

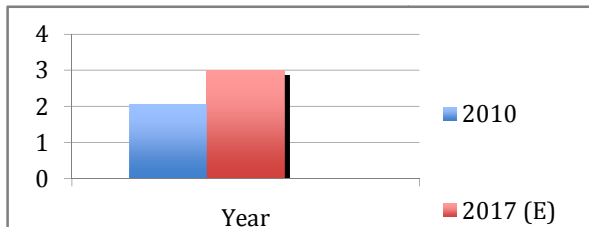
# Paint Market in the GCC



## What the markets are doing

With an influx of foreign investments in the Middle East, construction has reached new heights in terms of large-scale infrastructural and industrial projects. The paints and coatings market will also reflect the effects of such moves by becoming more dynamic. With the current expansion of industries, there has been a significant rise for consumer and industrial goods in the Middle East. With many nations promoting tourism, there has been a rise in hospitality, leading to a rise in infrastructural projects.

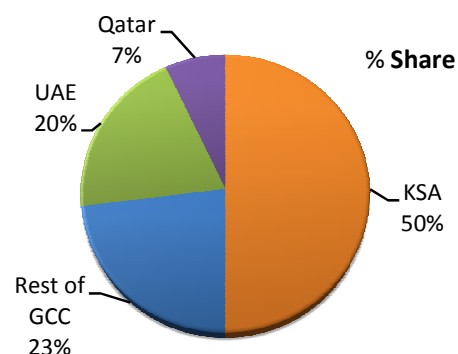
The Middle East paints and coatings sector earned revenues of \$ 2.059 billion in 2010, with estimates to reach \$ 3.003 billion by 2017 (Figure 1). In order to cut costs on continuous maintenance, many industries are turning to industrialized paints such as Epoxies and Polymers.



## The GCC Paint Market

With the GCC experiencing significant construction and industrial growth, it has become one of the fastest growing markets for the paints and coatings industry. The paint and coating market was estimated at \$ 2.059 billion in 2010 and expected to reach \$ 3.003 billion by 2017 at a compound annual growth rate of 5.5 % as per a Apr 2013 report by Frost & Sullivan.

Saudi Arabia alone accounts for close to 50 % of regional demand averaging a little less than 900,000 tonnes per annum.



With large infrastructure outlays planned for setting up six new industrial towns with an investment of close to \$500 billion, there will definitely be positive impact on the demand for paints and coatings. The UAE with Abu Dhabi announcing similar plans and outlays comes in a close second and comprises 20% of the market demand for paints, the market break up is shown in Figure above.

The paints industry in the GCC is differentiated broadly by usage, and the following are the categories:

1. Decorative – Coatings for Buildings
2. Powder – Coatings for Consumer Durables
3. Marine – Coatings for Ships and Yachts
4. Protective – Coatings for Industrial Equipment
5. Auto OEM & Refinish – Coatings for Automotive Industry
6. Other – Coatings for Wood, Can and Coil

The GCC paints market is highly competitive with notable names such as **Jotun Paints, Hempel Paints, AkzoNobel, Sigma, BASF, DuPont**, etc. It is difficult to get entry into such a market until the offering is differentiated and can lead to significant cost savings over a period of time.

## Key Market Drivers

The basic demand from paints is derived from the large infrastructure spending that the various governments in the region. With the planned outlay being in Billions of dollars, the demand for paint has been steadily rising. The key markets drivers are as follows:

1. Abu Dhabi has some of the largest projects under way such as **Capital District, Al Reem Island, Yas Island development, Masdar City, and Saadiyat Island**.
2. Saudi is a leader in infrastructure spending with projects such as **King Abdullah Economic City, Kingdom City, Riyadh power plant, expansion of Rabigh power plant, Haramain High Speed Railway linking Jeddah with Makkah and Madinah, and infrastructure development projects such as the expansion of King Khaled International Airport in Riyadh and Prince Mohammed Bin Abdul Aziz International Airport in Madinah**.
3. Kuwait wants to start privatizing the state infrastructure projects, some notable projects are **Madinat Al Hareer (City of Silk), Kuwait urban metro, and tourism development projects**.
4. Qatar is going to be one of the leading spenders in infrastructure gearing up for the 2020 world cup. Major projects in the state are the **Qatar national railway system, New Doha International Airport and New Doha port**.
5. Oman too is spending on expansion and setting up of ports which include **Sohar Airport, Muscat Airport, and Salalah Port**.

## Key Challenges

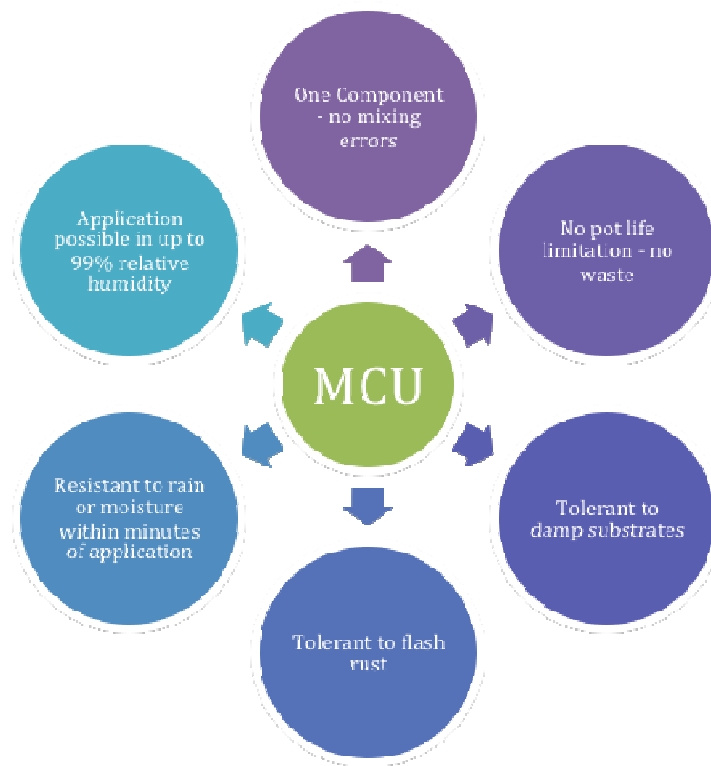
The key challenges in the paints market are:

1. Increasing raw material prices.
2. Price-sensitive market.
3. Low awareness of quality/specialized paints and coatings.

## What is MCU?

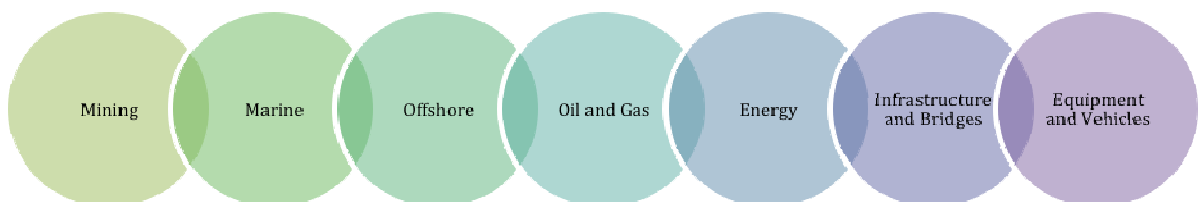
Moisture Cure Urethane is a single component polyurea coating technology that has a long-term life cycle compared to its competitors in the market. MCU is an effective and economical solution for nearly every construction need in which steel is the substrate material.

MCU can be applied with no regard to the weather conditions (i.e. temperature, humidity and dew point), shows resistance to UV radiation which is a plus point in the Middle East as it provides long term durability, and it dries quickly in comparison to its competitors. While using other paints, a minimum of 20 various coats will be required, but with MCU 3 to 4 coats will suffice, thus reducing wastage and guaranteeing the fastest possible project completion time. Figure 3 shows the benefits of using MCU in the Middle East.



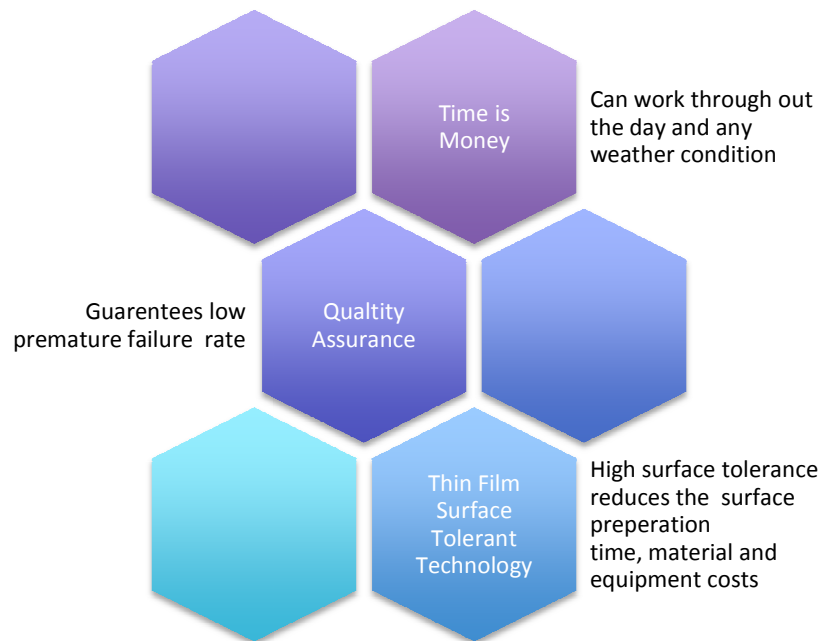
## Uses for MCU

MCU can be used in a variety of Industries as shown in figure 4. All of these industries are quite prominent in the Middle East. MCU offers many advantages to the contractor and the project owner in terms of time and money. Projects no longer need to be shut down due to weather constraints, as MCU can withstand humidity, heat, cold and rain. As much as 35% of the overall time can be cut when using MCU.



## Competitors in the GCC

MCU's competitors in the Middle East would be the more traditional paints such as inorganic zinc primers, coal tar epoxy and lead based primers. MCU outperforms all of these paints with 3 differentiators:



## Comparison of MCU to its competitors

The table below compares the some of the features of MCU to its competitors – 2 component coatings.

MCU	2 component coatings
1. Can be applied at up to 99% of relative humidity	Stop painting at 87% relative humidity
2. Can paint in the rain	Stop painting if rain is expected
3. High resistance to atmospheric chemicals	Chemical deterioration in chemical environments
4. 1 component = no chance of mixing wrong	High possibility of getting the wrong mixture
5. No pot life = no wastage	Pot life = wastage

6. UV resistant	Poor UV resistance
7. No irritation to applicators skin or eyes	Irritation
8. Less chance of premature fail	Good chance of premature fail

## How can Falak help

The ability to successfully sell a product/services is equal in its importance to the ability to create it. A large number of successful businesses attribute their growth to them effectively 'getting the word-out'. To add to the equation, the advent of social media has made the customer base more informed than ever before and the sales channels more informal. This has led to a new way of thinking to capture the right customers.

To enhance the market presence of our clients, we attempt to fully understand the nuances of their business operations and help define the following:

- **A successful go to market strategy:** Helping define and answer the most fundamental of questions, how do you take your product of service to the market?
- **Product and pricing:** We help you understand how to enable pricing to drive the demand for your product.
- **Defining a sales channels:** Deciding how the information will reach the desired customer is key a marketing strategy. We help you make a statement in the most cost effective but efficient manner.
- **Providing consumer insights:** We assist you in understanding the thinking and behaviour patterns of a customer which in turn helps devising actionable strategies that drive profitability and value.

**Further information is available at [WWW.FALAKCONSULTING.COM](http://WWW.FALAKCONSULTING.COM)**

*The information contained herewith is deemed confidential and remains commercially sensitive.*

## Acknowledgements

- Admin. 2013. *MCU-Coatings vs Epoxy Paint Coating for Steel Corrosion Protection, protective coatings, marine paint.* [online]
- Bayer MaterialScience NAFTA - *Our Businesses - Coatings, Adhesives & Specialties - Coatings Raw Materials - Moisture Curing One Component Coatings.* [online]
- *Coating supplier and manufacturer for marines, industries, minings - MCU Coatings International.* [online]

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