

MARKETING STRATEGY MODULE

A CASE STUDY OF OMAN CEMENT COMPANY

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Abstract

This research paper discuss the strategy module in the marketing context in one of leaders companies dealing with cement industry in Oman (Oman Cement Company - OCC). The marketing strategy consider to be a focal point in any organization. This case study depicts how to apply this concept in cement industry which is very important in construction to any country economy, because it is a practically matchless, building material that is vital to our homes, our kids' schools, the essential needs such as hospitals, roads, etc in any country. However, this paper will go deeply through the current strategy of the OCC in term of the long direction, the scope of activities, advantage over competitors , the values and expectations. In the other hand, it will discuss the macro-environment in Oman and the micro-environment of OCC based on some analysis such as SWOT and Product/Market Grid expansion (Ansoff Matrix). This will be concluded by some recommendation about supply and demand, and consumer buyer decision in the cement industry.

Keywords: Marketing strategy, macro-environment, micro-environment, SWOT analysis, Ansoff Matrix

INTRODUCTION

Company profile and Background

In the beginning of 1978, the government intended to encourage and support the Omani projects which serve the infrastructure and in the same year Omani Cement Company was established. The first plant for the company was Rusayl Cement plant which was established in 1983. In the same year the plant taking place to produce cement with production capacity of 624,000 tons from Ordinary Portland Cement and Sulphate Resistant Cement (the very common types of cement). In 1999 clinkering production capacity expanded to a total of 1.2 million tons per year. The second production line was completed in mid of 1998. In the present the company is working to expand the capacity of plant from 1.26 million tons per year to 1.70 million tons per year by upgrading production line No.1 and No.2 (www.omacement.com).

In 2005, OCCI was listed on the Muscat Securities Market (MSM) with 33 million shares, and after two years it was listed on Bahrain Stock Exchange (BSE) which was the beginnings to inter to the GCC securities market (MSM, 2007) and (BSE, 2007).

In 2008 the cumulative clinker available for cement production was 1,479,762 MTS and the company produced 1,470,296 MTS of cement to meet the high demand. The company achieved a sale of 1,520,682 MTS of cement in the same year and the profit before tax for 2008 was RO 12.109 million (OCC Annual Report 2008).

Recently OCC has signed an agreement for expansion project to install a new production line to increase the capacity of clinker production. Also OCC has been appointed a consultant for supervision services for upgrading, modernizations and replacement of existing packing plant (OCC Annual Report 2008). In this table we will summarized some additional information about OCC.

Table 1: OCC Equity Profile

Total Employees	Equity Profile	Equity Profile	Equity Profile	Test Certificates
570	Authorized Capital 36,000,000	Issued Shares 33,087,271	Paid up capital 33,087,271	ISO 9001:2000 ISO 14001 ANAB ACCREDITED UKAS QM

Mission & Vision

Establishing national cement factory in Oman to fulfil country cement demand, including creating jobs for Omani nationals, using own resources like gas electricity, water, finance and industrial land which is H.M Sultan Qaboos strategic direction.

Using state of the art technologies and ensuring cost effective measures in procurement, operation production and sales. Adhere to business ethics, achieving adequate returns for stake holders and zero tolerance to quality cement production.

OCC CURRENT STRATEGIES

“A strategy is the direction and scopes of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competence with the aim of fulfilling stakeholder expectations” (Johnson G., Scholes K., & Whittington R. 2008, p. 3). In order to explain OCC current strategies we will spotlight on this following points:

The long-term direction of OCC

The long-term direction takes the shape of expansionist in its manufacturing of cement beside entered into discretionary portfolio management agreement with tow companies appointing them as portfolio managers to handle part of its investments in shares.

The scope of OCC activities

As we mentioned the main activity of OCC is clinker and cement manufacturing, but according to the OCC annual reports it is clear that the company concentrate on it is main area (cement manufacturing) beside have others activities such as invested on other companies such as Oman Frantschach Industrial packing company for manufacturing paper bags in Oman. Also it has placed surplus funds in Government Bonds and other listed securities.

Advantage for OCC over competition

The government assisted in support of the company inside the country, through its plan for the advancement of basic industries that need it the country's infrastructure.

Furthermore the company has used a range of top quality products conforming to Omani standards as well as international standards. OCC use a high technology and its cement manufacturing process are fully computerized which give the company the advantage to be one of the faster-growing companies in this industry. It also has it is own central laboratory to keep monitoring of Quality Control. OCC Quality Management System (QMS) is in accordance with the Quality Assurance Procedures of ISO 9001: 2000 certification, and the manufacturing operations of the company is considered to be very environment-friendly (www.omacement.com).

Strategic fit with the business environment

The market of construction materials are very is a very successful market especially in Oman as well as GCC. The active movement of the construction and construction in Oman since last two decades provided an opportunity for the company to be at the front of the companies producing the basic industries which need the current market of construction materials.

OCC resources and competences

Basic raw materials are available in the quarries near the plant is representing 98% of the raw materials. In addition OCC brand has created a very good position in the Omani and GCC market.

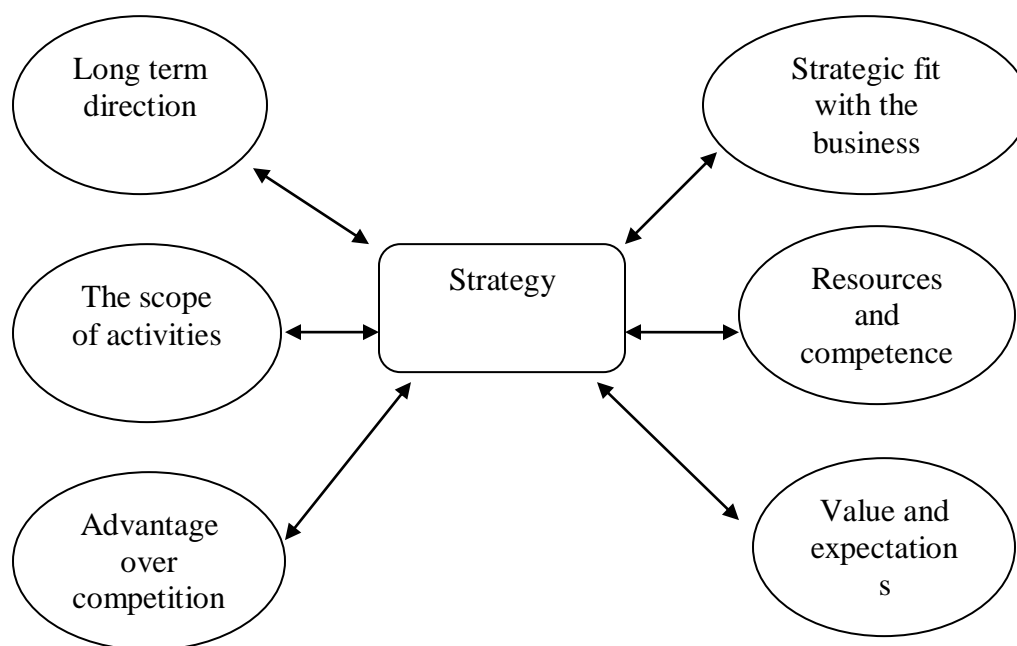
The values and expectations

The stakeholders of any company have a can drive a very important change depending on their powerful. According to MSM site we can summarize the stakeholders of OCC in the following table which clear the percentage owned for year of 2009:

Table 2: OCC stakeholders

Year	Omani	Non Omani	GCC	Arab	Foreigner
2009	92.41%	7.59%	1.78%	0.16%	5.65%

Figure 1: OCC Strategy



EXTERNAL ENVIRONMENTAL FOR OCC

Strategy success or failure depends on how well the organisation/firm assesses and monitors its internal and external environment (Lim *et, al*, 1996). Strategy researchers and practitioners consider the external environmental for any business comprise three layers namely Macro, Micro and competitor/s environment.

In the following we discussed the major external environmental layers' factors that have influences on cement industry in Oman in general and on Oman cement company in particular.

Macro-environment Factors

These are the six general environmental factors (*political, economical, social and cultural, technological and legal*) that have influences on whole businesses shortcut by *PESTEL* as follows:

Political and legal Factors

No doubt government polices and regulation have significant influences on the business performance therefore strategist have to monitor these factors and adjusted their strategies in ways that lead to positive outcomes and prosperous. Variety of activities and projects in Oman created unlimited growing demand for cement for example.

- Agreement of respect of Oman to Pease and trade agreement regionally (GCC, PANN Arab free trade Free Trade Area ... etc) and internationally (WTO) have created stable, peaceful and healthy business climate for local and foreigners to invest in Oman.
- The government long-term strategy vision (1999-2000) plan to reduce dependency on petroleum and build the basic infrastructure and public utilities (roads, airport, education, health, tourism, industry, support, and ministries, electricity, water, sea port, parking ... etc) the encourage local and foreigners to invest on business in safer and fair competitive business environment (<http://www.moneoman.gov.om>).

For the important of cement industry for development strategy, the government established Oman Cement Company with 100% government for the first time, then after privatization policy the government holdings reduced to 51%. The other largest domestic cement company is the private Raysut Cement Company (RCC) located in Port Salalah in the southern region of the Oman (www.msm.com).

Economical trend

Till the end of 2008 year the country (Oman) has an average economic with strong and stable currency. Also the countries benefited for the rising prices of petrol for building and continuing

development strategy even after the international crisis. (<https://www.cia.gov/library/publications/the-world-factbook/geos/mu.html>).

The stable economy of Oman and the continuous need for development created growing marketing for cement that exceeded the production of the two local companies. The estimated cement quantities for 2009 approaches to 5 millions tons according annual report OCC-2008 (www.omacement.com). And also the united finance company the biggest funding company in has estimated the day demand for cement in Oman exceeds 12000 tons per day (<http://www.ufcoman.com>).

These indicates the economy of Oman is providing a healthily market for the local cement companies to satisfy the loyal demand of customer and continue their growth.

Social trend

Oman population in 2007 exceeded 2,743,000 plus expatriate approximately 672,000 thousands (<http://www.moneoman.gov.om>). The birth rate is over 3%, average age for marriage less than 25 and majority Omani are young and literate joining the working force According Omanisation law.

The fast growing population and the increasing number of graduate joining working forces has created businesses and need expansion on existing utilities building and basic infrastructure of in the country that in turn increasing demand for cement.

Growing income and globalization have changed people living style and thinking about usage of their properties. These changes came with new building or reconstruction and replacement of simple house with large multiple-flats. These are real derives for local cement companies plus the unlimited government encouragement for local industries to contributes in the Omanisation and society development.

Technological trends

Technology in today's cement industries is imperative tool for optimizing resources. Technology usage cut cost and increase production that satisfy increasing demand also reduces negative emission and environment pollution. Technologies helps Cement industries in communication, marketing and managing of customers' information for mentoring needs and enhance serving with just-in time.

Legal factors

Cement Factories work in Oman operates according rules of ministry of commerce and finance. The cement companies registered in Muscat Security Market (MSM) market normally set their

cement prices with agreement with ministry of Commerce and finance. Environment laws and regulation from ministry require the two factories should be environmental friendly are required to use safety working environment emission to pollution.

All these regulation and laws create smooth, health and safer ground to attract investors and that create markets for cement companies.

Micro-environment or industry environment

According to Porter's workfare Model five there are forces influence the performance of the organisation from the operating industry. Following is the examination of the 5-forces on Oman cement Company (OCC).

Threat of New Entrant

Cement industry beside its capital require for building plants, plant installation and product needs not less than 18 months to operate. Also cement raw material area (milestone, Gypsum etc) are controlled by countries government therefore it's already dominated by the two local companies that have long-contract with government for the exploiting the raw material different locations. Option-1: *Therefore new entrant to make new factory in Oman will face difficulty and succeed change very low.*

Option-2: entrant as importer. Cost as the transportation of cement is too high and the expiry time of cement is not so long despite the suitability of foreign cement to Oman climate. Also policy of the country for building and constructing of public utilities encourage local industry product. Hence difficulty of cost might be barrier

Competitive Rivalry

The two competing local cement companies OCC and RCC are operating in difference locations in the country with regulation for the government and both get their profit and sell all their product even the market need more. Also the growing demand for the cement in the country exceeds the production capacity of local companies. As building plant cement is of high cost and that creates high barrier for exiting. The OCC located in Muscat near to 80% of the construction activities in the country.

Substitute Product

Cement as building and construction material has no substitute in Oman in the near future. (Product in Irreplaceable is near future)

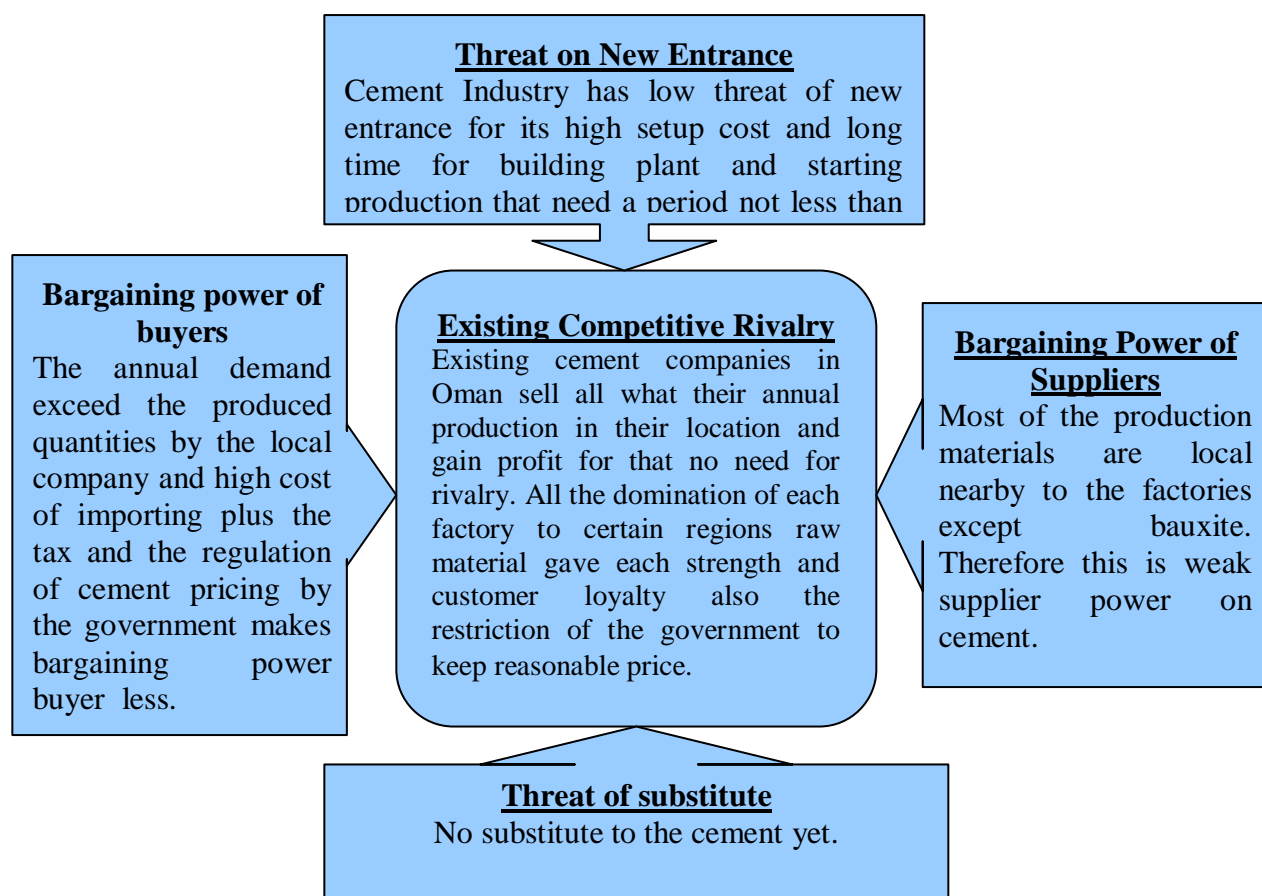
Bargaining Power of Buyer

The demand of cement in Oman always exceeds the two factories production and the prices are controlled by the government as material for development. Switching to the neighbouring countries companies' products is costly when include taxis and transportation cost. Therefore the bargaining power of buyers is nil if no changes in the regulations.

Bargaining Power of Suppliers

Most of the components of the cement are local and under the control of the company except less quantities of *bauxite* for the production (braining) that make the supplier. Therefore Nil suppliers power.

Figure 2: Porter 5 forces analysis for OCC



Conclusion for the Porter 5-forces analysis

Porter 5-forces assessment for the Oman cement companies OCC and RCC shows Cement Company enjoying profitable business with very low industries forces. OCC located in Muscat and dominated the center and the northern region with all government major projects and construction and that has given OCC advantage over RCC that work on the southern region that also have advantage of exporting with free hand to Yemen and other countries.

Operation – environment or competitors environment

Knowing the major competitor and assessment of the of its strength and weakness is an essential element factor setting successful the strategy

Strength and weakness for the competitor

The strongest competitor to Oman Cement Company (OCC) is the local Omani cement company namely Raysut Cement Company (RCC). OCC located the industrial area in Muscat and dominated the cement market in the centre and the northern region of the country. RCC production plant is located in port Salalah in the southern region of Oman that is 1000 Km from Muscat (capital of Oman). Both Companies are listed in Muscat security market.

RCC is the strongest local competitor to OCC in cement industry. RCC cement and clink production exceeds OCC and hence gained more profit than OCC. The following is analysis of strength and weakness of RCC.

Table 3: SWOT of RCC

Production	OCC Company		RCC Company	
	Million MTS	Million MTS	Million MTS	Million MTS
Cement	1.182000	1.154000	2.1206560	2.0099690
Clink	0.922343	0.531530	2.0454850	1.9279670

Both companies production increased in 2008 compared to 2007. According to the financial report of the two companies; the demand in their markets exceeded the production capacity of their plants and shortage had been covered by importing cement with higher prices than the local one. (OCC report in www.msm.com).

It's clear for the production table RCC production was more than OCC throughout the 2007 and 2008.

Table 4: Financial analysis

Financial Summaries	OCC		RCC	
	2008	2007	2008	2007
	OR	OR	OR	OR
Total non-current assets	90,952,714	101,461,444	75,409,361	74,935,409
Total current assets	42,068,767	31,844,283	42,234,960	38,094,093
Total assets	133,021,481	133,305,727	117,644,321	113,029,502
Share capital	33,087,271	33,087,271	20,000,000	20,000,000
Profit after tax	14,040,382	20,442,861	27,107,463	30,120,006

According to above summary report both company achieved considerable profit. It's clearly observed that the profit of both companies decline in 2008 compared 2007.

Also the report shows that RCC overtake OCC profit wise and that is according to RCC annual report advantage of exporting to Yemen and selling with higher prices than in Oman where prices agrees controlled and agreed with ministry of commerce and finance for supporting the country strategy in building and basic infrastructure of the country.

RaySut Cement Company (RCC) Strength and Weakness

Table 5: SOWT for competitor

Strengths	Weakness
Near to the raw materials, low cost of production , near to the Yemen market, low cost labour	The government fix the price, new rivalry in Yemen market reduce its products price, no format and market researchers.

INTERNAL ENVIRONMENT ANALYSIS

OCC internal environment includes local of industry, row materials, importing, storing, production, quality control, distribution, management, Omanization, training program, company rules and culture and the affect of all these above will be discussed in this section.

Oman Cement Strategic Capability.

Oman cements has a range of top quality products to meet market requirement which consisted of ordinary Portland cement and sulphate resistant cement strategy capability includes different types of resources within the organization in order to exist in the business. They are of two types, the tangible that is physical resources of an organization that is (1) Industrial land (2) Factory (3) Row materials (4) Plant .The intangible are non physical resources such as technical capability, product quality, market reputation and marketing knowledge.

Competitive Advantage of OCC

Oman cement has got many factors over the other competitor. The important factors are given below:

- Cement Company produces OPC cement to meet market demand for construction of building, block factory and stone tiles factory.
- Oman cement has a range of top quality products such as SRC (Sulphate resistant cement). This cement used where high resistance to sulphate attack is required. This cement produces low heat of hydration when mixed with water. The cement is used when high resistant to chloride permeability is necessary. This cement provides excellent work ability, less heat of hydration, better water proofing, high resistance from corrosion prevention of damage of concrete due to Alkali, Silica reaction.
- Oman cement provide quality product with less prices then other competitor.
- Big industrial land in strategic location for future extension.
- Produce moderate SRC cement in accordance with ASTM C-150-99a type.
- Produce special cement for oil, field's development that is oil well cement class "G" grade HSR (OWC "G) and oil well cement class A (OWC "A) in accordance to American petroleum institute (API).

SWOT Analysis of OCC

SWOT analysis is a core section analysis of organization which helps management to take future development strategy of the company, as shown in this table:

Table 6: Summary of OCC SWOT Analysis

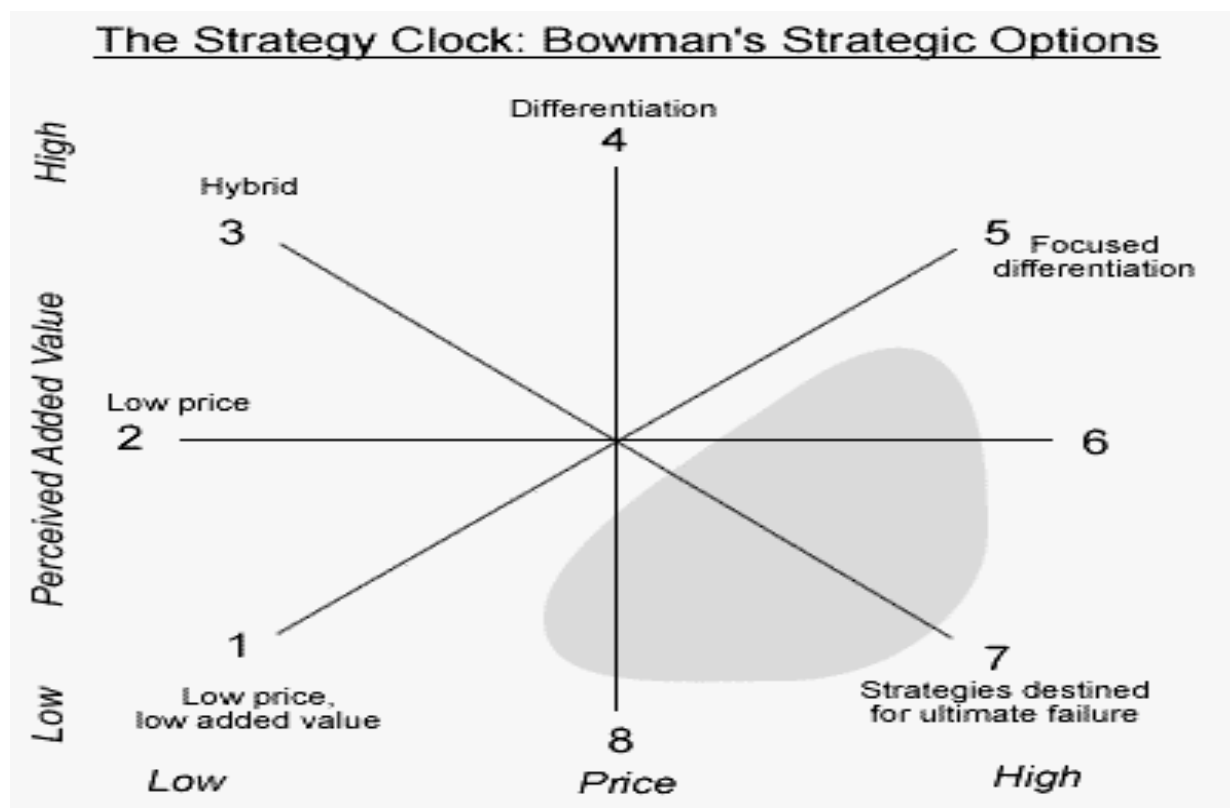
<p>Strengths Best quality, brand name, and the support from government, Demographic view.</p>	<p>Weaknesses Shortage on staff, Old machine set up shutdown for maintenance production cause failing to meet market demand.</p>
<p>Opportunities Oman cement is the best quality cement in the gulf countries. The demand of OPC and SRC cement is very high due to quality increase the customer attraction toward the Oman cement. The growth demand in GCC market create a very good opportunities to OCC to penetrate that market.</p>	<p>Threats Due to world financial recession, construction industry facing major risk. Cement demand will fall down if construction work reduces. This might affect Oman cement Company in future. In addition some of UAE factories inter the local market because the shortage of production capacity of cement in Oman.</p>

COMPETITIVE STRATEGY OPTIONS FOR OCC

In order to achieve some competitive advantages in the cement market, OCC has to think about competitive strategy. Here we apply the Bowman's Strategy Clock to study and analyze OCC's competitive situation in comparison to the others competitors. From our view OCC is following option five (focused differentiation) according to the strategy clock. As we know Oman is one of Petroleum Exporting Countries, so OCC started to produce of very rare type of cement which is using specifically for oil wells. The type of cement is conforming to the specifications of American Petroleum Institute, and even now it is the only company producing this type of cement in Oman.

Also OCC started to produce another type of cement which is Sulphate Resistant Cement. It is using where high resistant to sulphate attack is needed, where the need arises for this type of cement, because of the geographical location of Oman and discriminate faces salinity and humidity, especially in areas adjacent to the sea. This type is also in conformity with the standard specifications in the U.S. and Britain.

Figure 3: Strategy Clock



OCC Strategic Direction with Ansoff Matrix

Ansoff Matrix is a framework helps us to identify growth opportunities of the organisation. In order to apply this framework on OCC we will identify the four generic growth strategies in Ansoff's Matrix.

Table 7: Ansoff's Matrix

	Existing Product	New Product
Existing Market	Market penetration	Product Development
New Market	Market development	Diversification

OCC penetrate the cement industry competitive markets, it is produce the more capacity of cement over the other competitors with low price. In the other hand it applies market development strategy by looking for a new customer in neighbours' countries (GCC) to market and sold its products. OCC in the present implement product development strategy by producing new products such as cement which is using specifically for oil wells and sulphate resistant cement.

CONCLUSION

Seems Oman cement itself efficiently and effectively meets and fulfil Oman market requirement including gulf countries, we can establish them as a market leader in cement industry. Company has got large investment, gained great deal of customer's loyalty since starting the company will grow more in future. Expansion and growth of this company will support country economic and finance and achieved a great success for the country. OCC provides the national quality product at reasonable prices. Therefore we should accept Oman cement playing a great role to national economy development.

RECOMMENDATION

Present demand of Oman cement in the market is very high meeting customers' requirement seems difficult for them. This indicates that the future opportunity of cement industry seems to be attractive. Considering market situation Oman Cement Company is required to review these productions and strategy to achieving its objectives in the market customer. Oman cement could use various options in order to sustain their productivity by increasing investment to reach necessary volume capabilities. Strategic planning, market development, local international, will lead to more profitability.

As Oman cement Company is a sound stable profit making organisation they should offer quality customer services, innovative products, including linking international market and fulfilling social responsibility in all fields. To develop remote region and meet UAE market Oman cement should have another factory in Buraimi industrial estate. OCC should reflect on the market in Oman and GCC to approach a diversification strategy direction to have an advantage over other competitors by producing new products such as (the materials which use in restoration of the old forts in Oman as it known it is in need of repair under the plan of government in concern heritage).

In the last year some factories from UAE enter to the local market in Oman that was because the shortages of supply and high demand. So OCC have to upgrade its capacity utilization and expand its production lines to meet this demand. OCC should keep following a well structured pricing policy to face the financial crises and invest on other companies to achieve consistent return in order to have liquidity.

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