A Study to Measure Pricing Technique in Cement Industry

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ABSTRACT

India may be a second major cement manufacturer after china with integrate production capacity of480 million tones once a year within the fiscal year 2019, In terms of market share and competition within the sector, the highest 5 companies elucidate for 48 percent of the market by installed capacity and 47 percent in terms of production in fiscal year 2019. The target of this study is to live the pricing technique in cement industry. So as to achieve the need of the target the study selected suppliers from the cement industry. The sample has been selected from Haryana state. In order to fulfillment of the objective the study selected 40 suppliers from cement industry. In order to achieve the objective of the study descriptive research has been used. The questionnaire has been consists of 15 statements in which pricing technique in cement industry has been described. The questionnaire has been given to the 40 suppliers. After getting the response from the sellers study analyzed the data.

Keywords- Pricing Technique , Cement ,Cost , Integrate Production.

INTRODUCTION

India is a second largest cement producer after china with build in production capacity of 480 million tones per annum in the financial year2019 ,

In terms of market share and competition in the sector, the top 5 companies elucidate for 48 percent of the market by installed capacity and 47 percent in terms of production in financial year 2019. Companies in the overall cement industry are facing measure threat.

 If they want to improve productivity and at the same time want to decrease cost, they need high performance products that are also energy efficient and after maximum accessibility and

affability. These products also in accordance with environmental regulations by providing maximum safety for employees, machines and material.

DEMAND DRIVERS

It is further divided into three sub segments:**Economical housing:** economical housing in urban areas has picked up step in terms of construction and completion post launch of PRADHAN MANTRI AWAS YOJANA in 2015. The government has permitted over 8.1 million houses under this scheme and development has initiated over 4.7 million houses.

Urban housing real estate development: it includes both residential flats and individual houses in urban areas. The total demand from this segment is 25 percent.

Rural housing: This segment has been a major driver of growth with overall share around 28 percent. This can be facet to completion over 15.4 million rural households. Over the last five years by the government of India under PRADHAN MANTRI GRAMIN AWAS YOJANA.

InfrastructureGovernment upshot on development of urban infrastructure, roads, bridges, etc.

And reinforce spending on construction and completion of some key projects during 2018-2019 was a major growth driver for cement sector.

This segment constitutes 25 percent of the overall demand of cement in the country.

Commercial and industrial capax: The segment has remained static in terms of demand share at 10 percent of the total demand for cement in the country.

COST DRIVER

Power and fuel

Manufacturing cement is power intensive with over 25 percent of the expense being incurred on power and fuel costs. companies need to purchase coal petcock to fulfill the fuel need of captive power plants and feedstock for production.

Selling and distribution:

Cement's transport comprehensive nature is driven by its inherent needs to move raw material and finished goods. Coal, gypsumetc. are include in raw material. Transportation of raw material and finished goods is done by roadways and railways means of transportation.

Pricing scenario
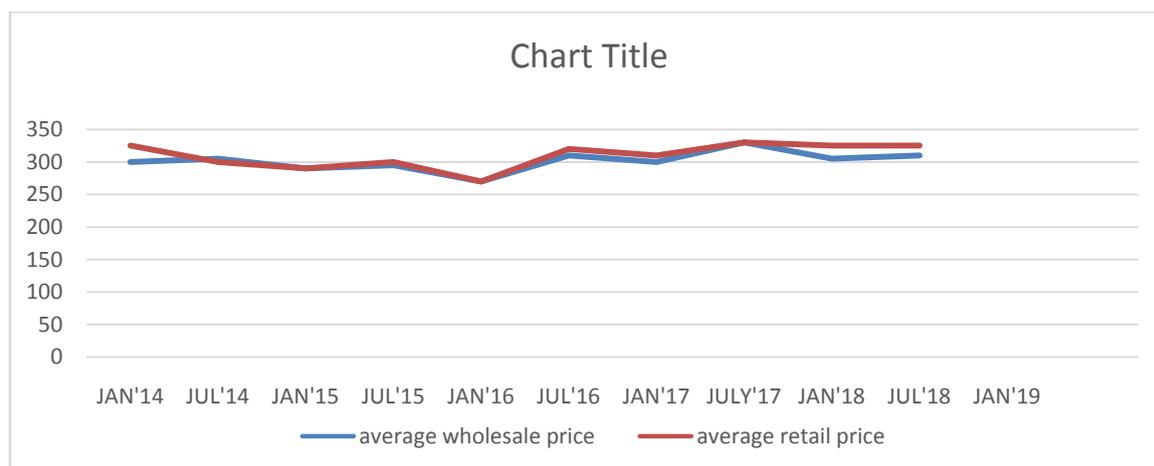
LITERATURE REVIEW

Abott (1991) This study examines whether price dispersion across individual producers could explain these problem. Using data from the hydraulic cement industry, this paper shows that omitting individual prices introduces measurement errors in real output that are in correlation with factor prices. These errors lead to biased estimates of the production function and with productivity growth equations. A method of simultaneously estimating real output and price is introduced to solve these problems.

Iwandet_al (1991) Thisnonmonotonic relationship could also be a function of capacity utilization rates. statistic data from twenty five regional cement markets are used to examine this results empirically. No statistically important relationship is found between demand differences, valuing and excess capacity.

Jans and Rosenbaun (1997) This study examines the effect of multimarket on the pricing in the cement industry. A model of price and quantity formation is assessed for a panel of twenty-five regional cement markets over sixteen years. The study outcome reveals that

thatseventy-five of price from marginal cost in a particular market is directly related to the scope of multimarket contact among firms in that market

Fleischmann et_al (2003) The past few years has seen a virtual explosion of data about customers and their preferences. This information potentially allows companies to extend their sales, specifically since modern technology enables price changes to be affected at minimal cost. At many time, firms have taken major strides in knowing and solving the dynamics of the availability chain, both their internal operations and their relationships with supply chain partners. These two developments are narrowly intertwined. Pricing decisions have a right away effect on operations and vice versa.

Paliwal, P. (2003) The approach of competitiveness within the cement industry has required that a hitherto commoditized product like cement moves onward on the commodity-band. Pricing techniques, which have direct implications for a strong bottom line of the cement firms, have up till now been restricted from a traditional angle. it is time that the industry tackles pricing decisions with a strategic method. The study discusses strategic issues in cement pricing in India. The aspect of cartelization and its role in pricing within the cement industry has being revisited. maintained extensive literature survey and discussions with the cement-marketing professionals, factors ideal to cement pricing are identified. The study is an attempt to develop a conceptual framework for further wide-ranging research add this significant marketing-mix element of the cement marketer.

Sezen, B. (2004) Clients are less likely to buy perishable goods when their expiry dates are near. For this reason, dealers frequently implement a reduction pricing policy when the products have reached near to their expiry dates. This paper introduces an easy methodology for helping the managers in their discount pricing techniques. supported the arithmetic mean approach, the suggested method utilizes the probability values obtained from the past experiences and calculates an expected profit value for every alternative discount policy. head then selects the discount policy with the best expected profit

Burstein, A. T. (2006) This paper studies a state-dependent pricing model within which firms face a hard and fast cost of adjusting their pricing decisions. A pricing decision specifies a complete sequence of time-varying future prices. Allowing firms to settle on a pricing plan

instead of one price generates inflation within the response of the economy to small changes within the rate of growth of cash. Allowing companies to settle on when to vary their pricing plan generates a non-linear response of inflation and output to small and enormous changes within the money rate of growth.

Serel, D. A. (2008) We discovered an extension of the one time inventory problem when supply is uncertain. glance into the negotiations between a retailer and a producer when there's competition from a second supplier. there's an opportunity that the second supplier won't be able to deliver the goods. The dealer can increase his expected profit by allocating his order between the different suppliers. The retailer's placing order problem is analyzed in conjunction with the company related pricing problem. the results of demand and shows uncertainties on the optimal decisions of the parties are explored using practical examples

Breidertet_al (2010) Knowledge a couple of products willingness-to-pay on behalf of its (potential) customers plays a important role in many areas of promoting management like pricing decisions or new development. Numerous approaches to live willingness-to-pay with differential conceptual foundations and methodological implications are presented within the relevant literature to date. this review provides the reader with a scientific overview of the relevant literature on these competing approaches and associated schools of thought, recognizes their respective pros and discusses obstacles and issues regarding their adoption to measuring willingness-to-pay. due to its practical relevance, special focus are going to be placed on indirect surveying techniques and, specifically, conjoint-based applications are going to be discussed in additional detail. The swot analysis of the individual approaches are discussed and evaluated from a managerial point of view

Hasanbeigiet_al(2010) The economic analysis during this paper shows however the knowledge from the CSCs are often accustomed calculate this price (PV) of web price savings over a amount of your time taking under consideration the energy worth step-up rate. The results from the policy state of affairs associate degreealysis show that the foremost effective and economical policy state of affairs is that the introduction of an energy-related carbonic acid gas tax for the cement trade beneath a voluntary agreement program. This state of affairs leads to sixteen.9% primary energy-efficiency improvement over a 5-year implementation amount.

Sharma(2011) The results of study indicated that dividend per share and earning per share being the strongest determinants of value, that the results of this study supports liberal dividend policy and suggests firms to pay regular dividends. This policy can have an effect on value of share in positive direction. Since, value per share depicts the owner's funds, a better value per share is probably perceived by associate degree capitalist to be associate degree indicator of the sound monetary position of a corporation for finance. All this shows that the study of economic factors sway be helpful for the capitalist within the India, as these factors posses sturdy instructive power and therefore, are often accustomed build correct future forecasts of stock costs. So, investors ar steered to require care of accounting variables of company before finance.

Ahmad Kamaruddinet_al(2012) This explicit study makes an attempt to find the most effective statement technique to estimate cement price level by completely different regions in Asian country since cement is that the main substance employed in housing industry. Cement index knowledge used were from year 2005 to 2011 monthly knowledge of various regions in land Asian country, and year 2003 to 2011 monthly knowledge in each territory and dominion. it absolutely was based that Back propagation Neural Network (BPNN) with linear transfer operate made the foremost correct and reliable results for assessment of cement price level in each region in Asian country. The calculable worth indexes of cement can contribute important to price for cash in PFI and shortly towards Malaysian economic process.

Li, *et_al*(2012)High uncertainty during a new introduction often results in extreme cases of demand and provide mismatches. Pricing is an efficient tool to either remove or alleviate these problems. We study the optimal pricing technique within the context of a product transition within which a new-generation product replaces an obsolete one. We form the dynamic pricing problem and derive the optimal prices for both the old and new products. Our analysis sheds light on the pattern of the optimal prices for the 2 products during the transition and on how product replacement, together with several other dynamics including substitution, competition, and inventory affect the optimal price. We also determine the optimal initial inventory for every product and discuss a heuristic method.

Milleret_al (2014) We estimate a structural model of the cement manufacturing that comes with spatial differentiation and price discrimination, specializing within the US Southwest over 1983–2003. We influence the structure of the model to urge consistent estimates of the underlying parameters using data on market outcomes that are considerably aggregated. Our results specify that transportation costs around $0.46 per tonne-mile rationalize the data . This friction enables relatively isolated plants to urge higher prices from nearby customers. We further find that disallowing price judgment would create $30 million in consumer surplus annually and show how the model can identify suitable divestitures in union analysis.

Research Methodology

Objectives of study

A studyto measure the pricing technique in cement industry.

Scope of the study

In order to attain the requirement of the objective the study selected suppliers from the cement industry. The sample has been selected from Haryana state. In order to fulfillment of the objective the study selected 40 suppliers from cement industry.

Research Design

In direction to achieve the objective of the study i.e. a study to measure the pricing technique in cement industry descriptive research has been used.

Sampling technique

In directive to attain the objective of the study i.e. a study to measure the pricing technique in cement industry convenience sampling method has been used on 40 suppliers.

Instruments

Descriptive statistics has been used to identify the pricing technique in cement industry.

DATA ANALYSIS AND INTERPETION

Table1 Which brand cement have maximum price?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UltraTech Cement	15	37.5	37.5	37.5
	Shree Cement	6	15.0	15.0	52.5
	Ambuja Cement	9	22.5	22.5	75.0
	J.K Cement	4	10.0	10.0	85.0
	ACC Cement	6	15.0	15.0	100.0
	Total	40	100.0	100.0	

The above table shows that ultraTech cement have the high price whereas acc cement have the low price in cement industry.

Table2 What type of pricing technique firm prefers?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Price taker	19	47.5	47.5	47.5
	Price Maker	21	52.5	52.5	100.0
	Total	40	100.0	100.0	

The above table shows that the market is price maker and price taker both

Table3Which quality or grade cement in mostly sold?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	OPC	18	45.0	45.0	45.0
	PPC	22	55.0	55.0	100.0
	Total	40	100.0	100.0	

The above table shows that   Portland Pozzolana cement (PPC) have slightly more sales than Ordinary Portland cement (OPC)

Table4How do you React To your Competitor's Prices?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	By forming cartels	4	10.0	10.0	10.0
	By reducing pricing	8	20.0	20.0	30.0
	By giving offers	11	27.5	27.5	57.5
	By selling goods on credit	17	42.5	42.5	100.0
	Total	40	100.0	100.0	

From the above table we can interpret that there are many factors to react for the competitors price like by forming cartels ,by reducing pricing ,by giving offers by selling goods on credit

Table5 On what Bases Price on Value?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	☐ Timely delivery	8	20.0	20.0	20.0
	☐ Low profit margin	6	15.0	15.0	35.0
	☐ Selling goods Credit	5	12.5	12.5	47.5
	☐ Availability of goods	11	27.5	27.5	75.0
	☐ All of above	10	25.0	25.0	100.0
	Total	40	100.0	100.0	

The above table shows that the bases of prices are done mostly byTimely delivery ,Low profit margin ,Selling goods Credit ,Availability of goods.

Table6 What do you want to communicate with your pricing strategy?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cost to Cost	4	10.0	10.0	10.0
	Best services	12	30.0	30.0	40.0
	Best quality	16	40.0	40.0	80.0
	All of above	8	20.0	20.0	100.0
	Total	40	100.0	100.0	

The above table shows that the dealer communicate their pricing strategy by giving best quality with 40% response and minimum 10% is done by giving cost to cost goods.

Table 7 Have you done enough to convince your audience that there are no better substitutes to what you offer?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	23	57.5	57.5	57.5
	NO	9	22.5	22.5	80.0
	May be	8	20.0	20.0	100.0
	Total	40	100.0	100.0	

Table 7 depicts that 57.5% thinks that theyHave done enough to convince the audience that there are no better substitutes to what they offer in the market.

Table8 What type of clients are you trying to attract?

|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Builder	15	37.5	37.5	37.5
	Household customers	12	30.0	30.0	67.5
	Agents	6	15.0	15.0	82.5
	All of above	7	17.5	17.5	100.0
	Total	40	100.0	100.0	

The above table shows that 37.5% clients are builders,30% clients are household customers,

15% are the agents and 17.5% have all the types of clients.

Table9 How can you use price to send a signal to the right people?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	☐ Social Media Marketing	3	7.5	7.5	7.5
	☐ Newspaper Ads	7	17.5	17.5	25.0
	☐ Wall Paining Ads	23	57.5	57.5	82.5
	☐ Agents	7	17.5	17.5	100.0
	Total	40	100.0	100.0	

The above table shows that 57.5% Wall Paining Ads ,17.5 % Newspaper Ads& Agents and

only 7.5% social media marketing contribute to send singnal to the right people.

QUESNO.	STATEMENTS	Not at all	To some extent	To a moderate extent	To a great extent
10	How much You Covered Your Production and Service Costs?	5	8	15	12
11	Do you include transportation cost in pricing?	0	8	10	22
12	Are Your Prices in Line with Your Longer-Term Business Goals?	1	5	17	17
13	Do you Offer Different Levels of Products or Services at Different Price Points?	3	9	17	11
14	Do you Offer A Discount?	2	8	18	12
15	Do you think that direct company agents give more price discounts as compared to the physical stores?	0	3	16	21
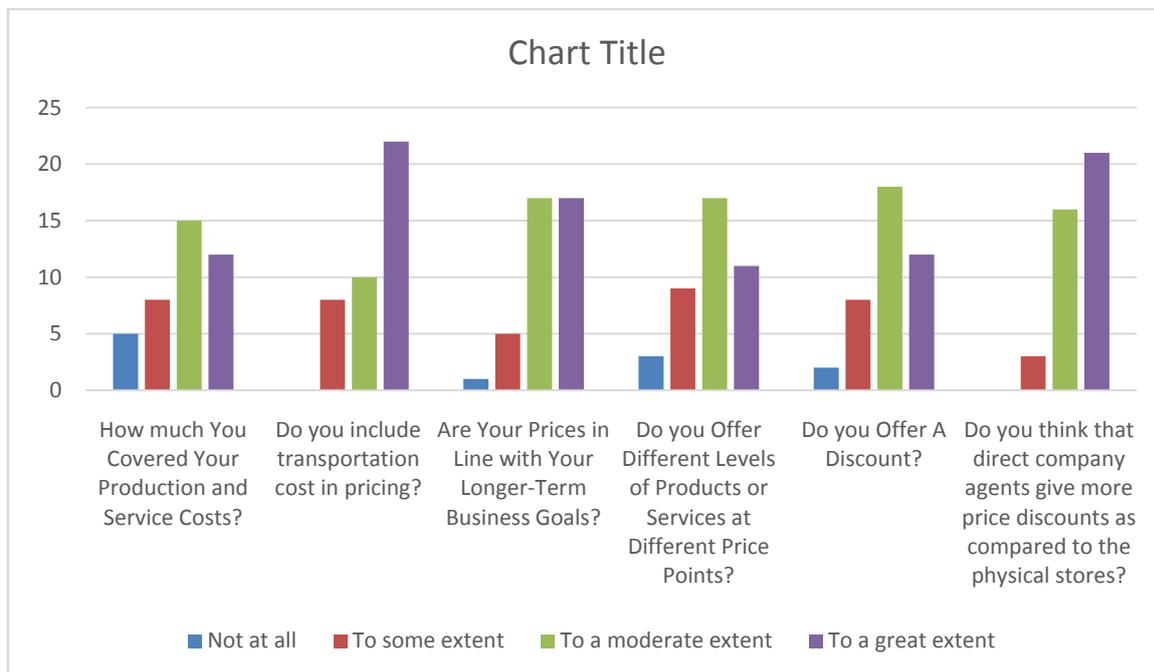
From the above table and graph we can interpret that 37.5% respondent to moderate and 30% to great exent have Covered their Production and Service Costs , 55% respondent to great exentand 20% to some extent have included transportation cost in pricing .and 42.5% respondent to great exent and to some extent each have their Prices in Line with thier Longer-Term Business Goals. 42.5% respondent to great exent and 7.5 % not at all Offer Different Levels of Products or Services at Different Price Points. 45% respondents offer discount to moderate exent and only 5% not at all offer discount tom their clients.52.5% respondents thinks that direct company agents give more price discounts as compared to the physical stores

Conclusion

Cement industry plays an important role toward infrastructure. In this light of present study deals with the pricing technique used by cement suppliers and dealers of Haryana. The study is done for doing analysis to set up cement industry. the dealer takes many strategies to hold the customers and main objective of dealers is to take builders as the customers, wall painting is the best type of advertisement.There are many factors to react for the competitors price like by forming cartels, by reducing pricing, by giving offers by selling goods on credit . Thus after analyzing the data the study concluded with the pricing techniques used by different cement supplier in the market. In the study of Jans and Rosenbaun (1997) study concluded

that the effect of multimarket contact on pricing and the study of Sezen, B. (2004) shows the discount policy with the best expected profit.

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