FROM MONOPOLY TO COMPETITION.
A case study of the cement Industry in Ghana.

PERIOD OF CEMENT MONOPOLY IN GHANA (1967 - 2000)
RAW MATERIALS FOR CEMENT PRODUCTION

- Portland Clinker
- Limestone
- Gybsum
CEMENT TYPES

- CEM I, Portland Cement (OPC)
- CEM II, Blended Portland Cements
- CEM III, Blast Furnace Cements
- CEM IV, Pozzolanic Cements
- CEM V, Blended Cements
CLASSES OF CEMENT

- CEMENT STRENGTH CLASSES
- According to the EN 197.1 standard, there are 3 classes:
  - 32,5 class; 42,5 class and 52,5 class.
- The short term strength of a cement is the compressive strength
determined after 2 or 7 days.
- For each cement class, there is corresponding two short term strength
classes:
  - The ordinary one noted “N” as Normal,
  - and a high short term strength noted “R”.
PERIOD OF CEMENT MONOPOLY IN GHANA
1967- 2000 (33yrs)

- SINGLE PRODUCER - GHACEM LTD.
- BY THE GATE SELLING, (cement allocation rather than selling)
- MARKET HORIZON STOPPED AT THE GATE
- ONE TYPE OF PRODUCT
- LIMITED PRODUCTION CAPACITY, (Lack of expansion to meet the growing demand)
- BUREAUCRATIC CUSTOMER REGISTRATION PROCEDURES
- EXPERT IN RATIONING AND CONTROLLING SUPPLIES
- NO CUSTOMER SERVICE FOCUS ACTIVITIES
- THE ABOVE WAS CHARACTERISED BY FREQUENT PRICE INCREASES.
- CUSTOMERS PAID FOR HIGH VOLUMES JUST BEFORE THE NEW PRICES ARE ANNOUNCED TO GAIN HIGHER PROFITS.
MONOPOLY ERA (1967-2000)

- SELLER’S MARKET
- BUYERS WERE AT THE MERCY OF PRODUCER
- CREATION OF ARTIFICIAL SHORTAGES
- CEMENT WERE SOLD AT EX-WORKS, NO DEPOTS ETC
- CUSTOMERS TRAVELLED FROM LONG DISTANCE TO THE FACTORY FOR THE PURCHASE OF CEMENT
- ARBITRARY PRICE INCREASE
- LACK OF TRADE MARKETING SCHEME SUCH AS AWARDS, DISCOUNTS AND BONUSES. CREDIT
DEMAND FOR CEMENT IN GHANA

- CONSTRUCTION OF ROADS
- BUILDING PROJECTS (PRIVATE AND COOPERATE)
- DAMS
- BLOCK MANUFACTURING
- BRIDGES AND FLYOVERS
- INFLUENCERS - PROFESSIONALS IN THE CONSTRUCTION INDUSTRIES
- REAL ESTATE DEVELOPERS
- GOVERNMENT
PERIOD OF CEMENT COMPETITION IN GHANA (2000 TO DATE)

- WACEM (West Africa Cement, now Diamond Cement) started in 2000
- 20% MARKET SHARE IN ONLY ONE YEAR
- AS AT OCTOBER 2018, THERE ARE SEVEN CEMENT PLAYERS IN GHANA
Regional market shares

- CIMAF: 1200kt
- Ghacem: 4400kt
- Dangote: 1200kt
- Diamond: 1800kt
- Savannah: 400kt
- Western Diamond: 1000kt
- Safe: 500kt
- CBI: 800kt
- Sole: 500kt
- Dzata: 1000kt
- Iran: 600kt

W.D. Install. 1000kt, 8%
Install. 2200kt, 16%
Install. 2900kt, 24.2%
Install. 2200kt, 17.7%
Install. 1200kt, 8%
D. Install. 1800kt, 14.5%
Install. 500kt, 4%
Sav. Install. 400kt, 3.2%

3% 3% 5% 12% 10% 18% 7%
## CURRENT COMPETITORS IN GHANA
(MONOPOLISTIC COMPETITION)

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>INSTALLED CAPACITY (Millions/year) tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHACEM LIMITED (2 Factories)</td>
<td>4.4</td>
</tr>
<tr>
<td>DIAMOND GROUP (3 Factories)</td>
<td>3.2</td>
</tr>
<tr>
<td>DANGOTE GHANA LTD (1 Terminal)</td>
<td>1.2</td>
</tr>
<tr>
<td>CIMAF CEMENT GHANA LTD (1 Factory)</td>
<td>1.2</td>
</tr>
<tr>
<td>CBI GHANA LTD (1 Factory)</td>
<td>(0.8) yet to start</td>
</tr>
<tr>
<td>XIN AN SAFE CEMENT GH. (1 Factory)</td>
<td>0.5</td>
</tr>
<tr>
<td>WAN HENG GHANA LTD (1 Factory)</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>TOTAL AVAILABLE CAPACITY</strong></td>
<td><strong>11.8</strong></td>
</tr>
<tr>
<td><strong>TOTAL DEMAND IN 2017</strong></td>
<td><strong>6.0</strong></td>
</tr>
<tr>
<td><strong>EXCESS CAPACITY</strong></td>
<td><strong>5.8</strong></td>
</tr>
</tbody>
</table>
ACTIVITIES OF COMPETITORS

- PRODUCTS VARIETIES (cement types; Cem 1 and Cem 11). Cement classes (32.5, 42.5 - N&R). (Product differentiation)
- INSTALLATIONS OF ADDITIONAL & EFFICIENT CAPACITIES
- PROACTIVE SELLING INSTEAD OF PRODUCT ALLOCATION
- PRODUCERS ARE ADOPTING STRATEGY TO GAIN COMPETITIVE ADVANTAGE INSTEAD OF PRICE (building up premium brand in terms of product quality and service delivery)
- ESTABLISHMENT OF MARKET PRESENCE IN THE COUNTRY (CREATION OF DEPOTS AND SALES OUTLETS BY PRODUCERS)
ACTIVITIES OF COMPETITORS

- FLEXIBLE AND STABLE PRICING POLICIES (discounts and transport subsidies to customers. Ex-factory prices higher than the retail prices within areas close to the production centers)
- SOCIAL CONTRIBUTIONS (CSR)
- PRICE WARS OFTEN BECOMES A TOOL TO SUSTAIN MARKET SHARE BY SOME PLAYERS
EXAMPLE OF PRICING BY A COMPETITOR
EX-FATORY PRICE per 50kg bag=Gh32.34
SOME DEGREE OF PRICE DESCIRMINATION
RETAIL PRICES LOWER THAN THE EX-FACTORY

<table>
<thead>
<tr>
<th>Target (bags)</th>
<th>%</th>
<th>Value (GHC)</th>
<th>Subsidized Price</th>
<th>Transport subsidy</th>
<th>Gross Landing Price</th>
<th>Retail Price in Accra</th>
</tr>
</thead>
<tbody>
<tr>
<td>1600 - 8000</td>
<td>5</td>
<td>1.617</td>
<td>30.723</td>
<td>1.50</td>
<td>29.223</td>
<td>31.00</td>
</tr>
<tr>
<td>8001 - 20000</td>
<td>6</td>
<td>1.9404</td>
<td>30.39996</td>
<td>1.50</td>
<td>28.899</td>
<td>31.00</td>
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<tr>
<td>200001 - 44,000</td>
<td>7</td>
<td>2.2623</td>
<td>30.0762</td>
<td>1.50</td>
<td>28.5762</td>
<td>31.00</td>
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<tr>
<td>44,001 &amp; above</td>
<td>8</td>
<td>2.5872</td>
<td>29.7528</td>
<td>1.50</td>
<td>28.2528</td>
<td>31.00</td>
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