



Factors Affecting Marketing Strategies in Cement Industry

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Abstract

After 1st World War, The cement industry made a rapid progress in India. The cement Industry received protection from various Government policies during 1925. In 1926, to end the competition cement manufacturers founded Indian Cement Manufacturers Association. In 1930, Cement Marketing Company of India was established with a view to making cement industry well organised and to expand the production capacity. ACC is jointly set up by the Associated Cement Company to eliminate competition, for management and sale of production. The cement companies of Dalmia group, formed a separate group in 1938. In this way, private sector was divided into two groups i.e. ACC Group and Dalmia Jain Group. In this study, total 60 Distributors in Indore City were selected and gathered Responses on marketing strategies like product performance, pricing, promotions, branding, segmentation etc. employed by them. Factor analysis was applied and on the basis of loadings important factors were identified and examined its variance with Eigen values.

Keywords: product performance, pricing, promotions, branding, segmentation, sales growth

Introduction

By the end of this decade, cement industry is able to increase its demand and overcome the shortage from the Indian market. However, there are many cement industry players in the market. So price of cement has no such variations and monopoly is totally eliminated from the market. Now, the demand is always raised from the quality of products and price of cement has no such value in front of quality. In this competitive environment, companies want to expand their size for increasing their production capacity to gather the benefits of economies of scale. Companies are going for mergers and acquisitions to avoid the cost of setting up new plants which require huge capital and labour.

Currently, larger capital-intensive companies are acquiring capacities to consolidate their market shares through mergers and acquisitions by going through a phase of consolidation (Sharma, 2008).

The structure of the industry is fragmented and can broadly be classified into three categories; India presence, regional presence and marginal presence.

- The first category consists of two groups with all India presence viz., Holcim (the Swiss multinational) controlled ACC and Ambuja cements; Aditya Birla group controlled Grasim Industries, Century Textiles and UltraTech Cement.
- The second category consisted of companies whose presence is restricted to one region but with a stronghold in markets of their respective operations.
- The third category consists of small companies with marginal presence, constituting the balance capacity of the Indian cement industry.
- Companies like CCI, J&K Cement, Panyam Cement, Penna Cement etc., fall in this category (Mukhopadhyaya et al, 2012).

Contribution of Indian Cement Industry in World Cement Production

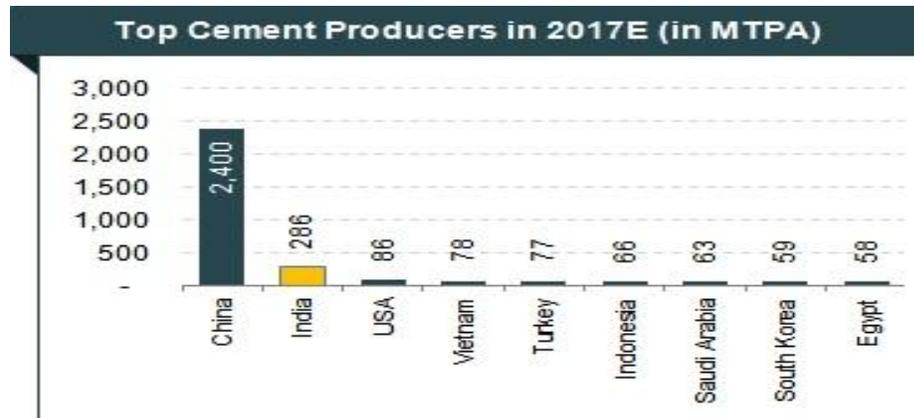


Figure 1

The above figure shows that top cement producers in World in 2017 (in MTPA). The data shows that China has first rank in contribution of cement in world in terms of 2,400 MTPA, second credit goes to India in 286 MTPA followed by USA 86 MTPA, Vietnam in 78 MTPA, Turkey in 77 MTPA, Indonesia in 66 MTPA, Saudi Arabia in 63 MTPA, South Korea in 59 MTPA and Egypt in 58 MTPA.

The cement industry has increased to meet the growing infrastructural needs of the country during first five-year plan by the government of India. In the 11th five-year plan by the Government of India, apart from developing roads and highways presented the re-constructing various heritage sites, urban development and slum-reconstructions. The housing sector, with the increase in population which accounts for almost 50% of the demand for cement, will further push the demand. The metro rail projects in Mumbai, Bangalore and Hyderabad and the expansion phase in Delhi drive cement demand in this segment. Airports modernization across major cities will also expand demand. Projects involving the hosting of the Commonwealth Games in 2010 and similar large-scale sports activities are driving demand.

It is observed that rapidly growing urbanization, rising income segment, growth in population has increased the growth of service sector as this sector have generated huge employment opportunities so cement is required at increasing pace. Mainly the areas where the demand of cement is reported in urban and prosperous rural belts. There are main drivers of this growth are:

- ❖ Increased nuclear family has reduced the average size of the household.
- ❖ Tax saving
- ❖ Availability of loans for house construction from various financial institutions
- ❖ Per capita income has also increased

For the last ten years, the retail sector has been growing rapidly and the disposable income is also increased so there is a need to construct Mall which require a huge investment for expanding the business and also generating of employment. India will spur growth in the coming decade as an emerging markets in Asia.

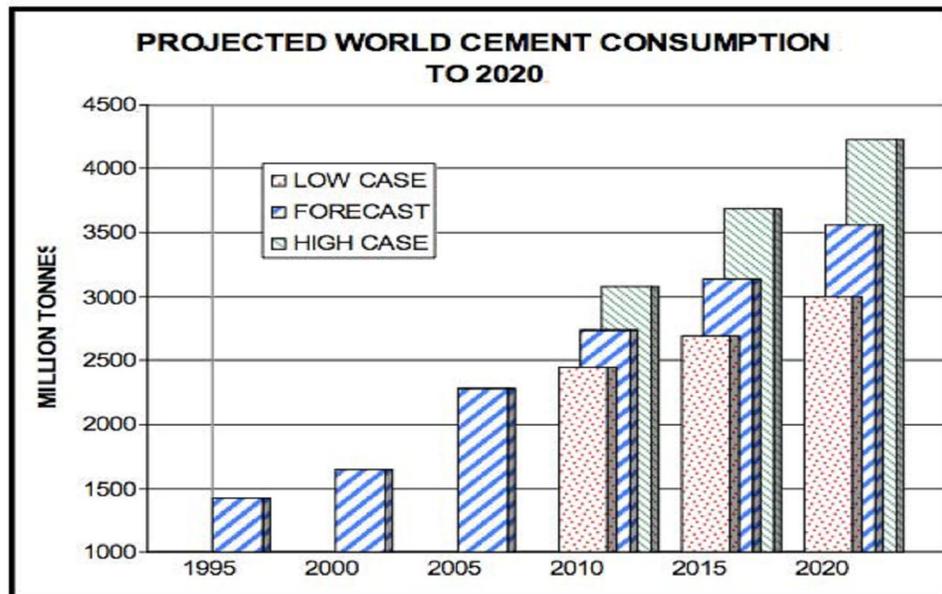


Figure 2. Estimate Production of Cement in 2020

Review of Literature

Dawood, U. (2014) in his research study discussed on factors influencing profitability of cement industry for the last ten years. The study concluded that no association was observed between cost efficiency and profitability. But after applying the innovative methods, a drastic change was observed in the production with the quality of products.

Devi, M. and Mugunthan, C. (2017) in their study focused on analysis of profitability during the period of 2007 to 2016 for selected cement companies in India. The cement industry had played a vital role in generating employment, infrastructure development and real estate sector. Hence, the study suggested that to increase the growth rate of profitability, the cement industry should concentrate on innovative strategies and modern techniques of production at minimum inputs.

Rationale of the Study

The cement industry is facing an unexpected increase in demand with the economic boom in India. Looking at the increasing demand, the Indian cement industry will have to increase the production capacity in competing the multi-national markets. The growth of this sector can be determined by business strategies such as research and development, customer retention strategies, innovation, branding strategy, Government policy, globalization, consolidation etc. According to the survey, by 2020 the consumption of cement is expected to increase about 3560 MT in the world. The increased infrastructure development has also boost up the sales. Hence, the purpose of the study was to measure the different brands of cement industry in terms of marketing polices, Government policies, production policy etc. for the study five different cement brands have undertaken in Indore city.

Objectives of The Study

- ❖ To study the marketing policy of different brands of cement industry in Indore city.

Research Methodology

Research Design: The research design is descriptive.

Research Area: The study was carried out in Indore city.

Universe: Population in the study refers to group of marketing managers, individual customers, builders, Architects etc. from Indore city who are related to six brand companies of cement i.e. J.K Cement, Birla White Cement, Ultratech, J.K. White Cement and Jaypee Cement Ltd.



Sampling Size: For the purpose of the study total 60 Distributors were selected.

Sampling Method: For the purpose of this research, convenience has been used.

Tools for data collection: The tool used for the primary data collection is a self-designed questionnaire. Factor analysis was used.

Analysis on Distributors

The separate questionnaire is structured for collecting the responses from Cement Distributors so that come to know about the marketing strategies in cement industry. For the study total 60 distributors are chosen and through structured questionnaire their responses were gathers and analysed.

Loadings of Variables through Factor Analysis

The section presents the loadings of Factors along with Reliability, KMO, Cumulative Variance, Eigen Value. Total six Factors were identified which present the marketing strategies of Cement Industry.

Table 1: Factors of Marketing Strategies

Dimensions	Avg. Loadings	Reliability	Validity	KMO	Cumulative Variance (%)	Eigen Value
Product Performance	.655	0.710	0.842	0.644	44.028	1.761
Pricing	.651	0.712	0.843	0.650	43.011	1.290
Segmentation	.685	0.764	0.874	0.682	47.286	1.419
Positioning	.763	0.716	0.846	0.622	62.018	1.222
Branding	.793	0.723	0.850	0.601	62.183	1.865
Promotions	.695	0.811	0.900	0.665	58.957	1.489

The six factors were identified on the basis of its loadings related to marketing strategies in cement industry. The first important factor on branding have highest loading that is 0.793. The reliability is 0.723 which is accepted and the KMO is 0.601 depicts the sampling adequacy means that the sample is adequate. The Eigen Value should be more than 1 so in this factor it has 1.865 with 62.183% cumulative variance.

The second important factor on positioning have highest loading that is 0.763. The reliability is 0.716 which is accepted and the KMO is 0.622 depicts the sampling adequacy means that the sample is adequate. The Eigen Value should be more than 1 so in this factor it has 1.222 with 62.018% cumulative variance.

The third factor on promotions have highest loading that is 0.695. The reliability is 0.811 which is accepted and the KMO is 0.665 depicts the sampling adequacy means that the sample is adequate. The Eigen Value should be more than 1 so in this factor it has 1.489 with 58.957% cumulative variance.

The fourth factor on segmentation have highest loading that is 0.685. The reliability is 0.764 which is accepted and the KMO is 0.682 depicts the sampling adequacy means that the sample is adequate. The Eigen Value should be more than 1 so in this factor it has 1.419 with 47.289% cumulative variance.

The fifth factor on product performance have highest loading that is 0.655. The reliability is 0.710 which is accepted and the KMO is 0.650 depicts the sampling adequacy means that the sample is adequate. The Eigen Value should be more than 1 so in this factor it has 1.761 with 44.028% cumulative variance.

The last sixth factor on pricing have highest loading that is 0.651. The reliability is 0.712 which is accepted and the KMO is 0.644 depicts the sampling adequacy means that the sample is



adequate. The Eigen Value should be more than 1 so in this factor it has 1.290 with 43.011% cumulative variance.

Conclusion & Suggestions

Vision 2030 without ensuring the environmental sustainability of the industry's growth for Indian cement cannot be realised. Building right is not only good for the planet but it also makes sound business sense. The Indian cement industry can build on past successes in sustainability by focusing on the increasing demand of cement.

In the coming years, the cement market will be doubled by 2030 due to increasing infrastructure demand with the rising population. There are some future assumptions are given in terms of the potential reality:

1. India with third largest economy will be the world's most populous Nation by 2030.
2. Indian cement industry will face challenges posed by the rapidly developments.
3. The cement industry will adopt a new vision in terms of grasping the opportunity that is Build More, Build Well and Build Right.

The Indian cement industry will play a unique role in building a new India with its following concepts:

1. Cement will build the infrastructure.
2. Cement will create local employment for young labour force.
3. Cement will contribute to the tax revenue to make more investments.
4. Cement will attract FDI to make in India.
5. Cement will enable sustainable growth.

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