

Integrated approach needed in marketing strategies

In the second and final part, Soumen Karkun, Dy MD, Holtec Consulting, emphasizes on the importance of dovetailing marketing strategy into an integrated corporate strategy to achieve the desired effect.

STRATEGIES Area-wise strategies/ sub-strategies were formulated based on the findings of the market research and the associated exercises carried out. These are shown below:

Capacity Enhancement

- Given the demand-supply scenario as well as the good financial resources of the company, alternative locations were specified for a **new plant** where feasibility studies were recommended.
- Based on the technical audit, **large-scale modernisation** was rejected at the existing plant. Instead measures for **incremental modernisation**, targeted towards efficiency augmentation and cost reduction, were suggested.
- Given the advantageous location of the existing plant with respect to its current and prospective markets, as well as its potential cement grinding capacity, a proposal for a **split-located grinding unit** was ruled out.
- A time-table for **production augmentation** was developed based on the potential revealed through the technical audit.

Product & Packaging

- The demand-supply scenario, preferences observed during market research and location of suitable raw material sources, enabled the recommendation of a plan for producing and marketing a **larger product portfolio for conven-**



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tional cement.

- Considering the relatively higher realizations from **special cements**, a limited plan for the production of these varieties was spelt out. Market destinations too were specified for the same.



- A proposal to produce a **superior quality OPC** was accepted based on the findings of the market research. A five-year production-cum-marketing plan was drawn up.
- Given the quality image of the company and the lukewarm attitudes observed in the market, a proposal to produce and market a **lower strength OPC** at a discounted price, was rejected.
- Strategy measures to improve the quality of **packing**, which had emerged as an area of weakness for the company, were laid out. However, on account of the low demand observed and consequent scale-economics, a proposal for **smaller pack sizes**, was rejected.



Consumer Segmentation

- Given the figures for realization, the limited distribution reach, and the expected change in the demand-supply balance, **direct entry into rural markets** was accepted.
- A proposal to effect **complete sale through the** channel network for varieties other than special cements was accepted on account of the indifferent and uncertain demand and the relatively poorer re-

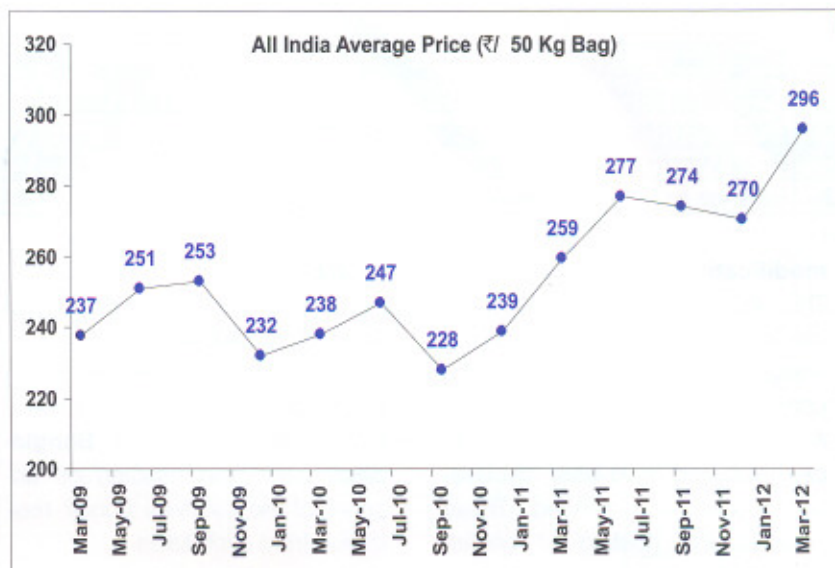


alization from other consumer segments.

“The significance of market research and associated exercises, in the context of strategy development, can hardly be ignored.”

Distribution

- The **CA-MA model for geographic redistribution of sales**, as described earlier, was recommended for implementation.
- A proposal to **restrict distribution spreads** to only the top urban centres of targeted districts was rejected based on an analysis of Market Potential/ Reflection Indices.
- Taking into account the unfurling demand-supply scenario and the competitive trends towards market consolidation in lieu of market expansion, a strategy for **consolidating existing markets** rather than an entry into new markets was selected. However, the CA-MA model results were given priority over this strategy, as and where applicable.
- Given the investment quantum necessary, as well as uncertain experiences in their use, a proposal to use technical solutions for **increasing despatch consignment sizes**, was rejected.



- Taking into account customer preference profile, a strategy to invest in **company-owned depots**, was accepted.
- A variety of strategy measures relating to the **channel network** were recommended. These included phased appointments, exclusivity, deposits, incentives, etc.



shares, in the same.

- The **pricing strategy for new products** was worked out. This took into account, their production costs, the areas and timing of their sales, as well as feedback concerning "what the market can bear" from the market research.

Promotion

- Based on the familiarity with the **brand name** (different from the company name) observed during market research, continuance of the same was recommended.
- It was proposed that the levels of **advertising expenditure** be stepped up to match contemporary trends. Additionally, taking into account its current low reach, modifications were suggested in the **disbursement channels** for such expenditure, through optimum media planning.
- Awareness of the company's strengths did not seem to have filtered through to its target consumers. Consequently, **message**



Pricing

- Taking cognizance of the demand-supply scenario, the company image, and the premiums hitherto commanded, **pricing at levels slightly higher than competition** and matching the expected inflation rates in building materials was recommended.
- Taking into account the price elasticities observed and the results of the CA-MA model, **maximum and minimum prices** were chalked out for different districts depending on whether the company wished to increase or decrease its market

(Figures in Rupees crores)

Sn	Item	12-13	13-14	14-15	15-16	16-17
A	Desired incremental return	97.8	105.0	119.4	123.8	136.6
B	Return from factors outside company control	(15.6)	(20.1)	(15.1)	(6.2)	18.1
C	Return from strategy-mix chosen	86.2	80.9	88.7	80.2	75.9
D	Balance return desired from Strategies other than marketing	27.2	44.2	45.8	49.8	42.6

modifications were suggested. This included the use of "end-use instructive" advertising, which seemed to be welcomed by the consumer section surveyed.

- A variety of measures for both **channel and end-user motivation** were recommended. These included the hosting of conferences for brand influencers, the advancing of credit facilities for select channel members, price-coupon schemes in new launches for both channels and end-users, "pull" generating strategies, etc.

Diversification/ Mergers & Acquisitions

- A portfolio of **diversification alternatives** were considered such as the production of ready-mix concrete, concrete products, packing bags, etc. A few of these were accepted based on market acceptability (as assessed from market research) and investment economics.
- Strategies for both backward and forward **mergers & acquisitions** were rejected on account of the relative stability of the company and its strategic choice of investing in a new plant.

Cooperative Ventures

- **Price understandings/ production cutback** strategies were rejected on account of the competitive advantage already enjoyed by the company as well as the recent attention accorded to such forms of cooperation.
- Cooperative ventures to **bolster demand** by promoting the use of cement in new areas, was accepted as a welcome strategy.

Exports

- Export opportunities in **Sri Lanka** as well as **UAE** were rejected on account of the prevalent demand – supply scenario in those countries.
- Export opportunities in **Bangladesh** were also rejected on account of the relatively poorer realization from such sales.

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Organization

- Major changes, in a phased manner, were proposed to convert the current Stage II type of **organization structure** to a Stage V type.
- **Personnel recruitment** time-tables were drawn up to suit the balance strategy mix, chosen.

Market Information

This emerged as a distinct weakness area for the company. **A blueprint for a comprehensive market information system** was drawn up encompassing a computer-based Planning - Querying - Reporting (PQR) system.

Contingency Planning

A set of **contingent plans** were drawn up which were scheduled to become operative, either when key

assumptions, made at the stage of strategy formulation, failed, or when fresh developments, including competitor reaction, set in.



FINANCIAL IMPLICATIONS

The financial impact of the above strategies, excluding that of setting up a new plant, is shown in the table below:

From the above, it is obvious that marketing strategies alone would not be able to realize the objective set by the company of a 30% return on its investment. Consequently, strategies in other functional areas would need to complement and further supplement the efforts of marketing.

CONCLUSION

Given the sheer dimension as well as the expected patterns of growth of the cement market in India, the significance of market research and associated exercises, in the context of strategy development, can hardly be ignored. The case study presented in this paper attempts to elucidate this fact.

The author would, however, like to caution readers about the importance of the marketing strategy dovetailing into an integrated corporate strategy for the company. Unless a proper consonance is ensured, in different functional areas, the overall desired effect would hardly ever be achieved. **ICR**