

The history of the cement industry marketing essay



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Cement industry is a huge industry having its presence worldwide. The major players occupying the largest market share are China, India and USA. Their respective market shares with regard to production capacity 2010 are 54%, 7% and 2% respectively. Other cement producers and exporters include Turkey, Brazil, Japan, Iran, Spain, Vietnam having 2% market share and Pakistan, Thailand, Germany, Mexico, Italy, Indonesia, Saudi Arabia, Korea, Egypt, Russia, with 1% market share.

Following display depicts the life cycle of cement industry in international market and in Pakistani market.

Maturity

“ International Cement Industry Life Cycle”

Growing

“ Pakistan Cement Industry Life Cycle”

Generally cement is used for construction purposes and is divided into two broad categories based on its properties, mainly Hydraulic and non-Hydraulic. Although the use of all variety of cement has changed over recent years and only certain forms are still used, but despite that a wide variety of cement can be created by blending different proportions of gypsum, clinker and other materials together. Following are the variety of cement available in the international market: Portland cement, Portland cement blend, Portland blast furnace cement, Portland Fly ash cement, Portland Pozzolan Cement, Portland Silica Fume Cement, Masonry Cement, Expansion Cement, White Blended Cement, Colored Cement, very finely ground cement,

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Pozzolan-line Cement, Slag-lime Cement, Super sulfated cements, Calcium aluminate cements, Calcium sulfoaluminate cements, Natural Cements, Geopolymer cements and Sulphate resistance cement.

Cement industry in Pakistan is a very important component of Pakistan's Industrial sector. It plays a pivotal role in its socio-economic development. Due to the current boom in industrial and commercial construction in Pakistan, the Cement industry is operating at the maximum output. Despite the large variety of cement availability in the international market, Pakistan has been producing only four types of cements namely Ordinary Portland cement, Portland Blast Furnace Slag Cement, Sulphate Resistance Cement and White Cement.

Following table gives a summarized description of types of cement produced globally and in Pakistan.

Types of Cement

Produced in Pakistan

Produced Globally

1

Portland cement

2

Portland cement blend

3

Portland blast furnace cement

4

Portland Fly ash cement

Portland Pozzolan Cement

5

Portland Silica Fume Cement

6

Masonry Cement

7

Expansion Cement

8

White Blended Cement

9

Colored Cement

10

very finely ground cement

11

Pozzolan-line Cement

12

Slag-lime Cement

13

Super sulfated cement

14

Calcium aluminate cement

15

Calcium sulfoaluminate cement

16

Natural Cements

17

Geopolymer cement

18

Sulphate resistance Cement

Pakistani Cement industry is divided into two large regions based on the geographic, namely Northern and Southern region. Overall, the industry comprises of 29 cement producing firms. 19 units are part of the Northern region and 10 units are part of Southern. The average production capacity of the industry is 44.09 million tons. The northern region is responsible for 80% of the production capacity i. e 35.18 million tons while the southern region is responsible for the remaining 20% i. e 8.89 million tons. Cement domestic market demand is of 19 million tons. Out of the 29 firms 6 occupy the major market share of the industry. Not all firms manufacture the four types of

cement available in the domestic market. Following is the domestic market share distribution analysis.

Following are the Salient features of the Pakistani Cement Industry:

Oligopolistic Competition exists in the Pakistani cement industry, but cartel formations are also witnessed.

In industry, Cement prices are similar, no obvious rather little product differentiation.

Barriers to entry are less.

Industry is growing thus high growth chances and high investment opportunity.

Both demand and supply forces are strong.

APCMA: All Pakistan Cement Manufacturing Association established in 1992 is the regulatory body of cement manufactures in Pakistan.

Pakistani cement industry accounts for being the 5th largest exporter of the world.

Cement exports are ranked 10th in the Pakistan export components list.

Export markets of Pakistan cement industry include Afghanistan, India, African countries, Middle Eastern counties and Iraq.

Per Capita consumption of cement in Pakistan has increased considerably over the recent years. It has increased two folds from 75kg in yr 2003 to 145kg in yr 2011. Overall world average consumption is 270kg.

Majors sectors of Pakistan which demand cement usage include Housing/building sector having 40% demand, Private building construction sector, Government development projects like dams, roads etc.

Factors having an significant effect on the local demand of cement in Pakistan include Increase in population growth, urbanization, decrease in interest rate, political and economical stability and seasonal variations.

Pakistan Cement industry has seen experienced considerable growth since last decade due to increase no of new development projects both is public and in private sector. Growth rate was 2. 9% from1990-2001 and is 20% since 2003-2010.

Industry hasn't reached economics of scale.

Current Senario And Future Outlook: For the past four years or so Pakistan cement industry has experienced stagnant sales resulting in financial losses but it soon bounced back recently with earning net profit of Rs 4. 300 million in the first half of 2011 and 2012. According to the recent reports there are shown record levels of domestic sales and exports with increases as much as 8. 84% and 3. 45% respectively. Domestic sales of cement are likely to flourish and remain consistent as the federal budget 2012-2013 has lowered the excise duty to Rs 200 per ton and GST by 1%. Moreover cement demand in Pakistan is forecasted to increase by 20% in coming years as major

development projects are in pipeline both funded by government and private sector e. g mega water and power project including Diامر Bhash multipurpose and two Chashma nuclear power projects and 56 housing and work projects under Public Sector Development Program etc.

Telecommunication Industry:

Telecommunication industry in Pakistan flourished during the privatization in 90's. The current industry life cycle is depicted as follows:

Growing: close to maturity

“ Pakistan Telecommunication Industry Life Cycle”

Although the Telecommunication industry is at the maturity stage around the world, in Pakistan it is still growing and is close to maturity. The reason being, all the industry segments are not fully targeted and latest technology accessibility across Pakistan is still no achieved yet.

Telecom industry of Pakistan is divided into six segments namely Cellular, Fixed/ Land Line, Fixed wireless local loop (WLL), Payphones, Voice Over IP, Internet sector (Cable net and Dial up, Broadband & DSL, Wireless connections , WiMAX (Wireless internet access).

Following are the Salient features of Pakistani Telecommunication industry:

High bargaining power of the customer exists as there is low or no switching cost.

Entry into the industry is difficult as there's a cut throat competition.

High maintenance cost.

Fast technology change and risk of out datedness.

About 91% of the Pakistani population has access to the telecommunication services.

According to recent surveys the total Tele-density of Pakistan cellular, landline and Wireless local loop (WLL) is 72. 1%.

Tele-density also referred to as telephone density is the no. of telephone connections for every hundred individuals living within a specified area.

Cellular sector share 56% of the total industry revenue.

Telecommunication industry share 2% of the nations GDP.

PTCL has 90% share in the landline market.

Following pie chart shows the telecom sector volume distribution in the industry 2009-2010.

Following table shows increase in the Telecommunication industries contribution to Pakistan's GDP.

Telecom Sector Revenues (In Rs Billion)

Period

Cellular

Local Loop

LDI

WLL

VAS

Total

2005-2010

89-236

71-61

7-47

12-2

13-10

357

Current Senario And Future Outlook: The telecom sector is the major contributor to government revenues as since the last decade, it has showed growth and progress because of deregulation and privatization of the sector. The last three yrs have hindered its rapid growth, due to investment shortfall, as the Economic survey 2011-12 of Pakistan showed that investments decreased by 56. 4 % i. e they are \$496. 8 million in fiscal year 2010-11 as compared to \$ 1, 137. 5 million in 2009-2010. This decrease in investment is due to the shortfall of revenues of the cellular operators because of tough competition in the industry, which has made investor

cautious to invest more capital. The foreign direct investment decreased by 78.9% during fiscal year 2010-11. Although the revenues generated by the companies in telecom sector has increased by 5.4% during last year but the cost on infrastructure, expanding coverage areas and service improvements are quite high. The FDI can be encouraged if the government takes interest and provide 3G/4G technology licenses, which are pending for some while now. Even countries like Nepal, Sri Lanka and India have introduced these technologies resulting in huge GDP gains and socio-economic development. 159 countries around the world provide 3G/4G technology. There is a huge market of mobile telephony and mobile broadband in Pakistan, as there is huge growth in population. PTA has depicted that broadband penetration will reach 10 subscribers per 100 inhabitants by 2020, touching nearly 78 million users, making it a lucrative market. Current coverage of telecommunication industry is covering 70% of total Pakistan's population which is expected to increase up to 85% in next 3 years.

Company Profile:

LUCKY CEMENT:

Lucky Cement Limited is sponsored by Yunus Brothers Group (YB Group), one of the largest business groups of the country, based in Karachi and Pezu (NWFP), has grown remarkably over the last 50 years. Lucky Cement rose in 1996. They have the largest cement production with a production capacity of 7.75 million tons. LCL also the first exporter and Pakistan's largest cement is loose and the only cement manufacturer charging and storage terminal at Karachi. Other exclusive features that allow cement fortunate to stand

before its competitor is the transportation fleet of 77 bulkers as well as two ship loaders.

Products: Lucky Cement now produces five brands of cement:

Lucky Cement.

Lucky Star.

Lucky gold.

Chairman.

Lucky Sulphate resistant cement(SRC)

Vision: Lucky Cement envisions to be the leader of the cement industry in Pakistan, and wants to identify and exploit new opportunities in the global market, and contributed to industrial progress and sustainable future, while being responsible corporate citizens.

Mission: Lucky Cements mission to be premium cement manufacturer by building a professional organization, a technologically state-of-the-art, and identifying new customers around the world to reach and maintain the service quality standards to cater to the needs of the international construction with an environment-friendly approach.

Core values:

Customer Focused: By providing quality, consistent and fair procedures.

Entrepreneurship: by being proactive and indentifying opportunities.

Social Responsibility: by providing sustainable development.

Ethics and Integrity: by being upright and reliable.

Innovation: bringing creative solutions and setting trends.

Excellence: by providing benchmark practices and continuous improvement.

Business strategy: Lucky Cement believes in:

Holdings and increasing their local dominant.

Increasing their share of international market by expanding their horizon and their work is not routine resource markets.

Cost and energy efficiency.

Sustainable development efforts.

HR excellence by nurturing our human capital.

Competitor: DG Khan Cement, Maple Leaf Cement, Fauji Cement, Best Way Cement and all the small producers and exported of cement in Pakistan.

Achievements: Lucky Cement has been awarded as the Top Sales, Income tax Payer, Exporter and Imported. They were also awarded with National CSR Excellence Award, Brand of the Year Award and Annual Environment Excellence Award.

PTCL (Pakistan telecommunication Ltd):

PTCL is the largest telecommunications provider in Pakistan. PTCL also continues to be the largest CDMA-operator in the country with 0.8 million V-Fone customers. The company maintains a leading position in Pakistan as an infrastructure of other operators and corporate customers across the country.

Pakistan Telecommunication Corporation (PTC) took over the operations and functions from Pakistan Telephone and Telegraph Department under Pakistan Telecommunication Corporation Act 1991. This coincided with the competition policy of the government to encourage the private sector and as a result of the issuance of licenses for mobile, payment cards, telephones, paging and, more recently, the data communication services.

In 1995, the Pakistan Telecommunication (reorganization) of the order form the basis of PTCL monopoly over basic telephony in the country. Pakistan Telecommunication Company Limited was formed and listed on all stock exchanges in Pakistan. PTCL launched its mobile and data services subsidiaries in 2001 and the name of Ufone and PakNet respectively.

Initially, one of the state corporations (SOEs), PTCL stake was reduced to ~62%, when 26% of the shares, and the control was sold to Etisalat Telecommunications and the remaining 12% to the public in 2006 under the privatization program intensify.

PTCL has laid Fibre optic access network in the major urban centers of Pakistan and the local cycle began modernized and upgraded from copper to optical network. For long distance and international parties to the <https://assignbuster.com/the-history-of-the-cement-industry-marketing-essay/>

infrastructure capacity of two SEA-ME-WE submarine cable is being expanded to meet the growing demand for international transport.

Vision: The vision of PTCL to be the leading information and communications technology services in the region by achieving customer satisfaction and maximum 'value' shareholders.

Mission: PTCL wants to achieve this vision, which are: organizational environment that fosters professionalism, motivation and quality of the environment, that is cost-effective and quality-conscious, service, based on the most optimal technologies, "Quality" and "Time" conscious customer service, sustained revenue growth and profitability.

Core values:

Integrity.

Customer Satisfaction.

Teamwork.

Company loyalty

Products:

Wire line operations

Fixed service line through the CDMA WLL based (Wireless Local Loop) network, branded VFone

Internet segment, fixed broadband access over ordinary copper wire and FTTC and wireless broadband technology EVDO Rev A, B, C technology trademark EVO

3G tab.

Cellular segment, the second largest cellular provider in Pakistan, Ufone GSM-based 800/1900 technology, also a subsidiary of PTCL.

The world's first commercial HD TV services based on IP-TV services under the brand Smart TV and supervision and home alarm over broadband under iSentry brand.

Submarine cable network: SEA-ME-WE 3, SEA-ME-WE 4, I-ME-WE.

Competitors: Internet Service Providers: Wateen, Wi tribe, World Call. Mobile companies: Warid, Telenor, Zong, Mobilink. Etc.

Achievements: 2012 / PTCL connects remote Balochistan through its Vphone wireless service, awarded 3RD Global Award Excellence, ESRI Special Achievement in GIS (geographic information system). etc

Functional Description:

Driving forces make industries flexible, because the life force behind the wheel of industry participants (customer, supplier or competitor) is to manage their plans and actions. These drivers cause an industry to change, to come up with plausible environment. It has a big influence on how the industry landscape will be changed.

Driving forces analysis: Its important as it helps in determining what type of drivers are?, analyzing their momentum effect on the industry, determining which type of strategy should be developed and should have a positive effect on the overall strength of the industry?

Emerging applications of the Internet: Using Internet technologies helps many industries and companies, and it creates opportunities and helps the industry to take advantage of all opportunities. Here we are in a technological age, where everything is available on the Internet. In a business context, the use of the Internet plays an important role. Products industry always has a great system of the value chain, therefore, more difficult to monitor the overall value chain. Suppose, if the industrial output to your Internet services available, it helps her to one of the following ways:

Increased use of the Internet and the speed> Growth in online store, Companies using online technology, work closely with suppliers and streamline its supply chain, Manufacturer> website> direct clients, All Business> geographical expansion, The Internet allows the client-> Power, to explore the range of products and to shop in the market the best price,

The ability of consumer to download music from the Internet has changed the traditional retail music

Increasing Globalization: Industry is moving towards globalization.

Businesses with long-term strategy can move from regional > National > multinational > International > Globalization (worldwide). Global competition begins, and it allows a business to increase their presence in each market, otherwise it will have to turn off your business. Production activity transfer / migrate to other countries where there is a low production cost. Global competition rises between market leaders and market followers.

Globalization is happening as it be seen an increased customer and their requirements in different countries, Government measures to reduce trade barriers. Europe, Latin America and Asia, Significant changes in the cost of labor -> location of plants, for example, China, India, Singapore, Mexico, the U. S., Germany and Japan, where there is cheap labor costs, Achieving economies of scale is very difficult, because the company's competitors to sell their products in many countries.

Changes in the industry long-term growth: This is one of the main driving forces of the industry. Offset industry growth up or down is a driving force for change in the industry, and it affects different sectors of supply and customer demand. Entering and leaving the competition in the industry, also affects the growth rate. To constant growth of the industry should come up with a flexible strategic goal and put hard efforts to meet it. It is always important for the industry to have a strategic plan to achieve long-term

growth, because only the presence is not important, but having the stability is vital as well.

Changes in who buys the product and how they use it: This is important for the industry term target their market in accordance with the buyer demographics. Changes in customer requirements affect the picture or substitute products or differentiated products. Industry needs to have information about their customers, as well as on how the market will react if there is a need for change in the product industry should add features to the product to maintain its existence, the buyer.

Innovative product: This is one of the key concepts of marketing. Innovation means to come up with creative / innovative product. This is a key driving force pushing the industry trend up or down, because we know, the concept of the pioneers became pioneers will always be either favorable or unfavorable to the industry again depends on the firm's strategy making.

Change in technology and innovation of the production process: Changes in technology could lead the industry to change its business processes dramatically. Technology changes a consequent impact on the industry value chain, we assume that the industry caused a change in technology has to change its production process through the adoption of innovative technologies and process changes eventually change the supply chain in the industry.

Marketing Innovation: The successful organization always comes up with various marketing tools in order to maintain existing customers and new customers by meeting their needs. Let the industry acceptance of <https://assignbuster.com/the-history-of-the-cement-industry-marketing-essay/>

advertising (one of the marketing tools) to promote their product, the industry should advertise it so that it's right to attract a buyer. Attach feelings buyers, emotions and values in the product attribution.

Entry or exit of large firms: Sometimes it is an opportunity for the industry to be in and out of large firms, because the entry of the company, who drive their competitors will greatly influence the industry The output of the big firms are also very important.

The dissemination of technical know-how: Basically it is a firm that has a high quality of expertise has a comparative advantage over their competitors. Know-how skills are often urged to industry, which is capital intensive and that has more on the basis of technology (machines). Know how to always require skills in the industry of automobile, tires, consumer electronics, telecommunications and computers. Technology transfer has become one of the most important driving force in the globalized marketing and competition.

Changes in cost and efficiency: It is always important for the industry have the advantage of low cost supplier. When it comes to the purpose of any business purpose, everyone has a low cost of production and efficiency. Production on the economy of scale is acceptable. E-tailing can have a lower cost in comparison to the brick-and-mortar retailers.

Growing buyer preferences differentiated products rather than commodity products: This is always in favor of the firm, which has a loyal customer or brand awareness. In order to keep loyal customers of the company should have to come up with differentiated products instead of the commercial
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product. Changes in consumer preferences change the pattern of behavior as a buyer retaining and attracting new existence can be profitable for the firm.

Reduction of uncertainties and business risks: The problem of uncertainty and business risk is always in any kind of business. The political factor affects so many business firms to risks and uncertainties. Industry must find their business operations, where there is less uncertainty. New growth areas, of course, face the problem of unproven cost structure, a lot of uncertainty with the potential size of the market, how much time and money required for technology adoption. Competition in the international market is also affected by the lower risks to the business and industry uncertainty.

Regulating effect and changes in public policy: The role of the state regulators can often cause significant changes in industry practices and policy approaches. The role of SBP (State Bank of Pakistan) in the financial market of Pakistan is very important. When the SBP will announce changes in monetary policy, it is actually showing the industry to change its in production. If the garden is on an expansionary monetary policy, it really wants to expand the money supply will grow the economy and encourage foreign investors to invest in Pakistan.

Change in social issues, relationships, and lifestyle: Social issues and the changes in attitude and lifestyle is a powerful indicator of the industry changes. We know that society plays a vital role in any business context. We as citizens of Karachi are after the Western culture and, therefore, to make our industry to change the traditional way of life in the Western way of life.

RELEVANT LITERATURE:

To understand the topic at hand and to draw results from our industry analysis and company wide information we need to define what driving forces are. For this purpose many definition from various sources have been compiled and the concept is summarized.

Relevant literature has been obtained from various sources. Google was the most prominent source. Business recorder website enlightened about the current trends. Company websites were also consulted to get annual reports. Industrial data was obtained from FBR and State Bank websites to obtain economic surveys. Strategic management book by Strickland was also consulted for understanding of the Driving forces.

Driving forces are termed as key internal and external forces that shape the future of any organization. External forces may be termed as economy, technology, competitors etc and internal forces being the organizations workforce, culture, processes etc. They are also termed as the force behind something in motion i. e the industry change/ moving towards specific direction/ staying competitive.- InvestorWords

Driving forces are also termed as the primary determiner of the scope of the future products and markets- basically determine the organization's strategy. They are the most dominant factors in influencing the most important decisions in question.- Tregoe and Zimmerman.

ANALYSIS AND PRESENTATION:

Driving forces relevant to Lucky Cement:

Increase of Globalization: Lucky Cement entered into a joint venture to make an investment in a major international project, not to expand and diversify its business in local projects. It was a joint venture with the cement plants in the DR Congo, Africa and Iraq. Machinery and equipment for a project in Africa was organized by the European supplier. Demand for Pakistani cement on the high side in Africa and Lucky Cement attempted to seize this opportunity with both hands. It also helped him to save logistics costs of cement export in Africa. In Iraq, the war on terrorism, Lucky Cement has given an opportunity to put a plant there, and because the city is in need of renovation. This led to higher revenue. Lucky Cement also acquired ICI Pakistan. Three firms have expressed concern the purchase ICI; Lucky Cement, Nishat Mills Limited and Fajr Capital Dubai ICorp. Of these, Lucky Cement lucky enough to take on the Lucky Cement. ICI is Pakistan's most respected companies, and it can attract some of the best graduates most ranking highest in industry.

Product and market innovation: Lucky Cements performance and high quality of its products is through the use of state-of-the-art technologies and manufacturing processes. Their goal is to produce durable products that are easy to use and provide additional value to our customers. To offer customized solutions to our clients, we are constantly investing in the development and improvement of products in the field of cement, concrete and building materials. We as a well established company can rely on their own research departments, as well as the experience and expertise of our technology subsidiary Lucky cement. With the transfer of knowledge, comparison and performance optimization, as well as the introduction of the so-called best practice solutions across the group, innovation and new technologies can be implemented quickly, resulting in improved products and processes for the benefit of our customers around the world.

Change of Technology And Innovation Production Process: Mining, crushing and grinding of raw material processes that are involved in the production of cement. Further, these processes include calcimine materials in a rotary kiln, clinker cooling, mixing clinker with gypsum, milling, storage and packaging of finished cement. Limestone is mined from a nearby quarry and then transported to the dump. It is then turns to the desired size and mix in large stocks. More materials needed to bring it into the right shape, then added.

This mixture is then converted into a fine powder, which is then stored in large mixing silos. Then pulverized coal in a coal crusher and ground to a powder in the coal mill. This is used to heat the heater. Then the raw material comes in silos and is heated before it enters the furnace. A cement mill, gypsum and other additives and raw materials are added and ground to make the final form of cement.

Innovation market: Good relations with neighboring countries, especially India and Afghanistan will create new market opportunities for Lucky Cement to use the full potential of the market for used cement plants. Pakistan currently has 42 million tons of cement production capacity, but due to low demand in the country, its use is low and almost 70 percent of the plants are in the loss. The demand for Pakistan to India has increased, because the quality of the cement was higher than that produced in the country, and prices were relatively low. It was also useful to take a cement plant in the Indian market because of logistical advantage that it was getting into Sri Lanka and Africa has also proved attractive to the emerging markets of Pakistani cement and Lucky Cement to put plants in the Congo and Iraq. Cement industry also face challenges in the country, because it was a lack of projects of social development and construction activities in the country has been slow. The cost of doing business was also high due to rising energy prices. Energy prices is the main cost of cement plant, so if the cost of energy will continue to grow and it will have a direct impact on the cost of cement, too.

Emerging new features and internet use: As the need of the business is growing every day, Lucky Cement has taken personal information management system, to provide business solutions that are effective and efficient.

Management team Lucky Cement has played an important role in the development of the process and to meet the growing challenges. Lucky Cement is also converted to an advanced version of Oracle 10G, in order to provide a new interface for their proprietary software modules. This year, they have also focused on the automation of business processes in their plants for the effective functioning of processes.

Energy Efficiency: To achieve a sustainable future, a good business is to focus on energy efficiency. Lucky Cement has taken numerous steps to ensure that energy savings. They have reduced carbon dioxide emissions, using the current state of the heat recovery plant to produce them. This plant gives them the right to carbon credits. Now they are planning to introduce tire Derived fuel than the use of coal. This project is a waste recycling plant restoration project type of value added in the cement sector, because it contains the same amount of energy as oil and twenty-five percent more energy than coal.

Changes in the industry long-term growth