



STUDY OF FUTURE PROSPECTS OF ONLINE CEMENT RETAILING

Arijit Maity ^{*1}

¹ Research Scholar, University of Calcutta, INDIA.

*Correspondence Author: arijit.maity1979@gmail.com

Abstract:

The project focuses on exploring the problems arises from traditional purchase of cement and the future prospects of online cement retailing instead of going through traditional retail channel or non-trade and its future adoption potential in Indian cement market. Exploratory research was done initially with sample size 10 in which customers include individual home builder, masons, engineer/architect, contractor and builders to find out the present problem associated in traditional purchase of cement. The questionnaire listing factors which helps in finding potential adoption of online purchase of cement is administered with a sample of 50 customers.

Keywords:

Cement, information, satisfaction, influencers, features, services, e-commerce etc.

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1. INTRODUCTION

In India various cement companies such as ACC, Ambuja, Ultratech, Lafarge, Jaypee, Konark claim to produce cement as per grade of BIS standards which are 33, 43 and 53 grade cement, so there is hardly any scope for differentiation in product. Due to this channel partner like wholesaler, dealer and retailer distribute or sell cement based on their profitability, availability, word of mouth, advertisement and relationship with the cement company. Even they have a role in price fluctuation from place to place and convince customer at their local level to go for a particular brand. So end customers are somewhat fall in the trap of channel partner.

2. PROBLEM

It is found that in general there is price conflict among customers. The quantities purchased make them amplify the impact of prices differences. Among a category where products look alike, price is a visible discriminator to make a choice between cements. Even there is price variation from retail store to store. Also there is always a confusion regarding the billing rate in the minds of the dealers though assurance is given by company sales staff that there profit margin will be taken care off. This is all because of fluctuating daily market rate of cement.

One of the major concerns is extra hooking in cement bags which allow easy pilferage to takes place and even duplicity in cement bags might takes place. Customer complains about receiving



quite often deliveries with bags which do not weigh 50kgs. It is a dramatic issue because they have absolutely no control on the transportation whereas they lose money, which becomes problematic when the loss rises above 1% in each bag. Some Customer has doubt in mind about the cement bags he has purchase is original or duplicate cement bags.

It is found that Cement Company has less presence in its rural network i.e. retail store network, so choice of cement purchase becomes limited for customer.

It is found that order processing is sometimes becomes cumbersome and even timely delivery of material and not in good condition. Sometimes customer has a storage space problem, so they need cement in a scheduled date and specified quantity which is sometimes not possible in present traditional method.

It is found that most of the end customer does not get proper bill during their purchase of cement. In general it is found that in maximum cases only in a small piece of paper with quantity of cement, rod etc is mentioned.

It is found that most of the customer does not get cement test certificate after purchase of cement. Even any promotional scheme launched generally is known to a limited customer.

From exploratory survey it is found that some time the field representative is not competent enough to provide sufficient information required by customer and even customer complain is not solved properly. Even the technical services provided now a days is only accessible to a limited customer i.e. if the customer personally request for technical services than only the dealer or retailer forward the request to the company official, than the request is fulfilled. Hence most of the customers are unaware of the services provided free of cost based on the purchase of quantity of cement.

Customer reviews or feedback is say for particular cement is not found and in general mix response feedback is found.

It is found that no proper standardize interface is run down by Cement company. So there is a need to develop a system which will help the customer in overcoming the difficulties faced while purchasing cement through traditional method.

3. OBJECTIVE OF THIS RESEARCH

To overcome the above problem in present cement industry the main research objective are:

- i) The study attempts to find out the customer behavior if e-business is adopted during purchase of cement.
- ii) This study aims to assess the potential of e-business for cement industry and economic impacts on the sector as a whole.



To summarize the effort, it is involve reviewing the literature related to difficulties faced in purchase process of cement product. Then it involves research design, data analysis and major interpretation of the results from a survey questionnaire administered to the respondents based on the implementation of e-commerce in cement segment. Finally the analysis of the research findings, the marketing implications and inferences and limitation of the study presented and general conclusions are drawn.

4. LITERATURE SURVEY

Jobber, D (2007) explains briefly that creating a differential advantage involves using a marketing mix to create something special for the customer. Jobber presents four keys to successful positioning: a) Clarity: b) Consistency: c) Credibility: d) Competitiveness.

Perceived quality of a Brand is the customer's judgment about a product's overall excellence or superiority that is different from objective quality (Zeithaml 1988, pp. 3 and 4). Objective quality refers to the technical, measurable and verifiable nature of products/services, processes and quality controls. Since it's impossible for consumers to make complete and correct judgments of the objective quality, they use, quality attributes that they associate Zeithaml 1988, Hence perceived quality is formed to judge the overall quality of a product/service.

The Five stages of the buying decision process were first introduced by John Dewey (1910).The stages are:

- Problem/Need Recognition
- Information Search
- Evaluation of Alternatives
- Purchase Decision
- Post-Purchase Behavior

According to Porter, E Michael. (1998). on competitive advantage: creating and sustaining superior performance a firm can choose a competitive advantage by following one of the three Generic competitive strategies: a) Cost leadership b) Product differentiation c) Focus -Market segmentation.

Supply chain management (SCM) is a network of interconnected business involved in the delivery of product and service packages required by end-customers. Supply Chain Management spans all movement and storage of raw materials, work-in process inventory, and finished goods from point-of-origin to point-of-consumption. Supply Chain Management also refer to supply chain management software which is tools or modules used in executing supply chain transactions, managing supplier relationships and controlling business processes.



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Lambert and Cooper (2000) identified the following components which are planning and control, work structure, organization structure, product flow facility structure, information flow facility structure, management methods, power and leadership structure, risk and reward structure and attitude.

Reverse Supply Chain is reverse logistics is the process of planning, implementing and controlling the efficient, effective inbound flow and storage of secondary goods and related information opposite to the traditional supply chain direction for the purpose of recovering.

On the basis of literature review, traditional business environment is changing and if this is adopted in case of Indian Cement industry too than research is needed to be done to measure the impact of e-commerce implementation on cement industry scenario.

E-commerce covers any form of business transaction or information exchange executed using information and communication technologies (ICT's). It includes electronic trading of goods, services and electronic material. It takes place between companies, between companies and their customers, or between companies.

The various e-commerce business models:

- business-to-consumer,
- consumer-to-consumer,
- business-to-business and
- business-to-employee

The traditional business environment is changing rapidly and various companies are looking outside and within to shape business strategies and these activities include private electronic connections to customers, suppliers, distributors, industry groups etc.

The cement industries constitute a mature, capital- and energy-intensive sector with normally predictable demand and relatively high barriers for market entry. There are many enterprises with a long-standing tradition and the sector is known to be rather conservative in terms of how business is done. Therefore, a basic assumption for this study is that ICT usage and e-business activity is not deployed than other manufacturing industries and service sectors such as tourism, banking and ICT services, where new developments in ICT tend to have much more direct and significant impacts on business. On the one hand, these constraints could be a driver for companies to turn their attention to ICT, as they seek opportunities to increase their process efficiency in order to cut costs. In this scenario, the crisis drives companies to exploit a possibly untapped potential to become more competitive.

So taking this into consideration if this is implemented in Building material industry and to find it out what is the fundamental impact of e-Business in the cement industry structure as a whole.



5. RESEARCH DESIGN

At the first stage, author made an extensive search in review of current literature such as working papers, research, and newspaper and magazine articles with a view to identify the common basic factors which motivate them to go for traditional buying process for cement.

Exploratory research was done on the basis of a questionnaire with a sample size of 10.

The questionnaire was further modified and administered with a sample size of 50 customers.

Interestingly in case of traditional method of buying, they select more than the physical product. Customer go an augmented product which include easy availability, credit terms, timely delivery, originality of cement bags, site related technical service and complaint handling.

The study is exploratory, descriptive as well as experimental in nature based on secondary data as well as primary data. Exploratory research was conducted through pilot interview to identify the major factors responsible for buying through traditional process. Experimental research is conducted to find out the favor of online purchase of cement.

Data that will be collected throughout this study is expected to be mainly of a qualitative nature. Two valuable source of evidence are documentation and interview.

Sampling: Here systematic sampling is followed from the available list of dealer and based on their feedback the customers are selected based on convenience or judgmental.

Scaling Techniques: 5-point Likert Scale is used. Where 1-Strongly disagree and 5-Strongly agree.

Study attempt to cover Kolkata market.

Data Collection Method: First data collection from Secondary sources: The secondary data was collected from the company and the company's website. Data collection from primary source includes retail stores to get an insight into the cement industry and current trends in the industry. Face to Face interview and documentation are used as main data collection methods for this study.

Analysis of Data: Descriptive statistical techniques

Table 1

Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|----|---------|---------|------|----------------|
| Future prospects of online retail in cement trade | 50 | 1 | 5 | 3.62 | 1.23 |
| Valid N (listwise) | 50 | | | | |



Table 2

Statistics

Future prospects of online retail in cement trade

| | | |
|--------------------|---------|------|
| N | Valid | 50 |
| | Missing | 0 |
| Mean | | 3.62 |
| Std. Error of Mean | | .17 |
| Median | | 4.00 |
| Mode | | 4 |
| Std. Deviation | | 1.23 |
| Variance | | 1.51 |
| Range | | 4 |
| Minimum | | 1 |
| Maximum | | 5 |

Table 3

Future prospects of online retail in cement trade

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------------|-----------|---------|---------------|--------------------|
| Valid Strongly disagree | 4 | 8.0 | 8.0 | 8.0 |
| Disagree | 5 | 10.0 | 10.0 | 18.0 |
| Neutral | 11 | 22.0 | 22.0 | 40.0 |
| Agree | 16 | 32.0 | 32.0 | 72.0 |
| Strongly agree | 14 | 28.0 | 28.0 | 100.0 |
| Total | 50 | 100.0 | 100.0 | |

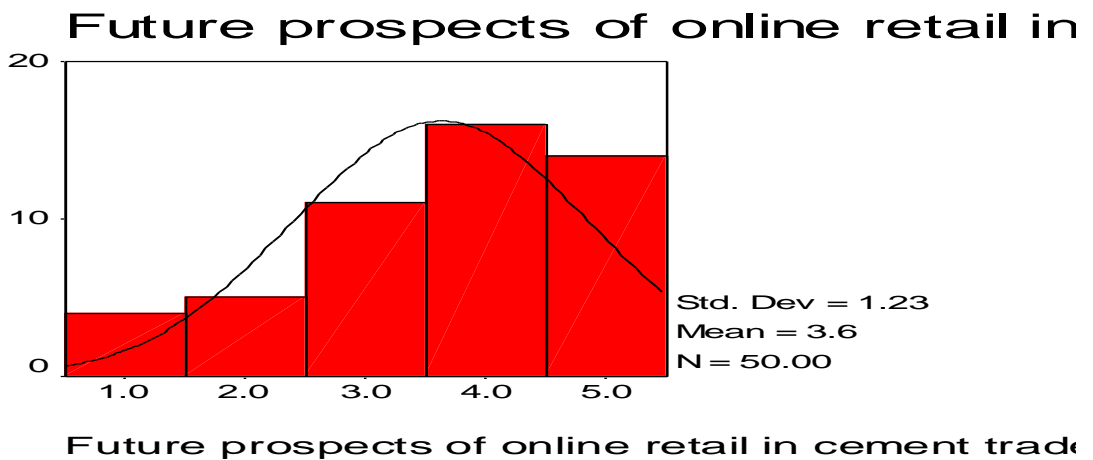


Figure 1



prospects of online retail in cement trade

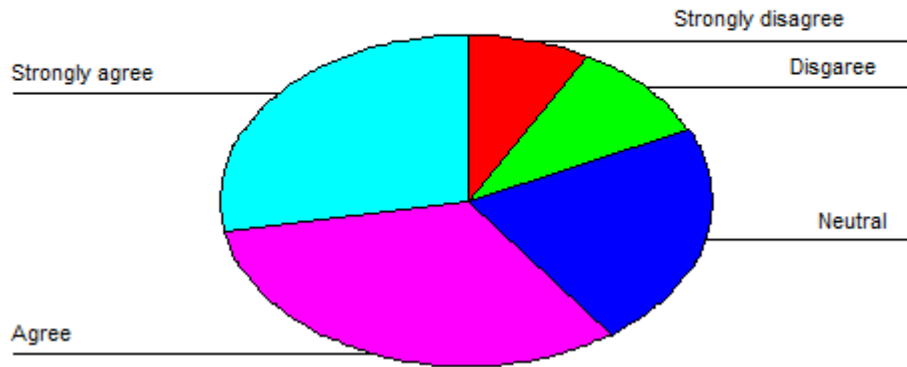


Figure 2

Inferential statistical techniques:

Consumer opinion about interactive e-commerce

Table 4

ATTITUDE

| | Observed N | Expected N | Residual |
|-------|------------|------------|----------|
| 1.00 | 35 | 16.7 | 18.3 |
| 2.00 | 10 | 16.7 | -6.7 |
| 3.00 | 5 | 16.7 | -11.7 |
| Total | 50 | | |

Table 5

Test Statistics

| | ATTITUDE |
|-------------------------|----------|
| Chi-Square ^a | 31.000 |
| df | 2 |
| Asymp. Sig. | .000 |

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 16.7.

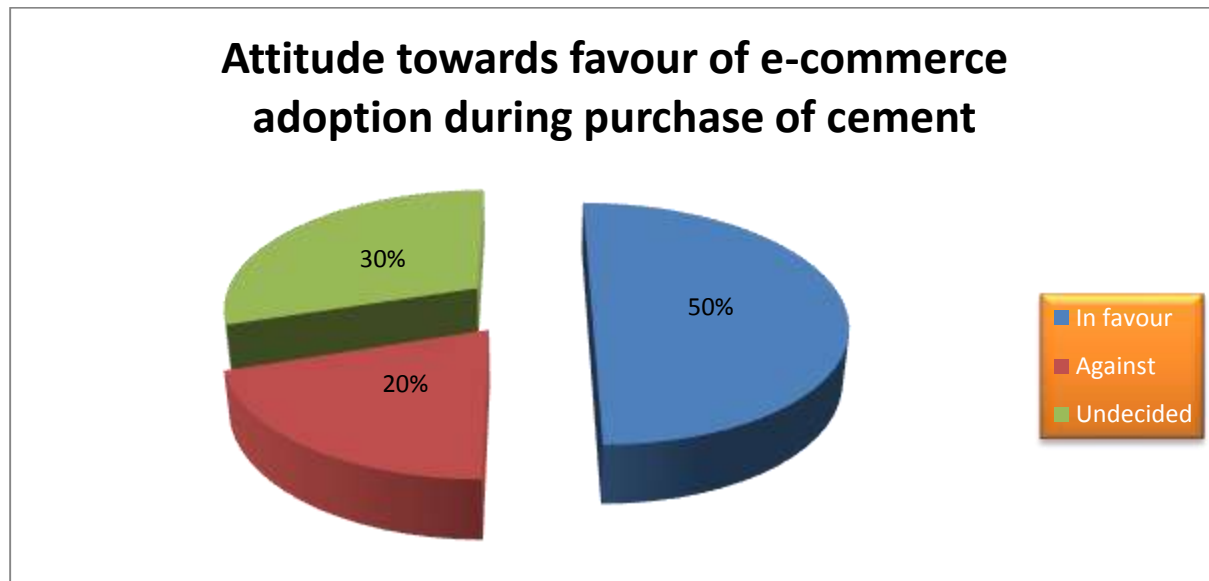


Figure 3

6. SUMMARY OF MAJOR FINDINGS

Here it we can see from output that the chi square value is significant ($p < 0.5$) and there is favorable attitude towards online purchase of cement and its future adoption is in favorable position.

7. LIMITATIONS AND SUGGESTION FOR FURTHER RESEARCH

LIMITATIONS OF THIS STUDY:

The quality of information totally dependent on respondent knowledge.

The limitation of this study is that the field research was conducted only in Kolkata. A more extended geographical sample may show differences in perceptions.

SUGGESTION FOR FURTHER RESEARCH: More in-depth study is needed to be conducted by creating a demo or dummy version of online availability of cement and take a further feedback of that demo version from end cement customer.

8. CONCLUSION

The factors that appeared to be the most decisive to go for online purchases of cement are:

- Trust on online trade: It is the first and major criteria to consider the cement purchase.
- Price: Price reflected in e-commerce site will be genuine since this is actually authorized by manufacturer i.e. price transparency.
- Product variants: Varieties of company product under one umbrella i.e. broadens consumer choice, since cement available at local depend on retailer which brand he lift from



manufacturer so choice of selecting brand becomes limited . Even it allows comparing multiple brands of cements easily.

- Quality: Details specification of cement of various companies i.e. quality parameters.
- Eliminate middleman commission is definitely one of the most decisive factors since price will automatically come down.
- Tracking of order placed i.e. facilitated shipment tracing.
- No need to travel for placing order of cement and actual stock availability can be known from online e-commerce site, so transparency is maintained in actual stock of cement.

It will help cement company to lower its operating cost among retail channel partner, such as distributing different scheme such as tour, gold scheme etc.

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