A Study on Future Marketing Trends Indian Cement Industry

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ABSTRACT:
Cement is the single most important and profitable product in the building material sector and with the consumption of cement in India to touch 600 million tonnes by the year 2020. With an 8% GDP growth rate, governmental infrastructure augmentation and population expansion, the Indian cement industry is a market of opportunities waiting to be tapped. A direct implication of this sectoral growth is the influx of multinationals like Holcim and Lafarge, which will drive Indian cement companies in the building industry to adapt new business strategies to complement the higher demand and competition. A cogent analytical research on governmental reports, industry data and cement MNC annual reports has been performed. On analysis and scrutiny of the distinct variables involved in this market, this paper investigates the current and future trends in the Indian cement industry and enumerates key business strategies that cement conglomerates will have to adapt to compete in the Indian building materials market.

Keywords: Cement Industry, Marketing strategy, Marketing research.

I. INTRODUCTION

Indian cement industry has passed through many ups and down. It was under strict government control till 1982. Subsequently, it was partially decontrolled and in 1989, the industry was opened for free market competition along with withdrawal of price and distribution controls. Finally, the industry was completely de-licensed in July 1991 under the policy of economic liberalization and the industry witnessed spectacular growth in production as well as capacity. Over time, the industry has also witnessed spread of the plants in several regions of the country. With the economic boom in India, the cement industry is experiencing a surge in demand. India has become the second largest producer of Cement in the world after China. With India’s GDP growing annually by about 8%, there will be paramount demand of infrastructure, and the Cement industry is expected to increase to 600 MT by 2020.

In emerging economies, particularly in Asia, demand will increase more significantly. Therefore, expansion will be there in growing economies and this is an important aspect of global strategy. There are three major macro-level overhauls that conglomerates need to integrate which are:

a) Vertical Integration: Most large global players have multi-product businesses in the building materials segment and a key focus is to maintain the strategy of vertically integrating core activities of cement, ready-mixed concrete and sand and gravel. Cement continues to play the leading role.

b) Management Focus: The reorientation of the management style is based on proximity to operating activities, clear goals, consistent implementation and speed. The focus would be on:
increasing efficiency,
Cost leadership and growth.

c) **Cost Efficiency:** Where it is difficult to develop really unique selling points, cost efficiency is the decisive criterion for competitiveness, adequate sustainable returns and, therefore, the basis for growth. There will always be a balance between increased risks, returns and growth.

## II. TRENDS IN THE CEMENT INDUSTRY

The world consumption of Cement is expected to increase to about 3560 million tons by 2020. The world’s demand for Cement in the future will have developing countries account about 84% of it. India being the 11th largest economy of the world will play a major role in creating demand for Cement. The cement market grew by 10% in 2009-10 owing to the Real Estate boom in the country. The buoyancy in the industry has also been fuelled by the government’s increased infrastructural development. Since the first five-year plan by the government of India, the demand for Cement has increased to meet the growing infrastructural needs of the country. The 11th five-year plan by the Government of India, involves re-constructing various heritage sites, urban development and slum-reconstructions apart from developing roads and highways.

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. The growth drives are:

- Reduction in the average size of the household due to increased nuclearization family.
- Tax SOPs.
- Reduction in the age of the house owner.
- Easy availability and growing penetration of housing finance and a favorable tax regime.
- Increased per capita income.

## III. BUSINESS STRATEGIES FOR THE INDIAN CEMENT INDUSTRY

i) **Consolidation and Globalization:**

Large cement players in India will use the acquisition route to enhance capacity and market share. It is clear that smaller plants will not survive in the long term. The top five players will hold 70-80% of capacities and market in the next decade. There is an expectation that more global players would come into India as they would like to get a foothold in the market as the demand will propel in the emerging economies.

ii) **Process Automation:**

The significant nature of changes to the Information technology area and the manner in which information will be processed will be drastic over the next 10-15 years. This will have some impact on the cement industry. Higher levels of technology, its seamlessness and functionalities that have wider acceptance and usage will also bring down operating costs considerably.

iii) **Technology:**

Use of technology in marketing will assume more changes with increase in both communication and information technological changes. Concepts will emerge such as phone-a-cement, or portraying a 3-D animation of the house prior to its construction in a library, providing responses to customers through mobile technology.

iv) **Cement Economics:**

Costs have a significant bearing on the performance of an industry and cement is no exception. The uptrend in costs is likely to continue, although the increase in input costs is expected to be neutralized by rise in prices owing to higher demand.

v) **Corporate Governance and Branding:**

Corporate governance is as a set of systems, processes and principles, which ensure that a company is governed in the best interest of all stakeholders. The business environment has been changing over the years with increasing expectations from key stakeholders including regulatory bodies. Recent stock exchange regulations also require listed companies to enhance corporate governance and business practices and improved disclosure norms.

vi) **R&D and Innovation:**

Companies do not have much of application-oriented research and development efforts but this will become critical for future success. To a large extent, this is related to creating the application and customer of the future and understanding customer needs based on the emerging environment. Companies will need to create niche products and develop the market for such products by providing solution-based offerings to the customer.

## IV. CONCLUSION

We expect that in the presence of global competitors and a global market, Indian companies would be able to acquire most of the share of this market following sound business strata-gems as summarized below:

- The problem of up scaling and surviving competition with multinational companies calls for Consolidation and Globalization amongst all Indian cement players.
- The companies have to get a higher share of sales in the market. This would require multi-product entities. Indian Companies need to focus on products other than just cement like RMC (Ready Mix Concrete), and research new building materials that will create a niche for them in the market.
- To serve as a truly global company, the operations of a company can’t just be restricted to India.
To produce high quality cement and in the cheapest and most efficient manner possible, new technologies have to be adapted. New technologies have to be introduced and implemented across various plants and factories for enhanced control and efficient production of the product. Process Automation has to be employed to create high quality products.

REFERENCES