

Different factors influencing Stakeholder satisfaction and Market share of cement industry in Tier -2 and Tier-3 level

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1. INTRODUCTION

The cement industry consists of standardized goods where there is not much of a difference with respect to the nature of the goods, against those of the competitors. So in that regards, the organization in order to survive in the market needs to go that extra mile to see that their cement does well. .

The distribution channel of cement industry in the generic sense consists of the company as producer on the top. Then right after the chain we have a Carrying and Freight agent who takes care of the main task of transferring the materials to the dealers and the sub-dealers. In cement industry and they are concerned with the storage and transportation job. They are also responsible for billing and collection of cash from the dealer and the retailers. After the Carrying and Freight agents we have set of dealers which is the most important aspect of the project as the study is mainly centered around them. Next the cement is sold either in the whole sale market or the retail market.

Finally the cement is sold to the end customers either by means of the wholesale or the retail route. The end customers are the one who are in the form of individual customer, promoter and industries. In this study we interacted with the dealers and to find out the details about which all cement companies are they dealing in and to what percentage is each of them contributing to the sales of each dealer..

It was also the objective of the study is to find the level of the satisfaction of the stake holders and the dealers about the products about the companies they are dealing in and if they are satisfied what is their motivation how it can be influenced and can be used for the company benefit.

The study presents the views and feedback of the Tier -2(sub-dealer) and Tier-3(retailer) level of the cement industry at Bhubaneswar and Cuttack region on various aspects which is articulately shown in this project through graphical representation on the basis of data collected through survey and the dealers and the retailers were chosen on the basis of probability sampling from the total list of dealers in the area so that they are the exact representation of the population.

2. OBJECTIVE AND SCOPE

Objective

- To conduct a market analysis at Tier-2 (Multiple brand dealers) and Tier -3(Retailers) level of cement industry.
- To understand the competition in cement industry.
- To know about the customer preference of brands in cements industry and based on what factors.
- To know the preference of the dealers and the retailers of the cement industry and their motivation.

Scope of the project

In this study the cement dealers and retailers are included mainly from Cuttack & Bhubaneswar .So this study will produce a market scenario of Khurda and Cuttack district.

- This study provides a nominal picture about the customer preference in this particular region.
- This study helps to identify the areas of improvement for a company so the it improves stakeholder's satisfaction.

3. PROJECT DESIGN AND METHODOLOGY

Methodology

This study involves data collection from the cement retailers or dealers which is done by informal interviewing and the data obtained was noted down. The dealers are selected on the basis of probability sampling so that the data collected is representative of the total population. A questionnaire is prepared for interviewing the dealers and noting down the answers obtained. The results thus obtained analyzed to obtain understand the market scenarios.

Sample Plan

Sampling Technique chosen for the study was Random Sampling Technique. This is the most common technique used for the study because in this technique all the units have the equal chance of getting chosen in the sample, the population gets properly represented in this method, the dealers of the Bhubaneswar and Cuttack city are randomly selected and their responses are collected to get the idea about the market.

Sample size

The sample size is of 30 counters which include both sub Tier-2 dealers and Tier-3 retailers, the dealers and retailers are both from Bhubaneswar and Cuttack.

Contact Method

The contact method used is direct personal interview, the advantage of this method is one to one communications and it reduces any bias of the respondents and also removes any doubt of the respondents, moreover they can be convinced to share more information.

Analysis of Data and Interpretation

The data collected from the interviews which are stored in questionnaire format are analyzed with the help of Microsoft excel and if required the SPSS can be used, various charts and graphs are plotted for better understanding and presentation of data. The results obtained from the data after analyzing can be used for future purpose and decision making.

Statement of the Problem

By means of study conducted in the market, it is expected to find out the following that in a way act as the objectives which gets derived out of my study.

- a. The total market volume.
- b. The brand wise market share of individual cement brands.
- c. Nature of the customers as well as the nature of the dealers.
- d. Pocket wise market penetration strategy of various brands.
- e. To know about the customer preference of brands in cements industry and based on what factors.
- f. To know the preference of the dealers and the retailers of the cement industry and their motivation.

Data collection

When working on the methods of data collection we are to understand that there are two types of data namely primary data and secondary data. Primary data are those which are collected afresh and for the first time whereas secondary data is one which has already been collected by someone else and which has already passed through statistical process. In this Study main focusing is on the interview method and questionnaire.

In addition to the above discussed primary data sources, secondary data is also used which is obtained from open sources like company websites.

Rationale Behind the Study

A dealer attitude survey is one which helps the organization by means of following

- Measure customer satisfaction levels
- Improve customer retention
- Gauge interest in new products and service offerings
- Pinpoint areas for improvement

Each of these stages is vital process of customer survey. Once the process of customer attitude survey is done, we then move on to identifying the solutions that have come up as a part of our analysis.

Importance of Dealer's Survey

We can mainly highlight the following important points with respect to the advantages or significance of a dealer's survey. They are,

- Dealer's survey can help developers of products, services or programs gauge the market's response to new development concepts.
- They also help in revealing the audience preferences for design, features and benefits.
- Dealer's survey can help in evaluating the purchasing attitudes of customers.
- Dealer's survey can reveal how the market feels about our competitors' products and positioning in the marketplace.
- Customer attitude surveys measures the effectiveness, clarity or emotional impact of a message to an audience.
- Dealer surveys can give insight into market trends and behaviors.
- Dealer surveys can communicate what is most important to the dealer in terms of our relationship with them.

Limitations of the study

1. Lack of cooperation from the dealers and retailers as they were not to sharing proper information which they considered to be personal and financial in nature.
2. It was difficult to convince the dealers about the validity and the secrecy of the research.
3. The research was conducted only in two cities i.e. Bhubaneswar and Cuttack, so the results obtained from the research may not hold true for the whole of Orissa market or for that matter any other market.
4. Dealers considered it to be unwise for them to divulge their business details as they thought that competitors might take advantage of it.
5. It was found that some respondents are biased towards a particular brand for whatever reasons.

4. DATA ANALYSIS

1. Which cement is mostly preferred by customers ?

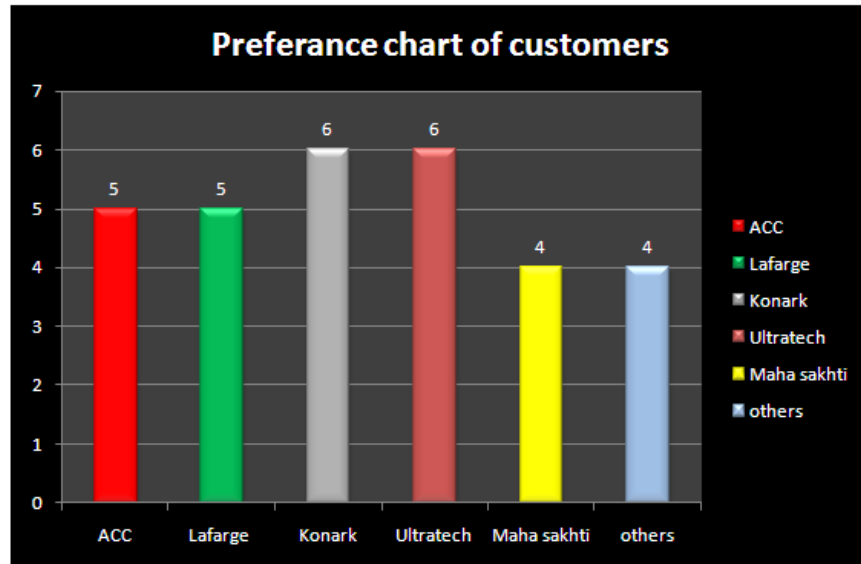


Fig.1: Preference Chart Off Customers

The above chart shows which cement is mostly demanded by customers in the counters, and from the graph we can understand that Konark cement and Ultratech cement are mostly demanded by customers followed by ACC cements and Lafarge cement. Maha sakhti is the other major brand which forms a large portion of the demand while the remaining demand is for other brands like Ambuja cement, Jaypee cement, Ramco cement and Rasi gold.

This result was obtained after plotting the responses obtained from the 30 dealers and sub dealers of cuttack and Bhubaneswar region.

2. Rank which cement is most preferred by the dealers to sell?

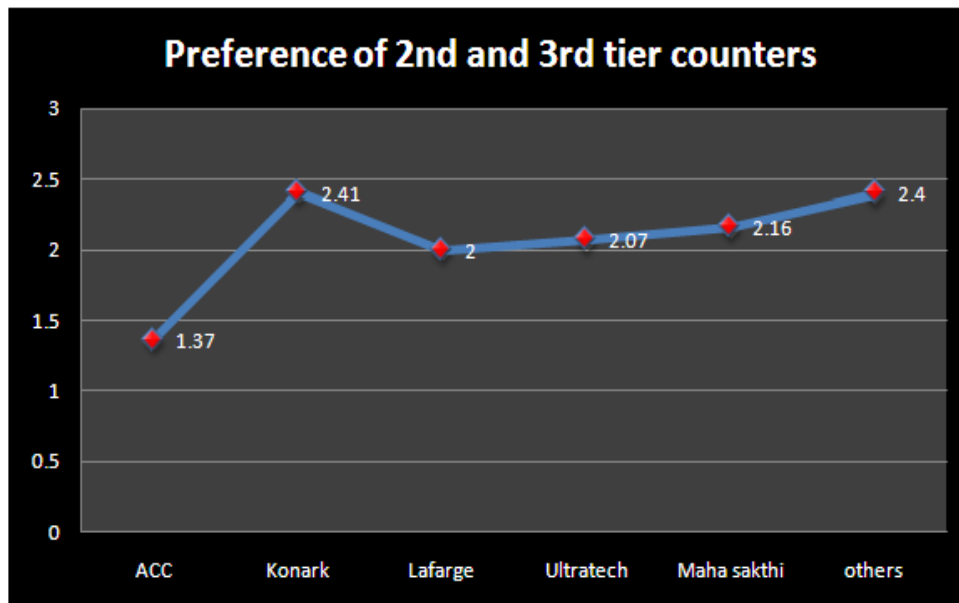


Fig .2- Preference of Dealers (1 is the highest rank 5 being the least preferred.)

The above chart shows which cement is mostly preferred by dealers in the counters, and from the graph we can understand that ACC cement Lafarge cement are mostly preferred by the dealers followed by Maha sakhti cements and Ultratech cement. Konark is the other major brand which is also preferred by the dealers while the remaining is for other brands like Ambuja cement, Jaypee cement, Ramco cement and Rasi gold.

This result was obtained after plotting the responses obtained from the 30 dealers and sub dealers of cuttack and Bhubaneswar region.

3. Percentage of counters covered by each brand ?



Fig. 3: Percentage of Counters Covered

Among the counters covered this pie chart represents the percentage of counters covered by each brand. From the above diagram it can be observed that Lafarge has the highest representation in the counters followed by, konark and ultratech. But ACC cements lags behind its competitors in this field. Maha sakhti and other brands like Ambuja, Jaypee and Ramco got least representation in counters.

This result was obtained after plotting the responses obtained from the 30 dealers and sub dealers of cuttack and Bhubaneswar region.

4. Retail price levels of various cements ?

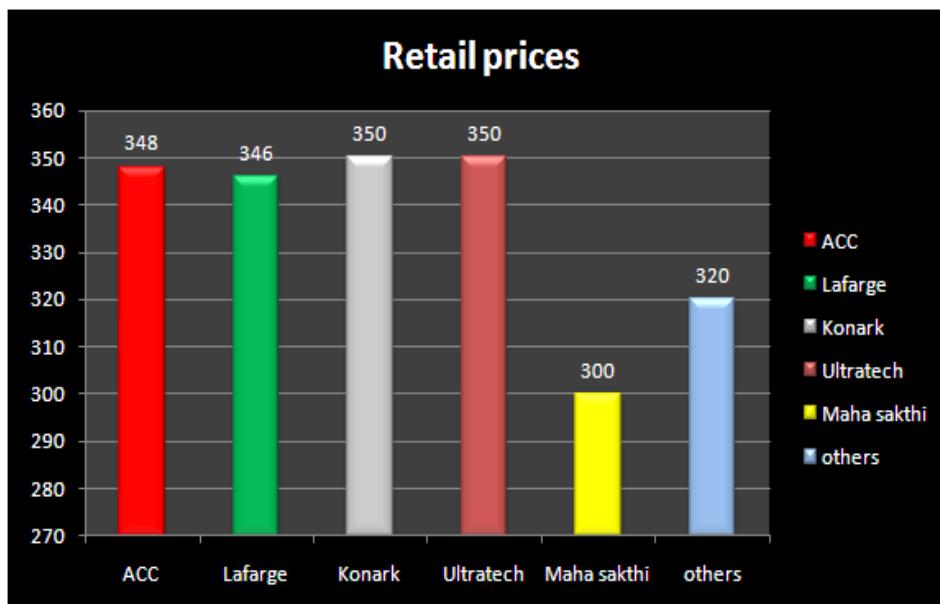


Fig. 4: Average Retail Price

The above chart denotes the average retail price of cements in the Bhubaneswar and Cuttack market. From the chart it can be interpreted that the average price of one bag of Acc cement is around Rs348 premium brands are prized Rs 25 higher than the normal cement, because of its unmatched quality) average cost of a bag of Lafarge cement is around Rs 346 and the average cost of a bag of konark cement is around Rs 350(the normal Korark PSC sell at around 340 while Konark DSP sells around Rs 360 Average price of Ultratech and Maha sakhti sell at around Rs 350 and Rs 300 respectively. Other brands include Ambuja cements, Jaypee and Rasi gold cements which sell at around Rs 340, 320, 300 respectively.

This result was obtained after plotting the responses obtained from the 30 dealers and sub dealers of cuttack and Bhubaneswar region.

5. Rank the factors which mostly influence the customers buying decision?

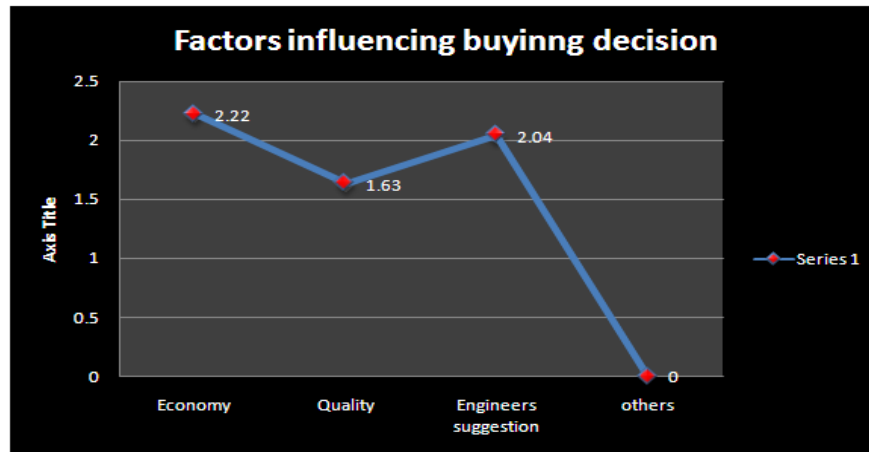


Fig. 5: Factors Influencing Buying (1 is the highest rank 5 being the least preferred.)

The above chart ranks the factors according to their importance in influencing the customers buying decision. From the chart it can be deduced that Quality of cement is the most important factor that the customers consider while buying a cement, Engineer’s suggestion or the specialist’s suggestion is the important thing for the customers buying decision while economy is the last reason that a customer considers while buying a cement.

This result was obtained after plotting the responses obtained from the 30 dealers and sub dealers of cuttack and Bhubaneswar region

6. Which brand gives higher profit margin to you (dealers & retailers) ?

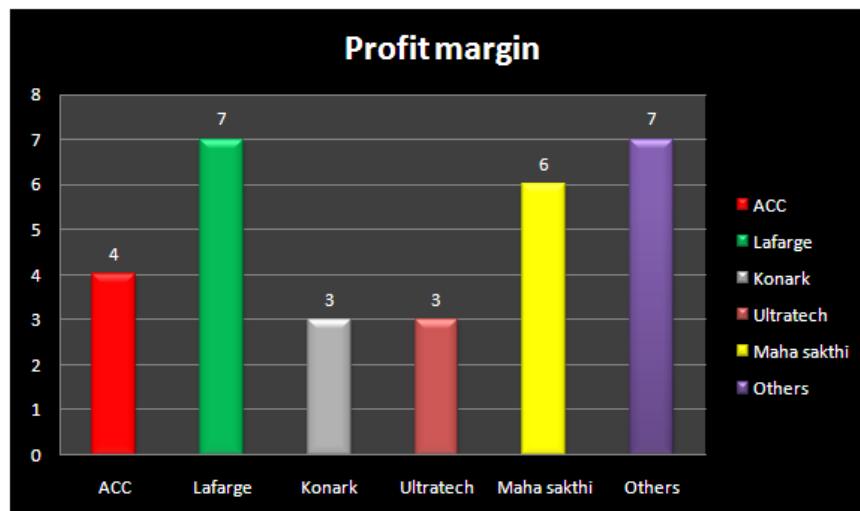


Fig 6: Profit Margins of Different Brands

The above chart denotes the responses of the dealers according to the profit margins they offer to the dealers or the retailers. From the chart it is clear that the established brands in the market offer almost the same level of profit margin but the new brands like Maha sakhti and other brands like Rasi gold, Ramco and Jaypee cement offer higher profit margins to the dealers to capture the market, but one exception to this trend is Lafarge cement, which in spite of having a comfortable position in the market offer profit margins little more than the market rates. The second category brands are offering higher profits just to capture the market and to compete with the established brands which command a higher brand equity.

This result was obtained after plotting the responses obtained from the 30 dealers and sub dealers of cuttack and Bhubaneswar region.

7. What is the market share of individual brands?

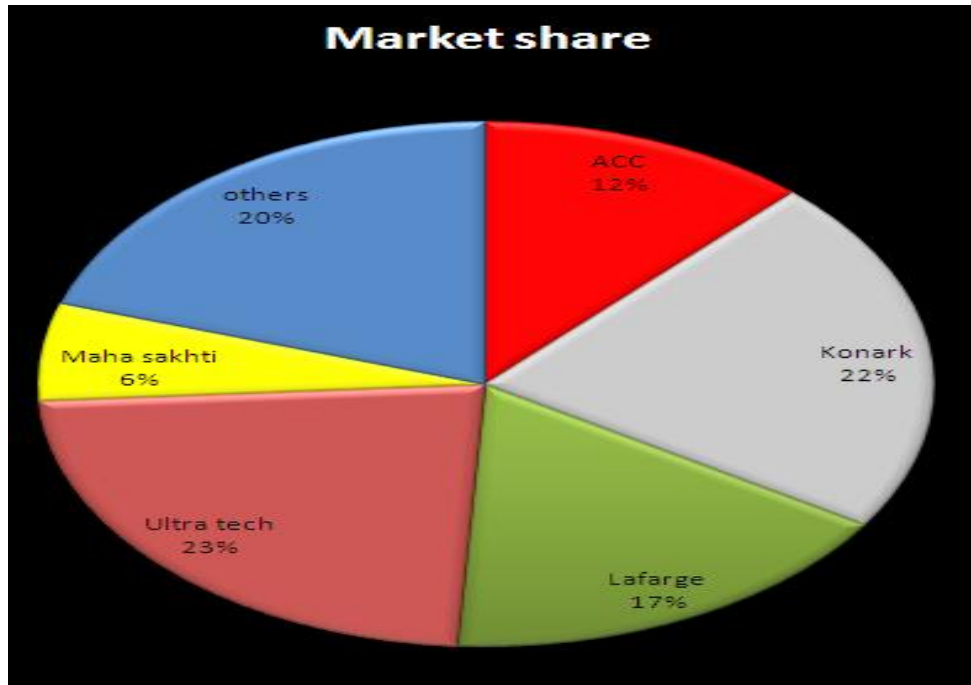


Fig. 7: Market Share Of Individual Brands

The above chart denotes the market share of each companies, from the chart it can be interpreted that Ultratech cement has the largest market share in the Cuttack, Bhubaneswar market with 23 percent market share, Konark cement holds the second position with 22 percent market share closely followed by Lafarge cement and ACC cement with 17 percent and 12 percent market share respectively. The remaining market is being covered other brands like Maha sakhti which has 6 percent of market share and brands like Ambuja cement, Jaypee cement, Rasi gold, Ramco cement constitute the remaining 20 percent of the market.

This result was obtained after plotting the responses obtained from the 30 dealers and sub dealers of cuttack and Bhubaneswar region.

8. What is the co relation between preference of the dealers and market share?

Name of Brands	Market share in ton	Preference Ranking of dealers
ACC	880	1.37
Konark	1300	2.41
Lafarge	1180	2.00
Ultra tech	1050	2.07
Maha sakhti	580	2.16
Others	770	2.40

It is normally assumed that the preference of the dealers or retailers is biased towards the market leader or the brand which has the largest market share, but after analysis it can be comfortably claimed that it is not the case here. The brands which has the largest market share i.e. Ultratech cement ranks low on the preference of the dealers where as the brand which is having low on market share i.e. ACC ranks high on the preference of dealers. But the brand which has the second largest market share i.e. Konark and Lafarge cement is also the second and third most preferred brand among the dealers. So we can assume any significant relation between market share and preference of dealers.

This result was obtained after plotting the responses obtained from the 30 dealers and sub dealers of cuttack and Bhubaneswar region.

9. What is the co relation between preference of the dealers and profit share given?

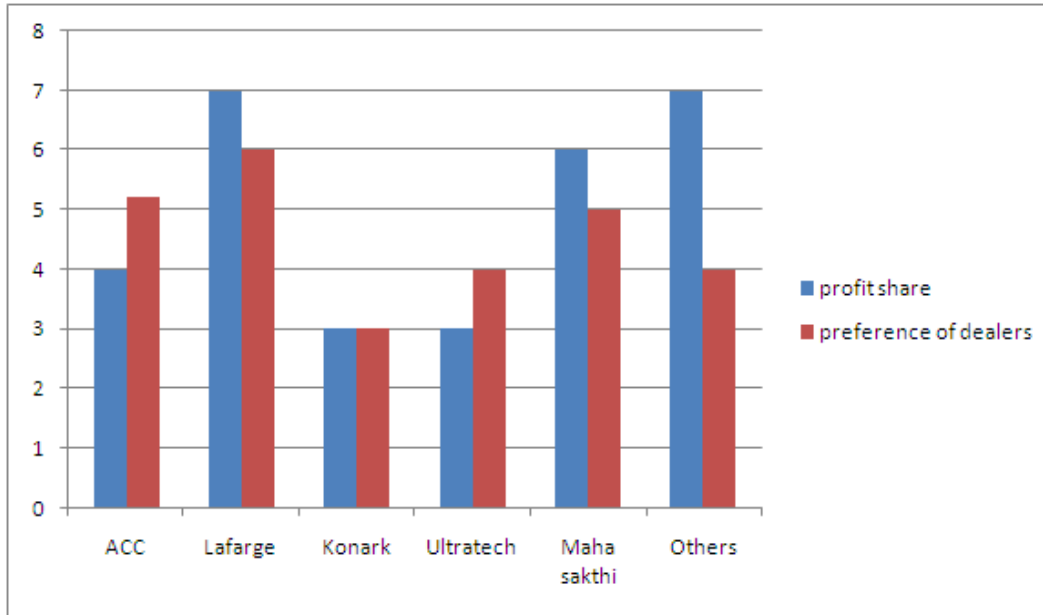


Fig. 8: Corelation Between Preference of Dealers And Profit Share

It is normally assumed that the preference of the dealers or retailers is biased on the profit margin being given by various brands or the brand which has the largest market share, but after analysis it can be comfortably claimed that there is no such direct correlation between the profit share and preference of the dealers. From the graph it can be observed that in established brands the preference of the dealers increased generally with higher profit margins but in less established brand the preference of the dealers did not increased even with increased profit margins due to lack of brand equity.

This result was obtained after plotting the responses obtained from the 30 dealers and sub dealers of cuttack and Bhubaneswar region.

10. Co-relation between counter covered by each brand and their Market

Company Name	Percentage of counters covered	Market share
ACC	27	12
Konark	40	22
Lafarge	36	17
Ultra tech	43	23
Maha sakthi	20	6
Others	40	20

So, from the above table we can get the relation between the percentage of counters covered by a brand and the market share of that brand. From the table we can see that if the numbers of counters covered is more than there is probability of getting higher market share. The brands like Lafarge and Ultratech which has higher counter coverage also has good amount of market share. But the brands like ACC and Maha sakthi low market share can be attributed to the low counter coverage among various other factors.

This result was obtained after plotting the responses obtained from the 30 dealers and sub dealers of cuttack and Bhubaneswar region.

5. FINDINGS

- The percentage of the counters covered by a cement company is directly proportionate to the market share of the company. Lafarge had almost 25 percent market coverage whereas Konark and Ultratech had 19 & 20 percent market cover, ACC covered only 12 percent of the counters which in turn showed directly in their market share.
- There is no direct relation between profit share of the dealers with the preference of the dealers, preference depends on a lot of other factors like perceived quality and brand equity.
- Large amount of customers are cost conscious and are preferring the local brands of cement which sells the cement at a lower price to the established brands which sell the cement at a higher retail price.
- A large portion of the dealers and retailers prefer to sell the brands which offer them other perks and have various schemes for the dealers thus if a customer is not sure about which brand to buy & asks the dealer about his opinion then the dealer is most likely to push a brand that offers him higher benefits in turn increasing the sales for those brands. Thus it is important for the companies to have good relation with the stakeholders.
- It was observed that the masons and Engineers play a role of influencers in the cement industry, especially in case of quality conscious customers.
- There is large amount of demand of which the company is not always able to meet which causes inconvenience to the customers which results in the switching by the users which reduces the resale potential and also hampers the goodwill for the company.

6. SUGGESTIONS

Feedbacks suggest that sometimes the demand is not promptly met due to the lack of supply which leads to the loss of business, thus supply must be streamlined and the demand must be quickly met.

The credit line offered to the dealers by the company is not fulfilled by the dealers in time which leads to lapses and in turn causes the blockage to supplies to those particular dealers. Thus it causes the loss of business, so more importance should be given toward collecting the backlogs of the dealers.

Company should give some benefits to the bulk buyers like builders and promoters, the company representatives should meet the managers and promoters to persuade them to use the company products and also to inform them about the advantages of the product in comparison to others available in the market.

CONCLUSION

To attain the objective of the study, detailed information was collected from the market region of Bhubaneswar and Cuttack region. The market research has revealed many facts and figures about the scenario and other market conditions. The study shows that there is cut throat competition among the companies since the market is reaching saturation and all the companies are offering homogenized products.

The study shows that the distribution channel is an important part of the marketing effort so it should be well designed and effective based on the factors discussed in the study to have larger market share and satisfaction level of stakeholders.