Similarly, Joe Taslim (an Indonesian actor, martial artist,

*"Frost & Sullivan commends the company for vertically integrating its operations and producing key raw materials in-house. Avian Brands reduces costs and ensures superior product quality, offering competitive pricing without compromising standards. This cost efficiency, an expansive distribution network, and a fast, express delivery system enable the company to maintain widespread product availability, even in remote areas, strengthening its market presence and driving customer loyalty."*

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**Best Practices Research Analyst**

and model) promotes the premium exterior wall paint, Sunguard All-In-One. In addition to traditional advertising, Avian Brands leverages digital platforms such as Instagram and YouTube, enhancing its brand visibility in modern and traditional retail spaces.

To further solidify its brand recognition, the company maximizes its top-selling products, like No Drop, the go-to waterproofing solution, with an expanded range of variants and strong digital assets. Through high-quality offerings, targeted digital campaigns, and customer-centric initiatives, Avian Brands ensures that its brand remains trusted and highly regarded by consumers across Indonesia.

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### **Avian Brands' Winning Formula: Quality, Affordability, and Unmatched Customer Experience**

Beyond manufacturing, Avian Brands' expansive distribution network across Indonesia ensures widespread product availability and market penetration, even in remote areas. The company supports its retail partners with an express delivery system using three-wheeler motorcycles, which boosts profitability and reduces working capital requirements for retail outlets. The express delivery system

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<sup>3</sup> Frost & Sullivan's Interview with Avian Brands, October 25, 2024.



ensures fast and efficient product delivery, with a guarantee of delivery within two hours for distances up to 40 kilometers or within 24 hours under certain conditions.

Avian Brands offers a diverse product lineup that caters to various customer needs, balancing affordability and quality across premium, medium, and economical options. While introducing premium solvent-based paints for wood and metal, the company prioritizes environmentally friendly water-based solutions for wall paints and other categories. This expansion into water-based products aligns with sustainable trends while providing consumers with affordable, high-performance alternatives. Avian Brands' comprehensive approach ensures that it delivers value at every price point, offering reliable, cost-effective, quality paint solutions to diverse customers.

### ***Optimal Customer Experience***

Avian Brands' customer-centric approach stems from its commitment to customer satisfaction, which drives it to enhance its services continuously. The company offers several initiatives that cater to diverse customer needs. Additionally, Avian Brands pioneered the digital loyalty program, "Mitra Avian Brands," allowing customers to collect digital points via coupons, which can be found inside paint cans. These points can be redeemed easily for e-money or bank transfers, ensuring a fast and secure experience.

Beyond product delivery, the company enhances customer engagement through marketing and sales programs, like ABPC and MAB, which incentivize retail outlets and staff, encouraging them to offer a broader range of products. These programs boost sales and strengthen customer loyalty. Avian Brands also focuses on after-sales support, providing services like a return policy, buy-back options, and dedicated tinting machine technicians, ensuring that customers receive comprehensive care long after their purchase. Together, these programs exemplify the company's dedication to creating a seamless, rewarding customer experience, reinforcing its reputation as a trusted industry leader.

Frost & Sullivan commends the company for vertically integrating its operations and producing key raw materials in-house. Avian Brands reduces costs and ensures superior product quality, offering competitive pricing without compromising standards. This cost efficiency, an expansive distribution network, and a fast, express delivery system enable the company to maintain widespread product availability, even in remote areas, strengthening its market presence and driving customer loyalty.

## **Conclusion**

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A company does not become a market leader overnight. It takes dedication to develop growth strategies paired with excellent implementation. A market leader must earn and maintain customers' trust while impacting and improving the overall market. Avian Brands embodies Frost & Sullivan's definition of a market leader by demonstrating resilience and adaptability in the face of competitive intensity. The company leverages innovative business models, such as backward integration and product innovation, to ensure cost efficiency and maintain a competitive edge. Through strategic marketing, targeted brand ambassadors, and a customer-centric approach, Avian Brands builds strong brand equity and customer loyalty, positioning itself as a dominant force in the Indonesian paint and coating industry.

With its strong overall performance, Avian Brands earns Frost & Sullivan's 2024 Indonesia Market Leadership Award in the paint and coating industry.

## What You Need to Know about the Market Leadership Recognition

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Frost & Sullivan's Market Leadership Award recognizes the company that achieved the greatest market share resulting from outstanding performance, products, and services.

### Best Practices Award Analysis

For the Market Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

**Growth Strategy Excellence:** Company demonstrates an ability to consistently identify, prioritize, and pursue emerging growth opportunities

**Implementation Excellence:** Company processes support efficient and consistent implementation of tactics designed to support the strategy

**Brand Strength:** Company is respected, recognized, and remembered

**Product Quality:** Products or services receive high marks for performance, functionality, and reliability at every stage of the life cycle

**Product Differentiation:** Products or services carve out a market niche based on price, quality, or uniqueness (or some combination of the three) that other companies cannot easily replicate

**Technology Leverage:** Company is committed to incorporating leading-edge technologies into product offerings to enhance product performance and value

**Price/Performance Value:** Products or services provide the best value for the price compared to similar market offerings

**Customer Purchase Experience:** Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

**Customer Ownership Experience:** Customers are proud to own the company's product or service, and have a positive experience throughout the life of the product or service

**Customer Service Experience:** Customer service is accessible, fast, stress-free, and of high quality

## About Frost & Sullivan

Frost & Sullivan is the Growth Pipeline Company™. We power our clients to a future shaped by growth. Our Growth Pipeline as a Service™ provides the CEO and the CEO's growth team with a continuous and rigorous platform of growth opportunities, ensuring long-term success. To achieve positive outcomes, our team leverages over 60 years of experience, coaching organizations of all types and sizes across 6 continents with our proven best practices. To power your Growth Pipeline future, visit Frost & Sullivan at <http://www.frost.com>.

## The Growth Pipeline Engine™

Frost & Sullivan’s proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.

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### Key Impacts:

- **Growth Pipeline:** Continuous Flow of Growth Opportunities
- **Growth Strategies:** Proven Best Practices
- **Innovation Culture:** Optimized Customer Experience
- **ROI & Margin:** Implementation Excellence
- **Transformational Growth:** Industry Leadership



## The Innovation Generator™

Our 6 analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

### Analytical Perspectives:

- **Mega Trend (MT)**
- **Business Model (BM)**
- **Technology (TE)**
- **Industries (IN)**
- **Customer (CU)**
- **Geographies (GE)**

