



THE TIMES 100

BUSINESS CASE STUDIES

Sectors of industry - Lafarge

The Lafarge Group is the world's largest supplier of building materials and has a global reputation for developing creative and innovative products, services and solutions. The company produces essential products – cement, aggregates and concrete – which are integral to society. Business activities may be classified by the type of production that takes place. All activities fall into one of the following three sectors of industry:



- Primary – involving the extraction of raw materials or the growing of crops
- Secondary – involving a transformation of raw materials into finished goods
- Tertiary – covering the provision of services.

Since the C19th, the balance of UK activity overall has been changing, moving to an increasingly service-orientated economy. Industries such as mining (primary) and manufacturing (secondary) have reduced due to cheaper goods from overseas competitors. However, certain key industries in the UK, such as steel and cement, have experienced growth, with new technologies and innovation driving demand. Lafarge therefore needs more people with both specialist and generalist skills to meet that growth. The interdependence between the sectors is known as the 'chain of production'. This identifies the interlinked stages that a product goes through from raw materials to arriving at the final customer. Each stage adds value to the previous one. Lafarge operates in all three sectors of its industry, extracting raw materials, manufacturing finished goods and providing sales and after-sales service for customers. In this way, Lafarge is able to take control of and manage not just operational efficiencies but also quality, health and safety and its impact on the environment.

Primary sector - There are around 1,300 quarries and manufacturing sites in the UK producing £5bn worth of products each year. Over 80% of the raw materials used in its processes come from Lafarge's own operations and are therefore under its direct control. This integrated supply chain ensures Lafarge can manage quality, quantity and guaranteed delivery through its own activities. In its primary sector activities, Lafarge's extraction processes involve drilling or controlled explosions to blast limestone, granite, shale or clay from quarries. This provides the raw ingredients required to make cement, aggregates and concrete. The rock is transported to a crusher to produce the different sizes of rock needed to suit different products for customers.

Secondary sector - A business will aim to add value (both financial and non-financial) as a product moves from inputs to outputs across the three sectors of industry. The manufacturing process to create cement involves heating the raw materials to a very high temperature, grinding the clinker finely and adding different minerals to the resulting cement to give different properties. Important properties customers look for include increased resistance to weather or a higher quality finish. Lafarge is the leader in the development of low carbon cement products and has five main manufacturing locations, producing five million tonnes of cement each year.

Tertiary sector - At the later stages of the supply chain, Lafarge's activities in the tertiary (or service) sector range from transporting finished goods to providing a specialist advice and after-sales service for customers. This ensures they get the best use of the products. Lafarge supplies its products in large volumes to intermediaries, such as local authorities or building companies, where the products are used on major projects. An example is Terminal 5 at Heathrow Airport. One important area of added value for customers is through Lafarge's Construction Solutions and Contracting services. Its technical sales people, along with IT, purchasing and customer service teams, provide ongoing support and advice for customers.

Questions

1. What is the primary sector of industry?

2. Give examples of Lafarge activities in the tertiary sector.

3. What do you think has happened to the importance of the tertiary sector in the UK over the last few decades?

4. Explain why the different sectors of industry are interdependent. Use examples from the Lafarge case study to help you answer this question.

Task

Think of ten different businesses in your local area. Now categorise them depending on whether they operate in the primary, secondary or tertiary sectors. Some of the businesses may, like Lafarge, operate over more than one sector.

What have you learned?

Identify 8 key learning points from the session about sectors of industry. Bullet-point these on a revision card for future use.