

From the Department of
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CASE STUDY SERIES

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CEMEX: Innovation in Housing for the Poor

CEMEX is a multinational cement manufacturing company out of Mexico. It is the largest cement manufacturer in Mexico, the second largest in the USA and third-largest cement company in the world. The company has operations in four continents and has recorded global revenues of \$6.54 billion in 2002 with a gross margin of 44.1%.

THE INNOVATION . . .

CEMEX leads the paradigm shift of companies profitably providing housing for the poor, the Tier 4 population, instead of governments or non-profit organizations.

CEMEX manufactures and sells raw cement, ready-mix concrete, aggregates, and clinker (used to make cement) under different brand names. As the largest cement company in Mexico, CEMEX operated in a highly protected legal environment with little competition until the 1990s. It competed mainly on price and controlled 65% of the market share in Mexico. However, during the 1990s, the legal barriers in Mexico broke down, paving the way for international competition. CEMEX found itself operating in a highly competitive open environment.

Starting in 1987, under the leadership of Mr. Lorenzo Zambrano, CEMEX experienced explosive growth, mainly through acquisitions and global expansion. Today, the company has 235 cement and ready mix plants in Mexico, 60 in the U.S., 85 in Spain, 45 in Venezuela, four in Indonesia and four in Egypt.

In the new competitive arena and under a new leadership, CEMEX fundamentally changed its ways of conducting business. The company's strategy emphasized improving profitability through efficient operations. The company also shifted from selling products to selling complete solutions. With this new strategy, CEMEX has established a very strong brand and has managed to translate it to extraordinary profits from a commodity-driven business.

This report was written by Ajit Sharma, Sharmilee Mohan and Siddharth Singh under the supervision of Professor C.K. Chahalad. The reports are intended to be catalysts for discussion and are included to illustrate effective competitive Strategies.

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