

Marketing Mix Strategies and Indian Cement Sector

Sunil Kumar
Research Scholar
SRM University, NCR Campus,
Modinaga, India

Dr. N.C. Bansal
Professor & Head Dept. of Management Studies
SRM University, NCR Campus,
Modinagar, India

Abstract:

Cement is an essential component of infrastructure development and most important input of construction industry, particularly in the government's infrastructure and housing programs, which are necessary for the country's socio economic growth and development. It is also the second most consumed material on the planet. The Indian cement industry is the second largest producer of cement in the world just behind China, but ahead of the United States and Japan. It is consented to be a core sector accounting for approximately 1.3% of GDP and employing over 0.14million people. Also the industry is a significant contributor to the revenue collected by both the central and state governments through excise and sales taxes.

Key words: - Cement Sector, Material, GDP.

I. Introduction

The **marketing mix** is a business tool used in marketing and by marketing professionals. The marketing mix is often crucial when determining a product or brand's offering, and is often synonymous with the **four Ps**: *price, product, promotion, and place*; in service marketing, however, the four Ps have been expanded to the **sevenPs** or **eight Ps** to address the different nature of services. In recent times, the concept of **four Cs** has been introduced as a more customer-driven replacement of **four Ps**. And there are two **four Cs** theories today. One is Lauterborn's four Cs (*consumer, cost, communication, convenience*), another is Shimizu's four Cs (*commodity, cost, communication, channel*).

II. Research Methodology

Research methodology is a technique, which provides the building structure to carry out research in various areas. The researcher shall follow following Procedure:

Research design: The proposed study will be exploratory in nature and a sample of few selected companies.

Area of the Study: The study shall be conducted in selected cement companies, with the help of detailed questionnaire and Personal interview of the marketing executives, to understand marketing policy and strategies of these companies.

Period of Enquiry: The proposed research work will be conducted at micro level for which the study period will be for the year 2005 to 2012 or till the submission of the study.

Collection of Data and Analysis: The study will be based on both Primary and secondary data. Primary data shall be collected through a detailed questionnaire and Personal interviews, but secondary data will be obtained from the records of the sample companies.

Tabulation, Analysis and Interpretation of data and information: Collected data shall be logically arranged in the form of tables, which will be analyzed using appropriate statistical and mathematical devices. These data shall be used to test hypothesis, to achieve objectives of the study.

Statistical Tools to be used: The study shall consider market strategy and strategic management as independent variables in cement Industries and Corporate performance as dependent variables. Multiple regression analysis technique may be used to analyze the influence of independent variables: sales, quality, Management Policy, dependent variables-Profitability, capacity utilization, EPS (Earnings Per Share) etc. Further "t" and "f" tests shall be used to check the level of significance of regression coefficients.

III. Analysis And Interpretation

Four Ps: the producer-oriented model

The marketer E. Jerome McCarthy proposed a four Ps classification in 1960, which has since been used by marketers throughout the world: -



Fig. Four Ps classification.

- **Product** - A product is seen as an item that satisfies what a consumer needs or wants. It is a tangible good or an intangible service. Intangible products are service based like the tourism industry, the hotel industry and the financial industry. Tangible products are those that have an independent physical existence. Typical examples of mass-produced, tangible objects are the motor car and the disposable razor. A less obvious but ubiquitous mass produced service is a computer operating system.
Every product is subject to a life-cycle including a growth phase followed by a maturity phase and finally an eventual period of decline as sales falls. Marketers must do careful research on how long the life cycle of the product they are marketing is likely to be and focus their attention on different challenges that arise as the product moves through each stage.
The marketer must also consider the product mix. Marketers can expand the current product mix by increasing a certain product line's depth or by increasing the number of product lines. Marketers should consider how to position the product, how to exploit the brand, how to exploit the company's resources and how to configure the product mix so that each product complements the other. The marketer must also consider product development strategies.
- **Price** – The price is the amount a customer pays for the product. The price is very important as it determines the company's profit and hence, survival. Adjusting the price has a profound impact on the marketing strategy, and depending on the price elasticity of the product, often it will affect the demand and sales as well. The marketer should set a price that complements the other elements of the marketing mix.
When setting a price, the marketer must be aware of the customer perceived value for the product. Three basic pricing strategies are: market skimming pricing, market penetration pricing and neutral pricing. The 'reference value' (where the consumer refers to the prices of competing products) and the 'differential value' (the consumer's view of this product's attributes versus the attributes of other products) must be taken into account.
- **Promotion** - represents all of the methods of communication that a marketer may use to provide information to different parties about the product. Promotion comprises elements such as: advertising, public relations, personal selling and sales promotion.
Advertising covers any communication that is paid for, from cinema commercials, radio and Internet advertisements through print media and billboards. Public relations is where the communication is not directly paid for and includes press releases, sponsorship deals, exhibitions, conferences, seminars or trade fairs and events. Word-of-mouth is any apparently informal communication about the product by ordinary individuals, satisfied customers or people specifically engaged to create word of mouth momentum. Sales staff often plays an important role in word of mouth and public relations (see 'product' above).
- **Place** - refers to providing the product at a place which is convenient for consumers to access. Place is synonymous with distribution. Various strategies such as intensive distribution, selective distribution, exclusive distribution and franchising can be used by the marketer to complement the other aspects of the marketing mix.

The seven Ps is an additional marketing model that refers to the already mentioned four Ps, plus 'Physical Environment', 'People', and 'Process'. 'Physical evidence' refers to elements within the store -- the store front, the uniforms employees wear, signboards, etc. 'People' refers to the employees of the organization with whom customers come into contact. 'Process' refers to the processes and systems within the organization that affects its marketing process. These latter three factors are not cited nearly as often as the first four outlined in depth above.

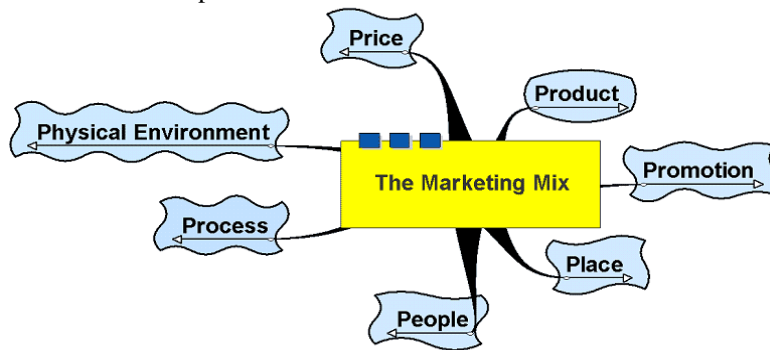


Fig. The seven Ps

Four Cs: the consumer-oriented model

Robert F. Lauterborn proposed a four Cs classification in 1993 which is a more consumer-oriented version of the four Ps that attempts to better fit the movement from mass marketing to niche marketing:

- Product part of the four Ps model is replaced by "Consumer", shifting the focus to satisfying the consumer needs. By defining offerings as individual capabilities that are combined and focused to a specific industry, the result is a custom solution rather than the pigeon-holing of a customer into a product.
- Price is replaced by "Cost", reflecting the total cost of ownership. Many factors affect Cost, including but not limited to the customer's cost to change or implement the new product or service and the customer's cost for not selecting a competitor's product or service.
- Promotion is replaced by "Communication", which represents a broader focus. Communications can include advertising, public relations, personal selling, viral advertising, and any form of communication between the organization and the consumer.
- Place is replaced by "convenience". With the rise of Internet and hybrid models of purchasing, Place is becoming less relevant. Convenience takes into account the ease of buying the product, finding the product, finding information about the product, and several other factors.

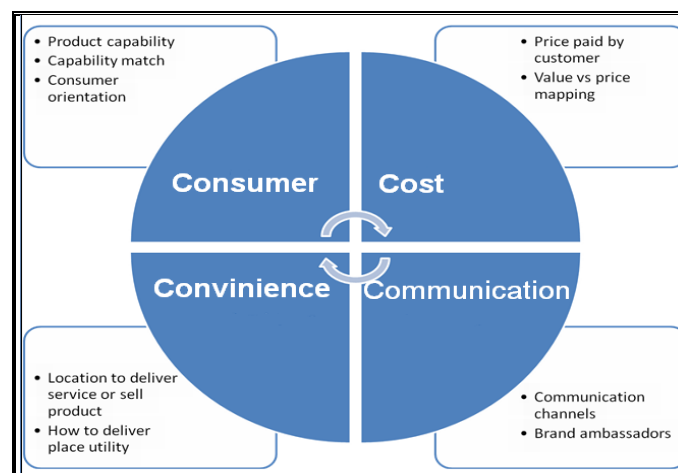


Fig. Four Cs classification

Product

Cement industry does not have a large product mix and same applies for various cement companies. The product mix can be classified on the basis of the types of cement available.

Problems in Product Mix: High Production Costs:- Due to requirement of commodities like Coal for production and high consumption of fuel required. Major raw materials used include Lime, Clinker, Gypsum Low or less product differentiation- Product differentiation between two brands is next to impossible.

High Transportation cost- Due to the bulky nature of product and sensitivity to external factors like rain or humidity we need to transport it in the right possible way. Once bagged cement becomes a perishable commodity, account for approximately 25% of the total costs.

High competition- There are 370 companies operating in the organized sector in India with the top 5 players accounting for 40% of market share. Different grades the cements have and the different types of cement i.e. PPC, OPC, white cement etc.

Packaging - Woven sacs are the most cost effective packaging. There are various types of bags made out of PP/HDPE and with or without lamination. Apart from it there are Jumbo bags which are used to pack bulk quantities. Off late Woven fabric which is the first stage of Woven sacks, is a preferred medium for bale wrapping and rain protection in the form of Tarpaulin. Visual appeal is not a major concern. Thus, it does not require any specialized designing of product package to attract customers as other products do. The major concern is ease of transportation, storage, minimizing pilferage. The package of Ambuja cement is yellow in color with woven ends and has hooks so that the porters find it easy to load and unload without hampering the main package. It also has its trademark logo of a macho holding building which highlights the message "GIANT COMPRESSIVE STRENGTH". The package should not allow entry of water as cement hardens when it comes in contact with water. The sac should be light weight as the product itself is bulky. Cement is an intermediate product—it either goes to a builder, or a concrete manufacturer, or small contractors for repairs and renovations. Even today the most preferred medium is bags, and this trend will continue. Only the dimensions will change.

Price

In Cement industry price is used only as a differentiator between the various Competitors brands. The prices of different brands in the same segment remain more or less similar, with just a difference of 2-5 rupee per bag. Sometimes price also varies with the order placed by the customer i.e. order placed by him is in trade or in non-trade. Pricing decisions in the cement industry largely depend on the price of the inputs like clinker, other raw materials, excise duties and taxes and the general operating profits. Generally increase or decrease of prices is affected across all brands in the market.

Most of the Cement companies offer a 5-10% margin to the dealer and particular amount of money against per Mt. of the sales to the Sales Organizer for promoting the sales in his region. Due to internal competition the dealers pass on this advantage to the customers by reducing their own margins to 2-3%.

This is a cause of concern for the cement companies because they have to keep a constant check on the prices offered in the market. The dealers offer more of discounts and the companies are not able to firm up the prices. Cement companies offer a lot of discounts like cash discounts, volume discounts, seasonal discounts, foreign tours and allowances to dealers for promoting healthy sales. The dealers take advantage of these discounts to gather more business

This variation in prices can be observed all over India. The major factors contributing towards the variation in prices are the regional transportation costs, the variations in regional supply and demand, difference in the intensity of competition amongst local retailers and distributors. Apart from this the prices keep on varying throughout the year depending upon the demand and supply dynamics, the costs of raw material used and other factors.

Discounts: The Company providing discount in case of bulk purchases. Though the profit margins are already low in cement industry thus discounting is not practiced in case of small quantities.

Promotion

Role of Sales Personal in Promotion: The major customer base which buys cement in India even today is the household owner. The end customer's purchase is influenced by opinion leaders' viz. contractors, masons, architects etc. Thus to attract them cements sales teams organize seminars for contractors and masons. They also interact with retailers and distributors who are the channel members representing the company to the end customer. They act as the connecting link. They also act as a channel between the company and contractors. The retailers or distributors play an important part in influencing the end customer.

Use of Advertisements in Promotion: Apart from this cements companies also come up with merchandises often where in the masons, contractors are gifted with caps, key chains-shirts with the logo of Cement Companies to enhance the brand recall

Sales Promotion Schemes: The sales promotion schemes are not directly implemented for the end user but channel members are the one who benefit from sales promotions. The companies also felicitate the best performers. They provide performance based incentives. Few players has worked out an equity-incentive scheme for its retailers, Instead of giving cash incentives, retailers are given the option to own shares in the company. The understanding is between the dealer and the retailer and the company is no way involved in the share purchases, "said a company official. Besides, they have other performance-linked incentive schemes for their retailers which include gold coins and foreign trips. Also on offer are insurance covers for a certain amount to say Rs 5 lakh for personal accidents and scholarships for their children etc.

Few Companies worked out a mechanism under which one particular scheme can be availed of in combination with other available schemes as well. For enjoying abroad trips the stockiest will have to meet their sales target.

Place

Distribution Channels Involved: It is required a nationwide reach with strong foot prints in India. The cement plants may also cover strategic locations in all the regions. A wide dealer and retainer net work also required to nurture the empowered trade partnership even to reach even the tiniest village. The concept of a two-tier distribution chain comprising of manufacturers and dealers function very well. It is a perfect and simple set-up, in the sense that manufacturers sale cement to dealers. From thereon, the onus is on the dealers who established contact with builders, government and institutional buyers, and sold to retailers. Company invariably hires C&F agents or transport cements to own or government warehouses either via roadway or railways. In case of exports, cement reaches the nearest port via roadways or railways and is then transferred to the importing country.

Domestically, from C&F agents or warehouses the cement is transported to the dealers/distributors and in turn to sub-dealers who finally sell it to the end users. There may or may not be physical ownership of goods. In the second case, dealers and sub-dealer stake order from buyers and place it to the companies, coordinate and monitor the timely dispatch of said orders, transportation of goods and final delivery. Distributor network in cement industry is highly dominating and companies are compelled to hire as they do not really have that rapport and touch with the end consumer of their product. Apart, from this, the distributors have storage facilities as well which help control well in the entire supply chain as they are the ones who bring order sand therefore are directly responsible for the business that a manufacturer would do. However, with the mushrooming of large plants engaging in cut-throat competition to grab a bite of the market pie, Indian cement companies are now beginning to adopt innovative strategies that have revolutionized the way cement is sold in India. What was predominantly sold in bags is now being sold in bulk, albeit in different quantities. Also, with a view to adding value to their products, manufacturers have now started selling concrete instead of cement.

IV. Conclusion & Suggestion

Considering the growing demand for cement in India and higher capacity utilization over the years, key Indian players have already begun to revisit their business strategies. Further, as cement is a commodity and the process is well known, there is no USP as far as this product is concerned. Therefore, the differentiation would largely relate to operating efficiencies, cost optimizations and reduction, and providing superior product and service and marketing strategies such as the presence of a stable and proactive marketing leadership, targeting specifically various customer and market segments, an expansion in product profile complemented with aggressive sales promotion and advertising will be the key to unlocking the puzzle of profit and expansion in the Indian cement industry in the 21st Century.

References

1. *International Conference on Economics, Business and Managemen*
2. Shubhav Gupta, "Corporate Strategy: Indian Cement Industry", April, 2010. [Online]. Available: <http://www.scribd.com/doc/32159493/Overview-of-Indian-Cement-Industry-2010>.
3. "Cement", July 2010. [Online]. Available: <http://www.ibef.org/industry/cement.aspx>.

4. BMR Advisors, "Global Cement Industry", 2008. Available: <http://www.bmr advisors.com/budget2010/infrastructure-realestate.html>
5. "Cement industry in India", October 2009.[Online]. Available: <http://business.mapsofindia.com/cement/>. [Accessed: August 3,2010]
6. Gautier E.H., Hurlbut, Iyron R.; Rich, Edward A. E., "Recent Developments in Automation of Cement Plants", *IEEE Transactions on Industrial and General Applications*.
7. Aizawa, T. Kawano, T. "Optimization systems in production and distribution of the cement industry", 2002. *IndustryApplications*,
8. *IEEE Transactions*. pp:695-703