CHAPTER - I

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An organization’s strategy is the match between the organization’s resources and skills and the environmental opportunities and risks it faces. It reflects the course of action through the organization plans to adapt to the threats and opportunities in its environment and thereby maintain its effectiveness. In view of the challenges posed by the economic, social, political, legal and international environment the managers of the modern business organizations have to formulate appropriate strategies, so as to survive and grow in the competitive world.

1.1 STRATEGY:

A strategy is a unified, comprehensive and integrated plan designed to ensure that the basic objectives of the enterprise are achieved”.¹ A strategy is not just any plan. It is a plan that is unified: It ties all the parts of the enterprise together: A strategy is integrated in the sense that all parts of the plan are compatible with each other and fit together well.

¹ Gluck and Jauch.
Moreover, a strategy is comprehensive as it covers all the major aspects of the enterprise.

Market strategy refers to the basic goals and marketing objectives of the organization, the major programmes of action chosen to reach these goals and objectives and major pattern of resource allocation used to related the organization to its environment Chandler stated, "Strategy is the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary to carry out these goals and objectives." Strategy is a firm's plan and course of action to meet some objectives such as fighting competition and increasing its market share. It is thus the action element of the business firms.

1.2 FEATURES OF A MARKETING STRATEGY:

The salient features of a corporate strategy are as under:

(i) Strategy is a comprehensive and integrated plan for the allocation scarce organizational resources,

(ii) It provides direction towards which the resources of the organization are deployed and utilized to achieve stated
objectives. All decisions and activities are guided by organizational objectives.

(iii) Strategy helps in coordination and better control. It provides a unifying force by focusing attention and common objectives. It clarifies the common objectives towards, which every departmental activity is directed.

(iv) Strategy is made in the light of competitor’s policies and strategies. It increases competitive strength of the organization.

(v) Strategy utilizes the resources of the organization effectively and efficiently. It indicates the procedure to marshall and deploy the resources to get best results. It ensures efficiency and effectiveness in utilization of resources.

(vi) Strategy formulation is a significant part of managerial decision-making. Strategic decisions have long term implications and determine the success of the organization.

1.3 STRATEGIC MANAGEMENT:

It involves those decisions and actions resulting in the formulation and implementation of strategies designed to
achieve the objectives of an organization. It is a stream of decisions and actions, which lead to the development of an effective strategy or strategies to help in achieving corporate objectives.

According to A. Sharplin, "Strategic management is the formation and implementation of plans and carrying out of activities relating to the matters, which are vital pervasive, or continuing importance to the total organization." Strategic management is a systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way, which will assure its continued success and make it to secure from surprises.

**STRATEGIC PLANNING:**

According to Glueok and Snyder, "Strategic planning is a set of interactive and overlapping decisions, leading to the development of an effective strategy for a company. In the words of Robert Anthony", Strategic Planning is the process of deciding on the objectives of the organization, on changes in these objectives, on the resources used to attain these
objectives and on the policies that will govern the acquisition, use and disposition of the resources."

1.4 ROLE OF STRATEGY AND PLANNING:

Strategy formulation has become an important function of modern marketing management, because of the following reasons:

(i) Every business should have a strategy or an over all plan of action to meet the challenges of environment in future. An effective strategy would enhance the likelihood of business survival and enable to meet aspirations of individuals for opportunities in the company.

(ii) Strategic planning clarifies the objectives of the organization towards which its resources will be directed. All decisions and activities are guided by organizational objectives.

(iii) Strategic planning facilitates the implementation of long range plans for achieving organizational goals. It is also important in defining the kind of business in which the organization engages and its reliance on ethical business practices.
(iv) The companies that do strategic planning are able to predict the outcome of planning better than other companies.
(v) Strategic planning is very useful to fight competition in the market and to have control over the market.
(vi) Strategic planning facilitates environmental scanning. It helps in reducing environmental uncertainty by identifying key factors for the success of the business strategic planning is the only way to anticipate future problems and opportunities and to respond to changing environment.

1.5 COMPANY'S MARKETING ENVIRONMENT:

A company does exist in the larger socio-economic environment. It obtains resources from the environment and converts them into useful products and services. In the process, it has to interact with customers, suppliers, intermediaries government agencies and other stakeholders of the business. All these agents and institutions constitute a company's marketing environment. They act as facilitation as well as impediments on the marketing efforts of a company. Therefore, as a subsystem in the larger socio-economic
environment, a firm must be open and adoptive because the environment is changing fast.

The components of company's marketing environment can be classified into three categories. They are company's own internal environment, company's proximate macro environment and uncontrollable macro environmental forces. The marketing firm has absolute control over its internal environment and it can maintain internal relationships for best marketing results. It may have partial control over its proximate macro environment suppliers, intermediaries, competitors and publics. Whereas marketing firm can not control the macro environment forces—demography, socio-cultural forces, economic forces, technology, political and legal forces and ecology.

1.5 ROLE OF MARKETING STRATEGIES FOR CORPORATE GROWTH:

The global environment is changing rapidly because of multifaceted changes taking place around the world. The political environment, together with economical, technological, social and legal environment, are also undergoing rapid metamorphosis. The impact of such changes had led to
worldwide competition for business. These environmental factors and forces are to be studied and evaluated by business enterprises before formulation of their business policy, future plans and programmes.

Strategic management is the important area of modern management relating to long-term corporate planning of business. It deals with company’s mission and objectives in the changing perspective environment.

**CONCEPT OF STRATEGY:**

Strategy can be defined as interpretative planning strategy includes the determination and evaluation of alternative paths to already established mission or objective and eventually choosing the right alternative. A strategy outlines; management decides and plans to achieve its goals and objectives. Management formulates strategy to shade out the effect of other policies of its own unit for the purpose of out the over all plan and programmes for competitors’ policy to avail of competitive advantage. Strategic management is a stream of decisions and actions with a view to develop effective long-term planning and policies with technological business forecasting, which would help the enterprise to
achieve its super ordinate goal. Strategic management includes strategic analysis, strategic choice; strategic implementation and control.

Strategic decisions for an enterprise might be to deploy resources into new opportunities in the enterprise such strategic decisions may result in the need of following strategies as:

(i) New Product Development,
(ii) Product re-designing,
(iii) Upgradation of Product,
(iv) Strategic Marketing,
(v) Strategic for Technology,
(vi) New Customers,
(vii) Urgency of finance,
(viii) Market Segmentation
(ix) Entry into new market.

1.7 LEVEL OF MARKETING STRATEGY:

These strategies may be classified as below:

(a) Corporate Level Strategy: It is a long-term comprehensive plan for an enterprise. This strategy is formulated by top level management to decide the
actions that a total unit is taking and attempts to determine the role of its business activity is playing and should play in an organization. It defines long-term objectives for future business plan about the product, market, profitability, return on investment, technological leadership, competitive position etc.

(b) **Business Level Strategy:** This strategy should be framed in line with the corporate level strategy. The comprehensive general plan, programmes, budget, schedule and policies through, which a business organization intends to achieve its long-term objective i.e. corporate level strategy in an ever changing environment, is called the business unit level strategy.

(c) **Functional Level Strategy:** This type of strategy creates framework for management functions, such as finance, research and development, production, materials, H.R. and marketing, so they conform to the business level strategy. These strategies are shown in Figure 1.1. as:
ALL INDIA CEMENT DEMAND ANALYSIS:

Domestic cement demand is growing at 7% CAGR (5 years). It is shown in Table 1.3. It is evident from the table that total demand (including exports) has grown by 8% as compared to the last year, while domestic demand has increased to 9%. There is a sharp fall of 31% in exports, partly as a result of the export have imposed in the April/May period. The company managed to hold on to a 30% share of the cement export market.
Table 1.1

Cement Demand Analysis for All India

(Fig. In million tones)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Export</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>159.7</td>
<td>4.2</td>
<td>163.9</td>
<td>9%</td>
</tr>
<tr>
<td>2008</td>
<td>173.9</td>
<td>2.9</td>
<td>176.8</td>
<td>-31%</td>
</tr>
</tbody>
</table>

Source: Companies Financial Statements.

MARKET SHARE OF LEADING CEMENT PRODUCERS:

The market share of large players in the cement industry has changed significantly over the years, which is shown in Table 1.4. Consolidation of capacities has seen Ultra Tech, Grasim, India Cement and Gujrat Ambuja as the leading players apart from ACC, the market leader during all the years excepting FY 2004. All the players have resorted to a combination of green field capacities as well as takeover of existing capacities for growth.
Table 1.2
Market Share of Leading Cement Producers

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of the Co.</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ACC Ltd.</td>
<td>11.2</td>
<td>12.2</td>
<td>12.8</td>
<td>13.5</td>
<td>13.0</td>
<td>12.6</td>
</tr>
<tr>
<td>2.</td>
<td>Ultra Tech Cement Ltd.</td>
<td>11.9</td>
<td>11.1</td>
<td>10.5</td>
<td>10.1</td>
<td>10.1</td>
<td>9.7</td>
</tr>
<tr>
<td>3.</td>
<td>Gujarat Ambuja Cement Ltd.</td>
<td>10.6</td>
<td>8.7</td>
<td>9.5</td>
<td>10.1</td>
<td>11.3</td>
<td>10.6</td>
</tr>
<tr>
<td>4.</td>
<td>Grasim Industries Ltd.</td>
<td>9.2</td>
<td>8.7</td>
<td>10.9</td>
<td>10.9</td>
<td>10.3</td>
<td>10.3</td>
</tr>
<tr>
<td>5.</td>
<td>Century Textiles and Industries Ltd.</td>
<td>5.4</td>
<td>10.3</td>
<td>4.8</td>
<td>4.8</td>
<td>4.8</td>
<td>4.7</td>
</tr>
<tr>
<td>6.</td>
<td>Birla Corp. Ltd.</td>
<td>4.2</td>
<td>5.00</td>
<td>4.1</td>
<td>4.1</td>
<td>3.9</td>
<td>3.6</td>
</tr>
<tr>
<td>7.</td>
<td>The India Cement Ltd.</td>
<td>7.3</td>
<td>4.0</td>
<td>5.4</td>
<td>5.4</td>
<td>5.1</td>
<td>5.9</td>
</tr>
<tr>
<td>8.</td>
<td>Jai Prakash Inds. Ltd.</td>
<td>2.3</td>
<td>5.8</td>
<td>3.8</td>
<td>3.6</td>
<td>3.6</td>
<td>4.5</td>
</tr>
<tr>
<td>9.</td>
<td>Lafarge</td>
<td>3.8</td>
<td>3.9</td>
<td>3.4</td>
<td>3.2</td>
<td>3.4</td>
<td>3.2</td>
</tr>
<tr>
<td>10.</td>
<td>Others</td>
<td>34.1</td>
<td>35.2</td>
<td>34.3</td>
<td>34.3</td>
<td>33.7</td>
<td>34.8</td>
</tr>
</tbody>
</table>
post independence development strategy. Cement was also
the industry of choice of many corporates diversifying away
from the troubled traditional areas of jute and textiles.

Over the years, the share of the public sector in
cement production has declined. While the private sector
charge companies accounts for around 95% of the total
installed capacity, the share of public sector companies has
dropped from a level of 11% in F.Y. 2002 to around 4.4% in
F.Y. 2009. Among cement public sector undertakings (PSUs),
cement corporation of India. (CCI) a Central P.S.U. is the
leading player. It has 10 cement plants with a total installed
capacity of 3.85 mtpa at the end F.Y. 2009 other PSU
companies manufacturing cement include state entities. Such
as U.P. State Cement Corporation (3 units with total capacity
of 2.16 mtpa), and Tamil Nadu Cement (2 plants with a total
capacity of 0.9 mtpa).

THE MINI CEMENT INDUSTRY:

In order to reduce transportation as well as capital
costs, to increase regional development and to make use of
smaller lime stone deposits, many mini—cement plants have
been setup in dispersed locations across India. Construction of
such plants began in the early 1980s and their capacity (including capacities of white cement plants) aggregates about 11.1 mtla. The main attraction of the mini-cement plant concept is the lower capital costs per tonne of capacity as compared to large plants. Against the requirement of Rs. 3500 per tonne of capacity of large plants, capital costs for mini-cement plants come to about Rs. 1400-1600 per tonne. This reduces to large extent the fixed cost per tonne of cement produced. Also, as the main market is in the vicinity of a mini cement plant, savings are large on transportation costs.

As these benefits however are negated by other factors like diseconomies associated with small-scale operation, significant competition from large-scale units and rising cost of production. The mini-cement plants rely almost entirely on the State Electricity Boards (SEB) for power supply, since captive generation in uneconomical for small size. A backup DG Set for meeting 25% of the power is however usually provided for. Hence, even, where, mini cement plants consume fewer units their power costs are comparable to those of large cement plants. Further, reliance on SEB power implies exposure to frequent power cuts.
PROFILE OF CEMENT COMPANIES:

(a) Innovation and Strategies in ACC Limited:

As the economic slowdown, extremes volatility; steep increases in input costs and falling margins evolved through 2008, this company proactively initiated a series of internal actions to weather the tough externalities. The technical and operational innovations of the corporate have sought to reduce costs, improve their cash flow and enhance their sustainable competitive advantage in cement industry.

As a part of processes innovation and adoption of technologies, the company promoted the use of alternative fuels and focused on the production of blended cement, saving of expense fossil fuels and input costs. The company also continued to invest in renewable energy resources, expending its wind farm in Rajasthan. Marketing has been a focus area of their strategy in the year under review. The enhanced the marketing capability with select institutional customers and strengthened its existing relationships with the extensive dealer network. Further more to harvest the rural and semi–urban consumption demand, the company is seeking to boost the distribution network and brand in there areas.
CORPORATE SOCIAL RESPONSIBILITY SUSTAINABLE DEVELOPMENT:

The company has given a detail report on 'triple bottom line' goals, viz social, economic and environmental fronts, befitting the status of India's leading cement producer. To ensure accountability to the sustainable development agenda and to better integrate it with business strategy. The company has put in place a sustainable development organization through a nominated apex corporate council and plant specific councils. This has been seen as one of the rare achievements by an Indian cement producer with the scale and geographical diversity of the company. This would also go a long way in reinforcing the sustainable development mind set at various levels across functions. It is also a step toward the company's goal of a matrix form of working, a structure and culture that would enhance stakeholder responsiveness. This company also undertook a materiality mapping of issues that are concern to stake holders. This map is also helpful to guide the sustainable development organization about prioritizing the proposed initiatives.
Despite the fast-changing business environment imposing operational challenges, this company will steadfastly pursue its “Triple bottom line” goals.

**Table 1.3:**
Cement Business Performance at a glance

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>2008</th>
<th>2009</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Production million tones</td>
<td>19.92</td>
<td>20.83</td>
<td>4.6%</td>
</tr>
<tr>
<td>2.</td>
<td>Sales Volume million tones</td>
<td>19.97</td>
<td>21.0</td>
<td>5.0</td>
</tr>
<tr>
<td>3.</td>
<td>Sales Values Rs. Crore</td>
<td>6623.66</td>
<td>7308.62</td>
<td>10.3</td>
</tr>
<tr>
<td>4.</td>
<td>EBIT DA %</td>
<td>31%</td>
<td>26.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Financial Statements of ACC Ltd. For the 2009.

(b) **Jai Prakash Associates Limited:**

The cement plants and cement grinding plants of the company are located at various locations—Rewa, Bela, Sidni, Babapur and Satna in Madhya Pradesh. This company is the largest cement producers in the country and it produces special blend of Portland pozzolana cement under the brand name ‘Jay Pee Cement’. This company is expending its business in northern, central, western and southern parts of the country and is targeting a capacity of 33.55 MTPA by 2011.
With the boost given by the government to various infrastructure projects, road networks and housing facilities, growth in the cement consumption is anticipated in coming years. Another 50 MT capacity is likely to be added this year, according to industry sources. Moreover cement dispatches were 18.12 M.T. in March 2009, showing a growth of 10.35 percent as compared to 16.42 MT in March 2008. During March 2009. Cement Production was 18.10 MT registering a growth of 10.43 percent as compared to 16.39 M.T. at March 2008. Despite concerns of slow down, led by a change in economic scenario along with excess supply pressure, the cement industry has ended F.Y. 2008–09 on a strong note.

<table>
<thead>
<tr>
<th>Month</th>
<th>Share Price at BSE</th>
<th>Share price at NSE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>April 2008</td>
<td>275.00</td>
<td>210.00</td>
</tr>
<tr>
<td>May 2008</td>
<td>297.00</td>
<td>211.55</td>
</tr>
<tr>
<td>June 2008</td>
<td>222.00</td>
<td>141.10</td>
</tr>
<tr>
<td>July 2008</td>
<td>178.80</td>
<td>128.55</td>
</tr>
<tr>
<td>August 2008</td>
<td>201.20</td>
<td>153.00</td>
</tr>
<tr>
<td>Month</td>
<td>Sales</td>
<td>Profit</td>
</tr>
<tr>
<td>---------------</td>
<td>-------</td>
<td>--------</td>
</tr>
<tr>
<td>September 2008</td>
<td>178.05</td>
<td>99.05</td>
</tr>
<tr>
<td>October 2008</td>
<td>122.80</td>
<td>47.05</td>
</tr>
<tr>
<td>November 2008</td>
<td>97.80</td>
<td>52.80</td>
</tr>
<tr>
<td>December 2008</td>
<td>92.90</td>
<td>52.60</td>
</tr>
<tr>
<td>January 2009</td>
<td>108.55</td>
<td>60.05</td>
</tr>
<tr>
<td>February 2009</td>
<td>77.95</td>
<td>63.30</td>
</tr>
<tr>
<td>March 2009</td>
<td>90.90</td>
<td>61.70</td>
</tr>
</tbody>
</table>

Source: Financial Statements of J.P. Limited.

(c) **Ambuja Cement Ltd.**

Though market conditions are likely to remain challenging for the next 1–2 years, depending on the depth of the global economic recession, the longer term outlook for the Indian economy, and specifically the cement industry, is very positive. Growth will be bolstered by the country’s sound macro economic fundamentals, and the pressing need for extensive development of infrastructure and mass residential housing. Cement demand may however remain relatively weak for some time, and addition of significant new capacity over the next two years will inevitably alter the pricing dynamics in certain markets.
Ambuja Cement fully intends to remain at the forefront of all developments, maintaining its market leadership and premium brand status, by adapting to the changing conditions and positioning itself to emerge as an even stronger player from this period of weaker growth.

The real strength of a company lies in its ability to generate cash, therefore it is also felt important to maintain a strong balance sheet. This is reflected in the fact that the company did not resort to any new borrowings in 2009, and finished the year with a healthy cash balance.

(d) GACL:

It is one of India’s largest cement manufacturing companies revealed its plan to borrow US $ 100 mn to refinance its debt, which would cut-down the interest outflows by almost had GACL hired ABN Amro Holding, Bank of America Securities Asia, Calyon, Citi Group, DBS Group Holdings and ING Group to arrange the three year loan. The borrowed amount would be used to replace an US $ 80 mn five year loan that carries a margin of 1.05 percentage points over London Inter Bank offered Rate signed by the Co. in year
2003. GACL will pay interest of 0.45 percentage points more than the LIBOR for the three year loan.

(e) **Shree Cement to market Cement under Bangur Brand:**

The Bangurs, who sold their cement brand under the Birla tag are now gearing up to enter the high-end cement market with the brand name of Bangur. 'Bangur Cement' would be a product of pure lime stone and no adhesive like fly ash would be mixed. The joint MD of the company said that 'Bangur Cement', the premium quality cement of the group would be launched some where in the first week of Dec. 2008 and the new brand would be manufactured in the company’s new plant at pale district in Rajasthan. This plant, which is located at a distance of approximately 32 km from the existing facility, has a capacity of 1.2 MT and is nearing completion. The project would be amongst the most modern cement projects in recent times and would help the company to produce quality cement economically.
Cement Companies Willing buyers, Unwilling Sellers:

It is becoming difficult for prospective buyers to strike takeover deals in the cement sector. The expansion plans of some companies by the way of acquisitions have been put on hold because the companies have failed to strike any takeover deals as the high cement prices and the double digit demand growth has greatly reduced incentives for a sell off. The companies like India Cement, Prism Cement, Mysore Cement etc. which were in red for quite sometime have got into black again on the back of huge demand and improved realizations from cement business.

CONCLUSION:

This chapter is concerned, with the explanation of the concept of strategy and strategic management. It includes study of company’s marketing environment, marketing strategies for corporate growth, and All India Cement demand analysis and market share of leading cement producers. The study also cover the declining role of public sector, the mini Cement Industry and profile of few cement companies in brief.