

Question case cemex essay sample

[Economics](#)



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1. What benefits have CEMEX and the other global competitors in cement derived from globalization? More broadly, how can cross-border activities add value in an industry as apparently localized as cement?

CEMEX and their competitors have realized many benefits from globalization. The first of these was a reduction on tariffs associated with exporting their product. If the manufacturer has a localized facility, they do not have to pay export tariffs on the delivery of cement. Next, transportation costs are very expensive for cement. Tariffs aside, shipping or trucking cement long distances will erode margins or demand higher prices for a given manufacturer's product. Both eat at the profitability of the business. Additionally, localized plants should reduce the time it takes to deliver the cement to a customer.

This is should be a positive for customer's in a pinch with no options. The cement company who is able to provide cement the fastest may win some jobs for this reason alone. Finally, the cement manufacturers should have seen a stabilization in revenues due to diversification. GDP is strongly linked to cement sales, so a reduction/expansion in GDP for a given country will lead to volatile sales revenues. Globalization should balance out fluctuations assuming there isn't a global recession. It would not matter where cement manufacturers set up shop in the event of a global recession. Reduced GDP would result in a reduction in sales volumes.

2. How specifically has CEMEX managed to outperform its leading global competitors in the cement industry? Please focus on comparing it with Holderbank, which is the other large competitor principally focused on

cement. What do this comparison and the other data in Exhibits # 4-8 suggest about the competitive game being played out among the major international competitors?

One major factor for CEMX's success over their competitors was CEMEX's heavy focus on growth in emerging markets. CEMEX speculated their weighted average growth rate for the countries they did business in was nearly 4% whereas Holderbank and the other cement players had only 3% and 2% growth rates respectively. This was not their only advantage. CEMEX also became one of the first providers of informal construction – bagged cement for retail sale. This market was less volatile and also had high demand in emerging markets. This business provided CEMEX a means of branding which should have helped to expand CEMEX's brand identity among new customer bases.

Another innovation that CEMEX led the charge on was a delivery guarantee within 20 minutes. They used GPS satellites and complexity theory (logistics) to connect the truckers, customers, and dispatchers. This in turn increased the probability of customer payments and decreased fuel, maintenance and payroll costs. Finally, CEMEX developed a system for regional directors to stay abreast of the operations from each department on a monthly basis. This led to a centralized and structured approach to solving business decisions. Competitors were less structured and frequently different regions operated more independently. Their upper management met less frequently and as a result may have been a little slower at recognizing trends and new wrinkles in the cement industry.

3. What accounts for the sequence in which CEMEX entered foreign markets? How do the markets it has entered recently compare with the markets that it entered early on?

In the early 1970s CEMEX exported cement to the US. Later on the US implemented tariffs on trade and as a result CEMEX began to consider foreign direct investment strategies to offset shipping and tariff costs. CEMEX purchased a preexisting one million ton plant in Texas to provide cement in the US. In the early 90's CEMEX began exporting cement to Spain with the intent on studying the European market. CEMEX also purchased two factories in Spain in 1992. In the mid 90's they relocated their business holdings to Spain to weather the Mexican peso crisis. CEMEX studied the acquisitions in Spain to draw key lessons and refine their acquisition strategy.

CEMEX proceeded to acquire facilities in Venezuela, Panama, Colombia, the Philippines, and Indonesia, with their eyes on China, India, and Brazil. They were intent on structuring the acquisition process and standardizing it wherever possible. Their initial foreign markets were similar to the Mexican market in culture and geography. As time went on they began to focus on diversifying the economies they were dependent on. They also began to focus more on heavy growth rate markets to grow their global staying power.

4. What recommendations would you make to CEMEX regarding its globalization strategy going forward? In particular, what kinds of countries should it focus its future expansion on?

Since high GDP growth, low rainfall, higher population density, lower coastline, and temperate climates are the best indicators of cement sales, Brazil, China, and India are important market for consideration. Even though Brazil speaks Portuguese, they may be the best initial target due to their knowledge of English and Spanish languages, as well as their proximity to other Central and South American countries CEMEX is a player in (Venezuela, Panama, Colombia, etc.). In order to expand into India and China they may need to hire some Indian and Chinese managers who are able to speak English, but can provide them some leadership and advice regarding the cultures of these areas. CEMEX should tread carefully though as they may not be successful without learning a lot about these regions before investing heavily in a facility in China or India.