Launch of New Cement Brand in Existing Market

Ashutosh Kumar¹, Prabhat Kumar² and N. Manoharan³

¹Jaypee Cement, III Floor, III Block, White House, House No. 6-3-6-1192/1/1, Begumpet, Hyderabad - 500016, India.  
²Bharatiya Nabhiikiya Vidyut Nigam Limited, Department of Atomic Energy, Kalpakkam - 603102.  
³Director – Research and Development Division, AMET University, Kanathur - 603112, Chennai.

doi: http://dx.doi.org/10.13005/bbra/1384

(Received: 15 August 2014; accepted: 10 October 2014)

The cement production in India exceeds the demand and that is how it has become the buyer’s market. Thus producers have to develop extensive marketing strategies to penetrate into the market including in the areas far away from the production plant. The author here has presented a case study where two new plants were built in slumping cement market; one by his employer’s existing company and the other one was by their competitor. It was important for the company to penetrate and increase the market share to sell the additional capacity created. For this, they had to not only market the cement in their immediate vicinity but also they had to go and penetrate in far flung areas. The options available were less and therefore the marketing team had to be active, alert and work on new strategies. Recognising the fact, the company decided to create a fresh marketing team and a fresh methodology, probably never tried before. This is a case which resembles the red ocean strategy, where the new company’s marketing team came into direct competition with owner’s existing company as well as the competitors. The existing company was already enjoying the lion share in the market. The new company’s product came into a greater demand and jointly the two companies have a tough time to the competitors. Later, both the marketing teams were merged and a product with new brand name was launched. This is a success story of a marketing strategy and which is presented in the form of a case study by the author.

Key words: Penetrate, Marketing strategy, Marketing team, Competition.

Cement is an essential component of infrastructure development and most important input of construction industry, particularly in the government’s infrastructure and housing programs, which are necessary for the country’s socioeconomic growth and development. It is also the second most consumed material on the planet (World Business Council for Sustainable Development 2002). The Indian cement industry is the second largest producer of cement in the world just behind China, but ahead of the United States and Japan. Also the industry is a significant contributor to the revenue collected by both the central and state governments through excise and sales taxes. Cement in India is sold mainly under two broad categories namely -

1) Trade sale
2) Non trade sale

The trade sale is done by appointing a dealer network in the market place where the cement prices are fixed by the company from time to time.
depending upon the prevailing market prices and volume of competitor’s cement available at that point of time. The ‘Trade Sale’ generally contributes approximately 60% - 70% of the total sale of any company and therefore the dealership network requires continuous monitoring and best of service. On the other hand the ‘Non Trade Sale’ is done mainly through institutional buyers, Builders, Contractors and Government and Semi Government departments where generally long term to medium term rate contracts are entered into with these parties for sale of a fixed quantity of cement. Prices once fixed remain constant throughout the validity of the contract. Since the percentage of ‘Non Trade Sale’ is 30% - 40% of the total sale and generally the realisation to the companies in sale of ‘Non Trade’ cement is less than ‘Trade Sale’, not as much expenditure is done in promoting such sales.

As I have explained earlier the price of cement under trade segment is very volatile and fluctuates frequently depending upon various factors, it is not necessary that one price of cement prevails in entire territory. Since the installed capacities of all the cement plants in the country in FY 14 is approximately 350 million tonnes and as against that the average consumption is 280 million tonnes AND also that these cement plants are located all over the country, especially where the concentration of lime deposit is there, one particular territory receives cement from different locations. Cement supplies are effected by combination of Road and Rail. Rail/wagons from one direction may be available but not from the other, resulting into misbalance of supplies. All such varying and complex parameters contribute to frequent fluctuation in cement prices. Cement companies maintain cement godowns in different parts of marketing territories to execute the cement supplies from the closest godown to market. Cement companies are unable to increase prices of cement from godowns situated at far off distances, as some other company having its factory near to that market may supply cement at lesser price. Thus, irrespective of the distance of a market from its factory, the companies are forced to sell cement in that (far off) market at the prevailing price of that market. Consequently their net realisation goes down.

The demand of cement also depends upon season. The seasonality in cement is so strong that in the low demand monsoon season, the companies are often forced to cut down production upto 40% of their capacity. In the low demand seasons the production reduces drastically, the godowns fill up to the brim; lot of cement gets damaged due to over stacking / rains. It is very difficult to follow First In First Out system of despatch from godowns during this season.

During Oct ’14 the price of one bag of cement to the consumer in important centres is as follows:-

*The cement prices in the last almost 5 years have been more or less in the same range where as the input material cost has increased many folds. As a result of this reduced sale realisation to*
production cost ratio, the cement companies which are financially not very strong have to face the maximum brunt. Although cement prices are not under the control of Government now i.e, there is no levy on cement, yet under various political circumstances the governments have been asking cement companies to reduce prices. The cement companies’ Balance Sheets have been bleeding and some of them are compelled to sell their plants to financially affluent people.

The Competition Commission of India has implemented very stringent rules to prevent cartelisation among manufacturers. Even a price understanding to avoid drifting of the companies to red is not possible. The loaning facilities to the industries is no more as simple now as it used to be few years back due to the new guide lines of Reserve Bank of India. This had further compounded problem of cement industries. Last five years have seen a significant dip in infrastructure activities which further increased miseries of Indian cement industries.

Although what I have narrated above is the current cement market scenario, the scene was not much different when Jaypee had launched ‘Tiger Cement’. Government of India, until 1982 was not allowing cement companies to sell cement in open market since there was a shortage of cement in the country. In the year 1982, on 28th February, for the first time partial decontrol on cement sale was allowed and companies were allowed to fix prices in ‘Non Trade Sale’. By the year 1988 the control from cement was fully lifted by the Government and cement companies were allowed to fix prices of cement.

Alongside Government also started issuing licences to start new green field cement projects more liberally. With the result, the installed capacity for cement production in the country rose from 34.39 MTPA in 1982 to 105.25 MTPA in 1996 and Bela and Prism cement plants (might be better to give owners’ names or group’s names and capacity of each plant. It will also be better to give data of installed capacity of cement plans in central India then and how many players were existing then) were ready to supply in the market of central India. It was a big challenge for us to sell additional quantity of 1.7 million tonnes (from Jaypee or Jaypee and Bela) in already over supplied market. The cement demand in the country had subdued (pl give data on installed capacity v/s demand atleast in central India) and excess capacity than demand had started troubling the Industries. The margins to the manufacturers started thinning and the network started taking price command in their hand.

Under such adverse circumstance, the challenge to the marketing team was to launch additional capacity of Bela plant. A novel idea was experimented, and I would like to present a case study where I was actively involved, which was novel and unique and which yielded precise result as planned. It is a real time experiment which went successfully and according to expectation of the Jaypee management.

This was a case of a company launching a new brand in its own existing and prime market where they were already selling in a different brand name and that brand was enjoying the premium position and the name had already become a household name in the market place.

About Jaypee Group

The JAYPEE Group with its flagship company called M/s Jaiprakash Industries Ltd has business interest in Civil Construction, Infrastructure, Hydro power, Thermal power, Hospitality, Express way, Fertilizer, Education and Cement with present (2013-14) turnover of approximately Rs 20000 crores (Jaypee website). The Company has staff strength of approximately 40000 employees.

Jaypee group has cement installed capacity of 32 million tonnes as on October, 2014, earning the distinction of being 3rd largest cement producer in the country. Recently company had disinvested its Gujarat plants which had an installed capacity of 5 million tonnes. Before the disinvestment, the total installed capacity of cement was 36 million tonnes. The cement plants are currently installed in Himachal Pradesh (4 million tonnes), Uttar Pradesh (5.6 million tonnes), Madhya Pradesh (7.9 million tonnes), Haryana (1.5 million tonnes), Jharkhand (2.1 million tonnes), Chattisgarh (2.2 million tonnes ) and Andhra Pradesh (7.5 million tonnes), Uttarakhand (1.2 million tonnes). This totals upto 32 million tonnes.

Jaypee’s cement division under Jaypee group had already had a one million tonnes cement plant in distt. Rewa in Madhya Pradeshand was already marketing its cement under the brand name

of SUPERPLUS for OPC Cement and also Jaypee PPC Cement (1991). The company had added an additional capacity of 1.5 million tonnes in the 1992. This expansion in capacity was got absorbed in the existing three States viz. Uttar Pradesh, Madhya Pradesh & Bihar. Moreover Japee Cement had become a most sought after brand in the market. The Market potential of MP at that point of time (1992) was approximately 3 lac tonnes and in Central Eastern UP, it was approximately 4.3 lac tonnes.

**Launch of bela plant**

Company had set up another cement plant (Jaypee Bela Plant) just 3 kms away from the existing plant i.e. Jaypee Rewa plant, with a capacity of 2.5 million tonnes. During 1992 there was a glut in the cement demand and as it is the existing produce was finding it difficult to move into the market. Now there was a challenge to absorb additional quantity in the existing market. The Dealer network was jittery, the prices were going down, the freights were increasing, the royalty was going up, the coal prices, the interest rates, the salaries and all other input costs were going up AND....the cement prices were coming down.

It was therefore a big challenge to launch the produce from new plant in the existing market, where the existing plant itself was finding it difficult to operate at a profitable proposition. During the same period another cement company by the name of Prism cement, the plant of which was set up in near vicinity of Jaypee Rewa plant was also ready to launch its cement in the same market i.e. Uttar Pradesh, Madhya Pradesh and Bihar. Though it was known about start of Prism cement plant there was a different school of thought which insisted that a new plant of Jaypee may not be able to absorb its produce in the existing market and therefore option must be open to search secondary and tertiary markets.

This had compounded the problem further for Jaypee Bela Plant. Prism cement plant was approximately 6 months behind Jaypee Bela plant. It was definite that they will like to sell their cement in the primary market only and that means, as per our assessment, they will snatch their maximum share from the market leader i.e. Jaypee Cement, both in Madhya Pradesh and Uttar Pradesh and will also attempt to catch-up fast in BIHAR i.e. at least in the territories where we were currently dominating. We therefore decided not to leave our primary market and instead find ways to sell the cement from Jaypee Bela plant in the same market itself.

The historical data proved that average annual Industrial growth that Uttar Pradesh (UP), Madhya Pradesh (MP) and BIHAR states were registering in the last few years, was approximately 5% and in the next 5 year plan government had emphasised on infrastructure development which will boost cement demand in these States, we decided to strive for equal market share for Jaypee Bela plant in this market (UP and MP mkts and may be Bihar as well).

Among different strategies there was serious consideration to adopt Blue Ocean Strategy for marketing Bela cement but the idea was dropped with a simple reason that it was not possible to add additional features in the product so as to avoid competition except attaching a brand name to it.

The competition from the other big brands like ACC, SATNA Cement, MAIHAR Cement and DIAMOND Cement (all from different BIRLA group) was increasing day by day as all these plants are located within a distance of 200 kms and each company was wanting to increase its market share in the primary marketing zone so as to maximise the realisation/ profitability. It was a judicious call taken by us to enter in the existing market with a different brand name as a new entity with parallel network ams with a different set of officers. We appointed people from Field level to managerial level.

We appointed a leading Advertising firm from Delhi to do a thumping launch of Jaypee Bela plant cement and they came up with an idea of assigning a new brand name to Bela cement and coined a name of “TIGER” Cement for it. World TIGER was coined because White Tiger was first time sighted in the jungle of Rewa only. We prepared a beautiful teaser campaign for its launch.

Two parallel Rewa team and Bela teams of Jaypee cement started operating in the UP, MP and Bihar markets simultaneously,. Bela team was also known as Tiger team. The designs of Hoardings, the Dealer boards, the Plaster Of Paris material, were all different from Rewa cement. The packaging was different with the mark of a Tiger’s face and Tiger team went all out in the market to appoint a parallel dealer net work. Though it was
a big challenge for us to appoint a new set of business associates, parallel to the existing network of our competitors and our own sister concern (Rewa Cement), but a highly motivated team with zeal to convert impossible to possible did wonders to achieve this miracle and in about three months we appointed 150 dealers in MP and 290 dealers in the state of UP. These dealers were appointed in the existing markets of Eastern UP and MP. Appointing dealers in far off markets of Western UP and BIHAR would have meant additional freight cost thus additional costing and low realisation to the company.

Now the second challenge was to appoint a parallel network of Sales Promoters and Clearing and Forwarding Agents (C&F Agents). While it was not all that difficult to appoint a new dealer network, appointing a parallel network of agents was a herculean task because we were apprehending maximum hurdles from our existing set of Sales promoters and C&F Agents. The sales team was responsible to supervise the activity of agents and is responsible for sales.

All the existing agents of Rewa plant wanted the additional scope of Bela plant because they were expecting competition from new appointees of Bela plant more than any other brand. No amount of convincing from our field force that Rewa and Bela plant will not be allowed to compete with each other could really convince them and many of them threatened to leave dealership of Rewa plant stating that if Bela plant’s dealership is not assigned to them, they will take dealership of Prism cement, if we do not offer them additional scope of Bela plant. This demand of Rewa Agents was rejected and we assured them of continued support. We had projected a rosy and a more better market share for them as well if only Rewa and Bela agents work and behave as brothers or Co partners rather than competing with each other. This was the crux of this scheme. One and one would make a force of eleven and both the companies in the same market working as Co partners would jointly give a tough fight to the new entrant and would also jointly snatch some market share from the existing brands.

Our communication to our agents was based on our conviction and belief on the strength of our product and service and also on our corporate strength. Our Chairman also called a meeting of our agents and addressed them in his typical style of striking their emotional chord. He posted them opportunity of recommending names of competent parties in their markets who could be considered for Bela plant Sales Promotership. This worked and Rewa plant sales promoters thereafter stopped claiming their right for Bela sales Promotership.

Although we did achieve our objective of creating a separate network of Dealers and Sales Promoters, Bela sales team continued encountering hurdles from Rewa network and some times from Rewa sales team as well. This was expected too because in such an understanding strategy one should not expect 100% success. We had decided to take a calculated risk and we went ahead with
our plan. A separate network of Dealers, Sales promotoes, separate godowns, separate field force, separate publicity budget, separate travelling expenses. Bela cement was required to work as a new company and required to accept the challenge and take its reasonable market Share at reasonable price.

An example of dedicated hard and sincere working of the entire chain of marketing team was witnessed on next two years and Tiger cement started cutting into competitors’ share without disturbing market share of Rewa cement. In three years time the full capacity of Bela plant i.e. 1.7 million tonnes got absorbed in the market along with 2.5 million tonnes of Rewa plant. The following table shows clearly the share of market that Bela plant snatched from competitors. It was one of the most talked about and revered strategies that Bela plant had adopted in such a competitive scenario.

Market share of Jaypee & Competitors in UP :: Before and after launch of TIGER

![before_launch_of_tiger](image1)

![after_launch_of_tiger](image2)

(Jaypee Bela plant launched during 1996. Market share before and after the launch of Bela Cement is projected)

Over a period of time the demand of cement in Market grew and Jaypee Cement started setting up plant after plant, as indicated in foregoing paragraphs, all over the country and in a short span of time the group emerged as third largest cement producer in the country.

Having achieved this fete which got completely stabilised over a period of three years, the necessity was felt to cut down on the cost as we were incurring expenditure, especially related to marketing, two times the normal expenditure since both Rewa and Tiger plants were operating as two independent units AND also because we were constantly facing complaints from Field personnel’s of both Rewa as well as Bela plants about poaching into each other’s network.

While we were, at the senior management level, endeavouring to address such issues from time to time, we were also aware of the fact that at junior officer level, there was brewing a feeling of discontentment. Some of them were also harbouring a similar feeling of partial treatment to other side. Later on we were able to establish the cause of it.

This was a lesson to the management where we had not fully anticipated the situation of development of jealousy for other team rather than a healthy competition. However having achieved the main objective of successfully launching Tiger cement, we had to merge the two teams (Reva and Bela teams) to one in order to reduce our overheads. We therefore decided to merge the two companies’ officers, in phased manner. Starting from the States Head up to lowermost level, in almost less than a year’s time, we completed this exercise. That means there was only one State head for both the plants,
only one area manager for one area and only one officer for a particular District. As a consequence the two separate networks of Dealers of the two plants was being controlled by the same officer OR that an officer was given responsibility of selling cement from the two plants in the same territory which was allocated to him initially for a single plant. This action by the management brought about the expected and much desired result. The cold war among officers ceased, the network’s apprehensions removed, the accounting became simpler, and the monitoring became easy AND on top of everything the cost to the company, to run two parallel networks, reduced considerably.

The addition of new capacities in a Satna cluster later on mainly by Maiher cement and introduction of SURAKSHA brand cement by ACC also tempted us to take similar action. Actually for quite sometime we were planning to introduce a brand meme for our cement and we were waiting for the opportune moment. And moment when we decided to merge Rewa and Bela plants was found most appropriate to launch a new brand name. We decided to do away with Jaypee Rewa and Tiger brands and instead replaced them with a common brand which we called BUNIYAD Cement. We had launched BUNIYAD cement in the year 2002, withdrawing the Super Plus and Tiger brands.

BUNIYAD cement later on became the most popular brand in UP, MP and BIHAR. The brand was so popular among consumers in the three states that without BUNIYAD cement in shop, it was difficult for a cement dealer to survive.

While one can say that life of Tiger cement was only 6 years and company wasted much money on its launch and in creation of a parallel sales team, in the prevailing situation at that time, this experiment did give us the expected results and pride and reputation in the market. The expenditure incurred on launch of Tiger Cement was actually an investment which was confirmed when our BUNIYAD cement reached new heights.

Concluding Remarks

The inference drawn by many authors of National and International repute on the case studies of a few companies on the subject of launching of a product in the existing market I find that each one has drawn his own conclusion. I believe such inferences are the result of individual’s own perception of the entire happening. Jaypee Bela cement plant had studied most of these cases and had taken a very consisted view before taking the decision of launching Tiger cement in the existing market of Rewa cement. While a clear Road map was drawn in advance, which was based on the ultimate objective of acquiring additional Market share in the already over supplied market, fact cannot be denied that was an element of risk involved in doing this experiment. But then more options were not available. We had to either search for unknown secondary or tertiary markets for Tiger cement and sell cement at very low realisation or venture into known, existing primary market, though sell less quantity (initially) but still sell at comparatively better realisation.

All said and done, Tiger cement did create a history in Central India market. The two plants of Japee group from Distt Rewa in Madhya Pradesh (MP) are enjoying lion share in MP and BIHAR and along with its Uttar Pradesh (UP) based plants in UP also, the company is enjoying 25% market share.

ACKNOWLEDGEMENTS

The author acknowledges the guidance, direction and support rendered by the Chairman, Jaypee Group and the Seniors in cement division of Jayaprakash Industries. It is under their leadership, the author was provided with an opportunity to experiment with his novel concept of competing his own marketing. The author also greatfly acknowledges the Management of Jayaprakash Group for the periodic review they undertook all the experiments and the results and periodic corrective actions as deemed fit. The author also wishes to place on record his appreciation for his supervisor who has helped him shaping his thought which enabled the author to put these experiments in the form of an article.

REFERENCES

3. Cement Manufacturers’ Association (1964), 50
Years- The Cement Industry in India 1914 - 1964, New Delhi.


WEBSITES

1. Lafarge (2004), All About Cement, http://www.lafarge.com/wps/portal/4_3_5_1

2. India Brand Equity Foundation (IBEF) - www.ibef.org