



# The Impact of Pricing and Product Positioning Among Dealers: A field-based Study Concerning JSW Cement Limited in Selected Districts of Tamil Nādu

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## Abstract

The study's primary purpose is to test the pricing strategies adopted by distributors of types of cement and determine the impact on the marketing mix with specific ready-mix concrete blocks of cement. Managing the pricing is a delineating challenge where the competitors strive at every moment to thwart the demand and supply inelastic. The research narrows down to dealers' responses from Tamil Nadu with a sample size of 200 covering all districts. Multiple regression analysis methods are used to test the data with independent variables such as competitor pricing and value-based factor for the study. The implications of specific core product categories and reactions to pricing inelastic existing in the market will be a blot for future pricing policy changes in cement markets.

**Keywords:** Price inelastic, Pricing strategy, Cements, Buying Behaviour

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## 1. Introduction

### 1.1 Introduction to the Company

Jindal south west cements Ltd (JSW cements Ltd) is India's leading green cement company with current capacity of 17 MTPA across manufacturing units at Vijayanagar in Karnataka,

Nandyal in Andhra Pradesh, Salboni in West Bengal, Jajpur in Odisha, Dolvi in Maharashtra and Fujairah in UAE, among others. MTPA clinker unit project to be established in Sundergarh, Odisha.

**Table 1 - Products with specifications and pricing**

NAME OF THE PRODUCT	SPECIFICATIONS	PRICE (IN RS)
JSW Concreel HD	JSW Concreel HD is next-generation green cement, developed to meet all concrete-based construction requirements.	375 PER BAG
JSW Compcem (Composite Cement)	JSW composite cement is a revolutionary offering designed for concrete based construction requirements.	415 PER BAG
JSW Power Pro	JSW Power Pro Cement is an environment-friendly cement, with high strength, superior durability and resistance to aggressive chemicals present in the environment.	365 PER BAG
	JSW Portland Slag Cement (PSC) is a blended cement, wherein some portion of OPC is replaced with Ground	360



JSW Portland Slag	Granulated blast furnaceslag (GGBS), to make the structures more lasting.	PER BAG
JSW Ordinary Portland Cement	JSW Ordinary Portland Cement (OPC) is among the most commonly used cement variants in general concrete construction work.	330 PER BAG

Source : Annual Report of JSW Cements.

**Table 2 - Price (Approx.) of each product concerning top metropolitancities**

Products/ cities	JSW CONCREELHD (In Rs)	JSW Compcem ( In Rs)	JSW Power Pro (In Rs)	JSW PortlandSlag (In Rs)	JSW Ordinary Portland (In Rs)
Kolkata	375 per bag	700 per bag	----	340 per bag	330 per bag
Chennai	375 per bag	380 per bag	----	420 per bag	350 per bag
Hyderabad	350 per bag	320 per bag	----	360 per bag	315 per bag
Mumbai	325 per bag	380 per bag	----	----	380 per bag
Bengaluru	370 per bag	415 per bag	365 per bag	380 per bag	363 Per bag

Source : Annual Report

### 1.2 Theoretical Framework

The theory considered for this field-based research work is the value proposition and Price positioning strategy. Price quality strategies exist as a chain link affecting the price factor, which is a competitive advantage in the same product line. As cement is the only product without any substitutes, it is operated as a single choice of averting negotiated pricing in charting out other types of cement brands.

### 2. Literature Review

Earlier studies with the types of cement on positioning strategies were based on secondary

data with less focus on dealer's sales and their value factor, which is the market push sell tactics. Further earlier studies were more concerned with market forces determination which were related to crucial concerns toward environmental factors and technical indicators on ingredients mix of cement. Cross-sectional reviews of earlier studies were on the impact of market shares with limited brand awareness. This research work is a field study aimed to delineate the pricing issues and dealers value and positional strategies towards specific cement mix in specifically selected districts of Tamil Nadu



### 3. Scope of Study

The Scope of the study is limited to JSW Cements Ltd. The Study is more comprehensive towards pricing mechanics towards cement products targeting towards Ready Mix concrete mixer. The evaluation of pricing models with competitor pricing and model building on elasticity will help the management to make decision on concentrating more on pricing element in marketing mix based on dealer's procurement orders. A Groundwork study is taken to all level of distributors on key business metrics towards segmentation, revenue and pricing analytics models with main cities in Tamilnadu. This study will help the intermediaries in reframing their price elasticities of maintaining sustaining demand of Ready mix concrete mix cement with other brands.

#### 3.1 Primary Objective

- To Study the dealers buying preference of JSW Cements in TN
- To Study the factors influencing the dealers to promote JSW Cement in TN

#### 3.2 Secondary Objective

- To understand the factors influencing the dealer's preference for ready mix concrete mix cements.
- To Evaluate the pricing strategies of competitors
- To Suggest measures to improve future sales balanced pricing of ready mix concrete mix
- To Evaluate pricing and elasticity of demand through analytical model.

### 4. Research Methodology

**Research Design:** Observational

**Sample Design:** Convenience

**Population size:** All cement dealers in Tamilnadu with specific Grade of RMC. About 200dealers are these regions. Inclusion of builders and sub -dealers.

**Duration of Study:** The duration of project work is 60 days.

**Sample Frame:** 1. Chennai 2. Coimbatore 3. Erode 4. Salem 5. Madurai 6. Tirunelveli

**Sample Size** – 130

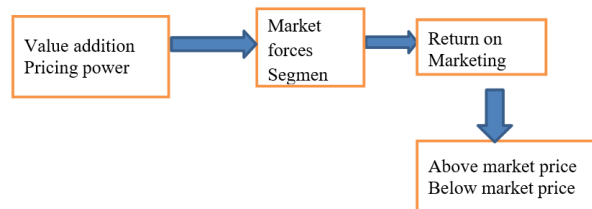
**Sampling Technique:** Systematic random Sampling

#### 4.1 Methods of Data Collection

**Primary data:** Structured Questionnaire and Interview Schedule with Specific grade dealers. (RMCand OPC)

**Secondary data:** Price handbook of Cement dealers, past years report of Construction Companies andJournals.

#### 4.2 Conceptual Framework



**Source :** Authors work with Specific theories

The Research is conducted with three steps in sequential process determining the pricing of cement mixtures of various grades and identifying the state preference of cements their attributes specifically towards ready mix concrete, Price segmentation is tailored towards specific location six places in Tamil Nādu, where pricing differs from location to location. Then different market structures are studied to estimate the elasticity from available prices from the six market locations. Variation of prices by dealer segments is categorized as per the grade specification and the proximity, the price discrimination is taken has the latent variable, assuming it has the market forces indirect impact in positioning of cement.

Pricing analytics applied through regression model determines the price structure which is elasticitiesand the price level at specific grading of cement i.e., Ready mix concrete mix.

This study with the above conceptual framework, will determine the key metrics relative to pricing



- ✓ What will be the effect of revenue if the Market price of a specific grade fluctuates?
- ✓ What will be the effect of dealer retention if the Price level is changed as per Market position?
- ✓ What will be the effect of the Market share of JSW cement relative to competitors if the Price effect is lowered in a single continuum?

Pricing analytics is used to measure the effect of price change. The effect shows how much revenue or sales change.

The cement pricing is based on utility function, In case of JSW cement, It depends mostly on the cross price elasticities, Study is evaluated through price discrimination factors through regression model.

**Utility (Preference) = Utility ( RMC cements, Competitor Grade cements )**

As the commercial unit of Ready Mix Concrete has stretched to southern region of Tamilnadu a Pilot study is conducted among six dealers in Tamilnadu and extracting the pricing tactics based on ordinary Portland cement, the study will determine the product positioning and Segment capture with pricing to be done for Eco-friendly Cement.

Price metrics taken as factors for study are (inclusion of latent variable)

- Tie- in sales
- Premium pricing
- Discounts
- Segmentation by proximity
- Retail and Dealer buying incentives.

**Tools used**

Pricing analytic method- Choice based Model

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

X1 - Competitor pricing (OPC /RMC) X2 - Market Factors – Value based

Significant level set at 0.05 Elasticity and Pricing of specific grade Ready mix concrete mix.ε -

Random variable.

Association attributes: CHI Square

**4.3 Hypothesis:**

H0: The dealer does not play a significant role in the pricing decision process. H0: There is no Price elasticity in the Segmentation criteria.

**5. Data Analysis and Interpretation**

**5.1 Descriptive Results**

Table 3: Result 1 : Questionnaire research findings of intermediaries in Tamilnadu of JSW Cement

Dealer Experience in Cement business	Procurement JSW Cements – Ordering Capacity
Less than 5 years	12.13%
6 -11 years	11.03%
12 – 15 Years	18.16%
16 -20 years	21.08 %
Above 20 Years	28.11%

Table 4: Result 2: Questionnaire research findings based on Segmentation

Preferable Segment	Percentage of Usage of JSW Cements
Residential	15.12%
Residential and Commercial	28.83%
Industry related	13.06 %
Individual Houses	2.82%
Institutional	3.33%

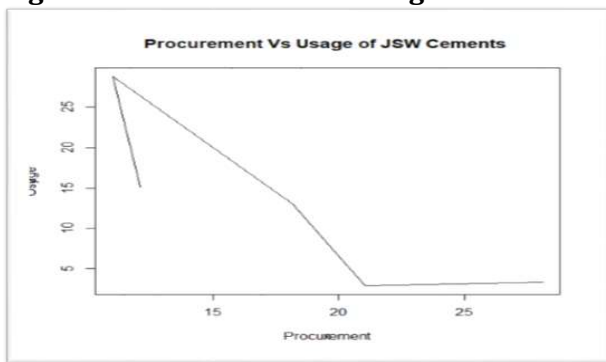
- in relation with cross elasticity Multiple Regression Analysis



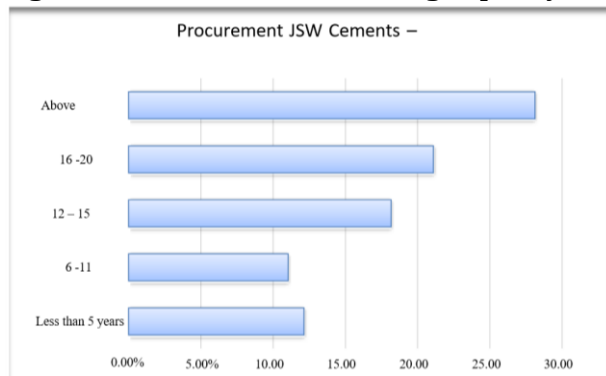
**Table 5: Result 3: Questionnaire research findings on Usage of JSW cements in Particular Purpose**

Purpose	Pricing range (In Rs)	Percent age
Architect / Consultant	300 to 500	7.34%
Contractor	Same	13.67%
Infrastructure companies	Same	18.22%
Builder	300 to 800	7.88%

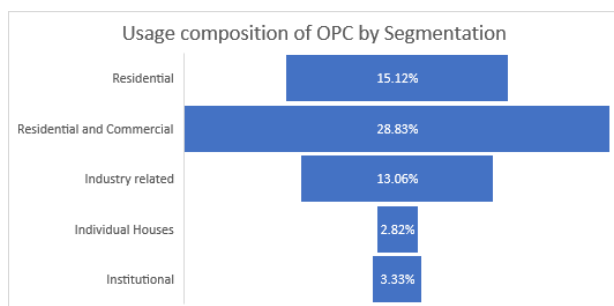
**Figure 1 - Procurement Vs Usage**



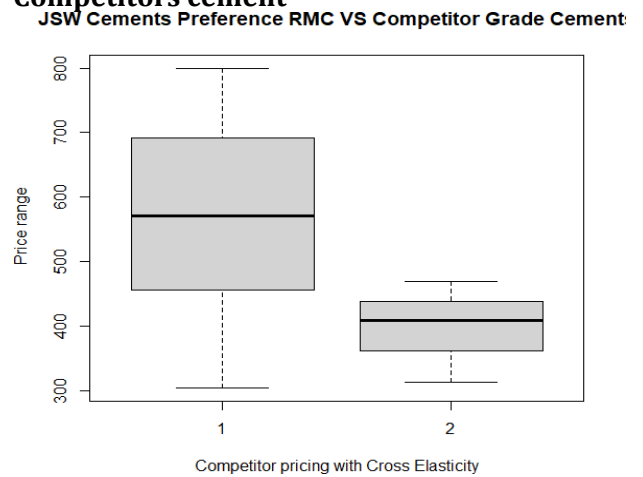
**Figure 2 - Procurement ordering Capacity**



**Figure 3 - Usage composition of OPC Cement**



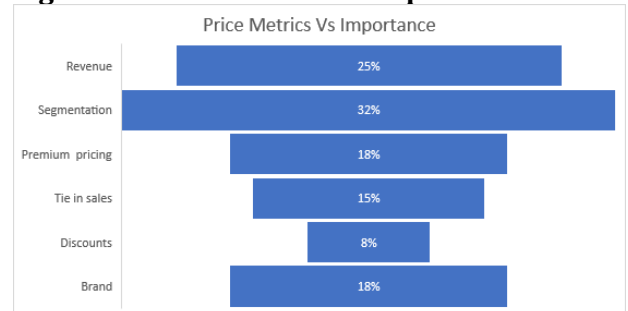
**Figure 4 - JSW Cement Preference in RMC Vs Competitors cement**



**Figure 5 - Percent of Experience of JSW Dealers**



**Figure 6 - Price Metrics Vs Importance**



**Table 6 - Hypothesis Test Results**

Statement	Z observed	Z critical at 0.05	Null Hypothesis
H0: Customer does not have role in pricing of cements.	3.12	1.96	H0 Rejected
H0: Builders does not have role in pricing of cements	4.22	1.96	H0 Rejected
H0: Dealers does not have role in pricing of cements	0.76	1.96	H0 not able to Reject
H0: Promotional measure does not have role in pricing of cements	1.21	1.96	H0 Rejected
H0 :There is no preference over Green concrete cements	0.15	1.96	H0 Not able to Reject
H0: Segmentation does not have role in pricing of Cements	4.87	1.96	H0 Rejected
H0: Proximity does not have role in pricing of Cements	2.13	1.96	H0 Rejected
H0: There is no preference over competitor graded cement	4.22	1.96	H0 Rejected

### 5.3 Findings

- There is a growth of cement consumption tend towards Eco- friendly at 0.034%. The adopted pricing strategies were different as per segmentation of markets.
- Price rigidity sustains among dealers towards relative competitive grade cements.
- 72% of dealers have been in procuring of competitor’s grade cements against JSW cements.
- Decreasing 13% Profit margin among OPC cements among dealers restrict towards discounts.
- There is positive reputation of Brand JSW cement among dealers is high at 43%.
- Procurement of Relative cements is decreased at 18% among dealers compared to JSW cements.
- There is a significant positive effect in procurement among dealers in TamilNadu, as a competitive advantage over Green

cement (RMC).

- Premium pricing and brand has 18 % importance towards the attributes of JSW cement.

### 5.4 Suggestions

- There is a possibility of targeting specific segment to single pricing against market prices of other brands.
- The association of price metrics of revenue and Segmenting the positioning of readymade concrete mix cement could boost the procurement order among dealers.

### 5.5 Limitation of Study

Cement constitutes a significant raw material in construction industry. The consumption level varies from Six places in Tamilnadu depending on the demand and local activities taken by the builders. The study period was only for 60 days.



Lack of pricing documentation among sub dealers and lack of proximity towards construction site of dealership has lowered the sample selection overall to 200.

## 6. Conclusion and Implication of Study

This study focused only on the pricing aspects and the dealers' procurement and logistics factors. There is need to look deeper into the product positioning at individual level to overcome the rigidity of pricing towards ready mix concrete cements to be promoted. There has been tremendous growth in the residential and commercial, a untapped area of launch of positioning and segmental pricing, where elasticity of pricing can be balanced through production innovation. There is a requirement of virtual platform of business dealing among the intermediaries in Tamil Nadu, where engagement of brand sustenance is possible among them in moderating their pricing.

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