

A COMPARATIVE STUDY OF MARKETING STRATEGIES ADOPTED IN ESTABLISHING AND ESTABLISHED DAIRY BRAND IN INDIAN MARKET

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Introduction:

Co-Operative Dairies Scenario

The idea of dairy cooperative originated first in Switzerland in the village of Kiesen in 1815. Later on, it spread over Denmark, Europe, and the USA. In India it was started in 1904 with the first Cooperative Act. The Indian Dairy Cooperatives are based on three levels. The Primary Milk Producers' Cooperative Societies work at the village level followed by the District Milk Cooperative Union works at the district level and state level Cooperative Milk Federation. A state level Federation supports and guides district unions. All the unions in a state are normally members of a federation whose prime responsibility is the marketing of milk and milk products. The National Cooperative Dairy Federation of India (NCDFI), which is a national-level body that formulates policies and programmes designed to safeguard the interests of all milk producers. In India Dairy Cooperatives are successful because of their Empowerment, Labour Intensiveness and Cost Effectiveness.

Development of Co-operative Milk Dairies in India

The golden era of Co-operative movement began after Independence of India. Within two decades of independence the membership of primary societies had increased four times while the share capital and working capital increased 23 and 31 times respectively. The history of Dairy Development Movement in India is a recent one. During the pre-independence period this movement was limited to a few pockets of Calcutta, Madras, Bangalore and Gujarat. The most notable of this venture was Kaira District Co-operative Milk Producers' Union Limited of Anand, Gujarat. But after independence the National Government took great initiative in setting up new

Dairy Co-operatives in many parts of the country. The National Dairy Development Board (NDDB) was set up to make the ambitious project a success.ⁱ

Indian Dairy Industry

Indian dairy industry in the beginning of the era was dominated by co-operative sector. State run co operatives were a sustainable model for a long time. With liberalization concept in Indian Economy the private players did get its own share in the Indian Dairy market.

India is the largest producer of milk in the world. In the year 2018, India produced 22% of the total world milk output. India produced 186 million tonnes milk, which makes up 22% of global total milk production of 843 million tonnes, according to UN's Food and Agriculture organization (FAO). This growth is likely to sustain in the coming years. The Niti Aayog says India will produce 300 million tonnes of milk by 2022.ⁱⁱ

According to information revealed by Hon'ble Minister of Animal Husbandry, Dairying and Fisheries on National Milk Day 26 November 2019, country's milk production has grown by 6.4% annually in the last 4 years, which is above global growth rate of 1.7%. About 80 million rural households in India are engaged in milk production. Dairy export has huge potential which is still untapped. At present Indian dairy export accounts for only 0.01% of the world dairy export market.

Today the co-operatives and private sector are merely handling 20% of the total milk processing and the unorganized sector is handling 80% of the total milk processing in the country. Milk collection and processing is mostly carried out in rural and semi rural areas as milking animals are prevailing in these areas. Hence milk collection and processing has geographical limitation. Milk being a perishable food it needs to reach the processing center well within time frame. Unless the milk is processed and packed its storage and transportation is not possible.ⁱⁱⁱ

Unorganized Sector

As per the data available merely 20% of total milk get processed and 80% of it is sold by milk vendors. Milk vendors collect milk from cattle breeders once or twice a day and arrange for its shipment on their cycles or motorcycles. They supply milk to the customers at their doorstep. The main reason behind customers incline towards milk vendors (Unorganized sector) is convenience and savings on additional cost of pasteurization and packaging which raises the retail price of processed milk.

The dairy products which are more sustainable need more processing time and investment. Butter, ghee, cream, milk powder, butter milk, ice cream are some of the dairy produce which any dairy needs to produce for sustainability. The private sector dairy brands which are established, establishing dairy brands or co- operative all need to diversify the product range to reach the market and gain the market share. But a peculiar raw material which has low shelf life and limitation of transportation makes the procurement of raw material a key factor in a

success of a dairy brand in India. In addition, this organized sector has to compete with unorganized sector at local level.

Hence a comprehensive marketing strategy for any brand is vital to survive in the market. It is true more for an establishing dairy brand as it has to compete with an established private sector brands, co-operative brands and local market at the same time.

The relevance of the study is to point out such marketing strategies for an emerging dairy brand to stay in the competitive market.

Nature of milk and milk products

Milk is a wholesome food and it is a daily requirement of almost all people in India. The required amount may vary on daily basis. Considering this fact, it has a huge requirement of its supply on a daily basis. Even though it has a huge requirement, there is great fluctuations in the sale of milk everyday because of number of competitors are present in the local market everywhere in India. All these dairy firms are selling the milk and milk products almost at same price which makes daily sales more unpredictable especially selling milk as it is without processing and converting it in to further milk products.

Nutritional composition of milk is complex and it contains all nutrients that human body needs. One cup (240ml) of whole cow's milk with 3.25% fat provides, 149 calories, 7.7 grams of protein, 11.7 grams Carbohydrates, 12.3 grams Sugar and 8 grams Fat with 88% of water content.

Milk is highly perishable because it is an excellent medium for growth of microorganisms that can cause spoilage of milk and food born diseases in consumers. Considering this fact milk processing becomes more important which allows the preservation of milk for days, weeks or even months and helps to reduce food borne illness. Pasteurization process extends life of milk and reduces significant health hazards. Milk can be further processed to convert it into easily transportable and high-value dairy products with long shelf-life, namely butter, cheese, ghee and so on. Processing of dairy products gives higher incomes than selling raw milk and offers better opportunity to reach regional and urban markets. Milk processing also helps to deal with seasonal fluctuations in milk supply.^{iv}

Challenges for Dairy Industry in India

1. Pricing Problems In Dairy Industry:

Traditionally, dairy pricing policy focuses on raw fluid milk prices. It is great challenge for Dairy Industry to pay higher price for raw fluid milk to farmers. After paying the price for raw fluid milk to farmer, dairy firms still have to bare a huge daily operational cost for milk processing, storage and distribution. It is essential to pay a good price for raw fluid milk for a continuous supply from farmers and keep them happy. While managing daily operations cost and paying decent price to farmers Dairy firms have to compromise with the lower amount of profit margin.

2. Perishable Nature Of Product And Storage:

According to Ayers et al. (1918), milk should be stored at 4.5 degree Celsius to arrest growth of bacteria so that milk will not go sour. Cooling milk has special significance in tropical climate especially in summer. Therefore, milk should be cooled to below 10 degrees Celsius. Freshly drawn milk is at 38 degrees Celsius which is highly suited for bacterial growth. Milk gets easily contaminated with dirt, bacteria and odours. Milk furnishes an excellent medium for the growth of bacteria, particularly when not properly cooled and makes it unpalatable.

3. Transportation:

Milk is generally collected at various collection centers in villages, and then it is sent to the processing plants from where it is further distributed for a sale. The surplus amount of milk is normally processed to prepare other milk products for sale. Everyday raw milk from chilling centers is transported to the processing plants using bulk insulated tankers. Due to the perishable nature of milk it becomes necessary to accomplish the transportation task in stipulated time. Many times, transportation might get affected due to various reasons or bad weather. Hence there is a chance of spoilage of milk during transportation.

Marketing Mix Strategies of Milk and Dairy Products:

Marketing strategy is a key ingredient of success for business. To carry out an effective marketing strategy is as significant as conceptualizing and creating the same. Through marketing strategy execution firms can accomplish the set goals and targets.

Marketing strategy is the broad marketing approach that will be used to achieve the planned objectives of business. It refers to special marketing programs designed to achieve the business objectives (**Philip Kotler**). All the marketing strategies to achieve the goals of business are based on 4 P's of marketing Mix.

Marketing mix is a combination of marketing tools that a company uses to satisfy their target customers and achieving organizational goals. McCarthy classified all these marketing tools under four broad categories as Product, Price, Place and Promotion. These four elements are the basic components of a marketing plan and are collectively called 4P's of marketing mix.

1. Product: Product refers to the goods and services offered by the organization. The range of products offered by an organization is known as product mix.
2. Price: Price is the amount charged for a product or service. It is the second most important element in the marketing mix. Fixing the price of the product is a tricky job. The factors have to be kept in mind while pricing a product are, cost involved in manufacturing of product, price charged by competitors for similar products, demand for a product, government restriction, consumers ability to pay etc.
3. Place: goods are produced to be sold to the consumers. They must be made available to consumers at a place where they can conveniently make purchase.

4. Promotion: Promotion is done to make potential consumer aware about the product, its price, features and availability at places for sale. Promotion is done through the means of personal selling, advertising, publicity and sales promotion.^v

All these 4 P's as ingredients need to be mixed together for success in the business. No one single element of this 4P's can be considered separately in any business.

There is no dependable Marketing system for Milk and Dairy Products in India as both rural and urban milk is distributed from producers to consumers through informal (traditional) as well as formal means. In informal market fresh milk is directly delivered from producers to consumers in the immediate vicinity. Organized and formal milk marketing and distribution system is used by milk processing plants, private dairies and cooperative dairies.^{vi}

Objectives of the Study

- 1) To study the various marketing strategies adopted by private and co-operative sectors in dairy industry in India.
- 2) To study the differences in marketing strategies by private established dairy brand, co-operative dairy brand and newly establishing dairy brand in India.
- 3) To understand the challenges faced by newly establishing dairy brand while establishing in Indian market.

Research Methodology

The researchers have used both primary and secondary data sources to collect information. Structured questionnaire was designed by researchers to obtain the primary data related to the research topic. In order to make the questionnaires effective Likert-scale questions are designed. However, researchers have collected the secondary data through books, research articles, industry literatures and online reports of various research and government organizations. Convenience sampling is used by the researchers due to the limited time available for conducting the research. Data received from various dairy firms includes private dairy firms to cooperative dairy firms to newly established dairy.

Data Analysis and Interpretation

Primary Data Analysis

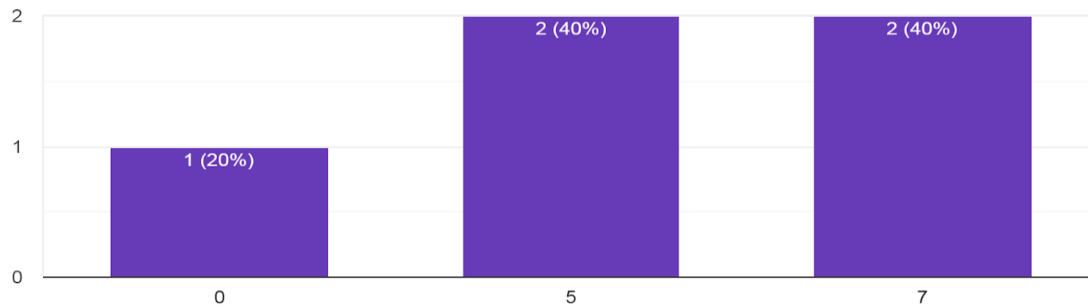
The researchers have done convenience sampling and shared the designed questionnaire to 7 dairy firms. With the help of this researchers were able to collect the data from 5 dairy firms as respondents for the research.

Out of these respondents 4 dairies are well established and functioning for more than past 20 years. Remaining one dairy is newly establishing and started its operations in 2016. All these dairies are varying in terms of their milk collection per day which ranges from 3000 liters to 500000 liters per day. Surprisingly all 4 well established dairies have less handling capacity of milk which ranges from 3000 liters to 15000 liters only (per day). Distribution/ selling centers are also limited for these dairies with as an average of 6 centers to 10 centers. Whereas newly

established dairy in 2016 has handling capacity of 500000 liters per day and 500 distribution channels/ selling centers. It can be observed that if one can plan and organize well at the initial phase of dairy business with the adequate financial investment – large set up of dairy firm is possible with considerable capacity of milk handling.

Diversified Product Range on offer (Number of products)

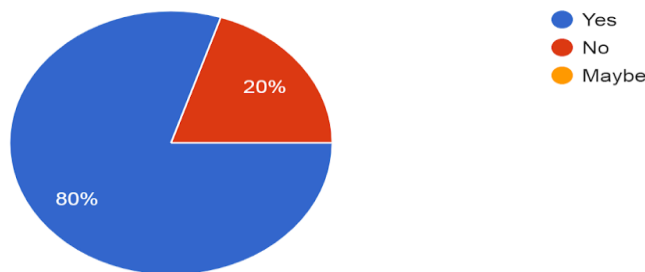
5 responses



Except one respondent all other 4 dairies are having diversified product range to offer. All these dairies agreed that diversification of products helps them to deal with the daily surplus amount milk collection. On an average these dairies are having minimum 5 diversified products manufactured from milk namely buttermilk, yoghurt, cheese, flavored milk, ice-creams and so on. Only one dairy is having milk collection and selling milk without making any further milk products due to its small amount of its daily collection.

1. Do you feel there is need to generate demand for milk amongst customers?

5 responses

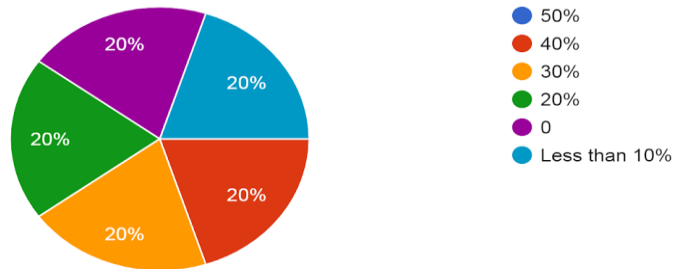


In relation to the marketing of milk the researchers have asked whether there is a need to generate demand for milk amongst customers. Out of the total respondents, 80% of the respondents replied “yes” it is required because of strong competition in the market at present.

The selling price of milk is almost similar (competitive) for the various brands available in market at a particular place in India. For the reason that of the perishable nature of milk it becomes necessity to generate the demand for milk amongst the customers and sell of the milk stock available before it is spoiled.

2. What is the percentage of monthly budget spent on marketing for milk products?

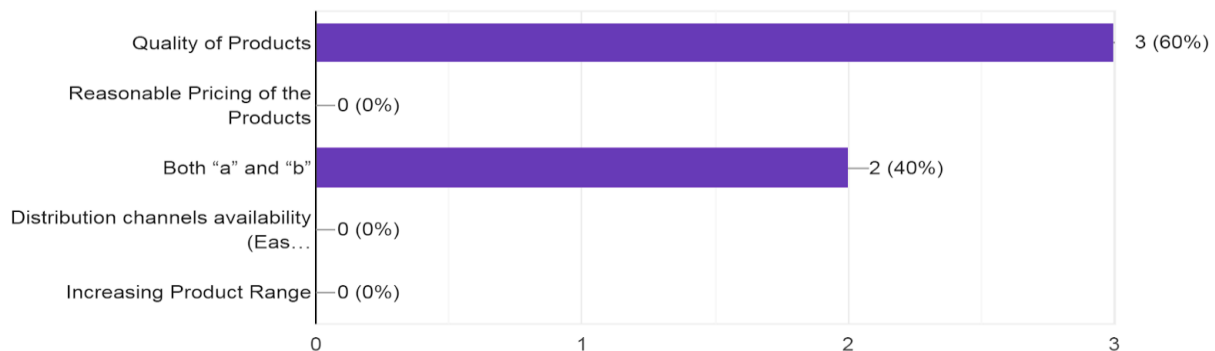
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All respondents have varied percentage of monthly budget spent for milk products ranging from less than 10% to 40% per month depending on the type of market they are serving and competition in dairy business in that particular region. Maximum amount of budget for marketing is generally spent on advertising, conducting promotional activities like personal selling, short term sales promotions like discount coupons to stimulate more purchase and direct marketing strategies e.g. free sampling.

3. What marketing strategy you focus to make your organisation distinct in the mind of customer?

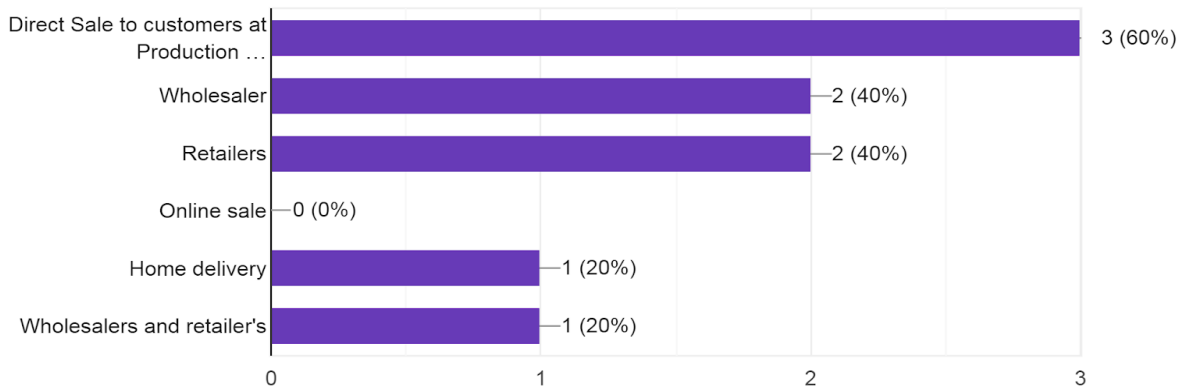
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Majority of the dairies are working on maintaining quality of their product as a part of their marketing strategy. Few other respondent dairies believe that both reasonable pricing and maintaining consistent quality of product are equally important to create a distinctive brand image of dairy in the mind of customers.

4. What are the Distribution Channels used by your organisation?

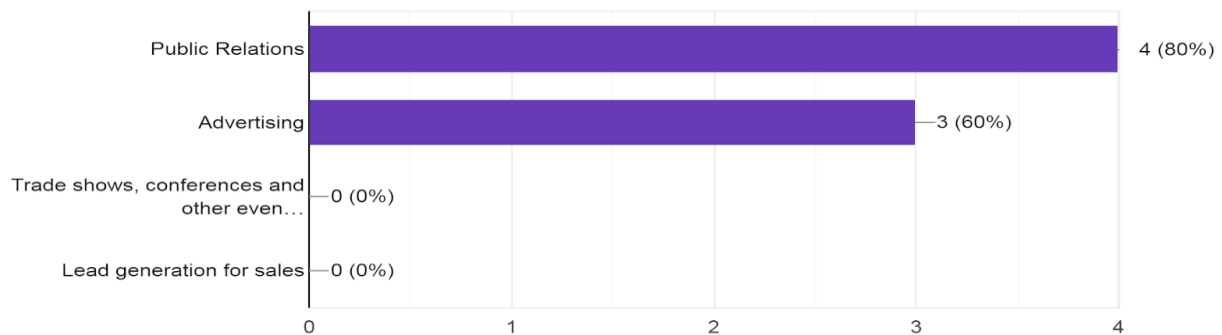
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Due to the perishable nature of milk it is very essential to distribute it within stipulated time irrespective of it is going to be sold as milk or it is going to be sold as milk product. All dairy products require cold storage set at specific low temperature or need to sold and consumed within 1 or 2 days. Considering all these facts distribution plays a very important role in dairy industry. All dairies are using multiple types of distribution channels such as home delivery, direct sale to customer at production unit, sale through wholesalers and retailers.

5. Which of the following marketing communication strategy is followed by your organisation?

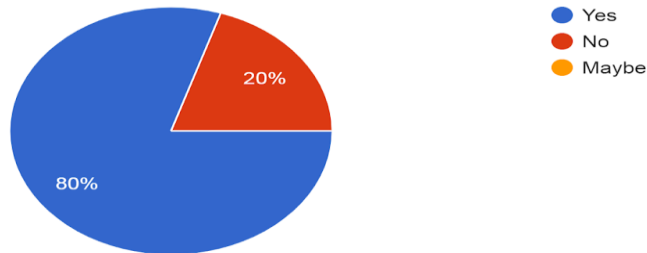
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Constant communication and being in contact with customers is very essential now days as a part of marketing strategy. Public relations are used most as compared to advertising.

6. Do you conduct market research or survey to understand customers and market?

5 responses



Majority of the dairy firms are conducting market research to understand customers and market on a regular basis. Frequency of conducting research or survey is at least 1 or 2 times in a year. Newly established dairy firm feels market research is more important and they work on the same everyday to take a market review as it is 365 days business and it is highly important to be updated with the market information.

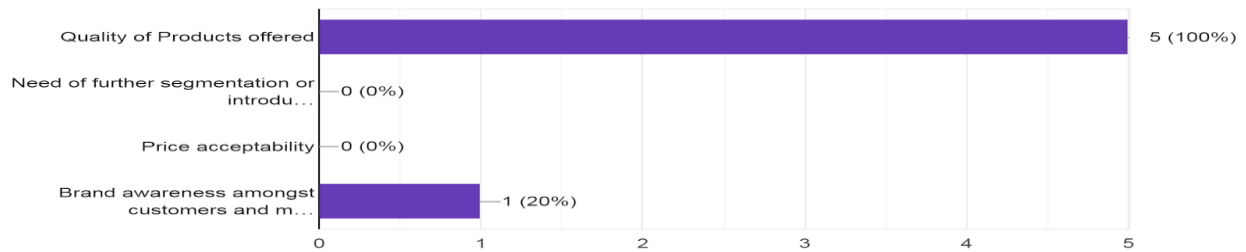
6. B) If yes, what is the time interval followed to do so?

5 responses



7. Market research conducted helps you in understanding the requirement of customers and market in terms of,

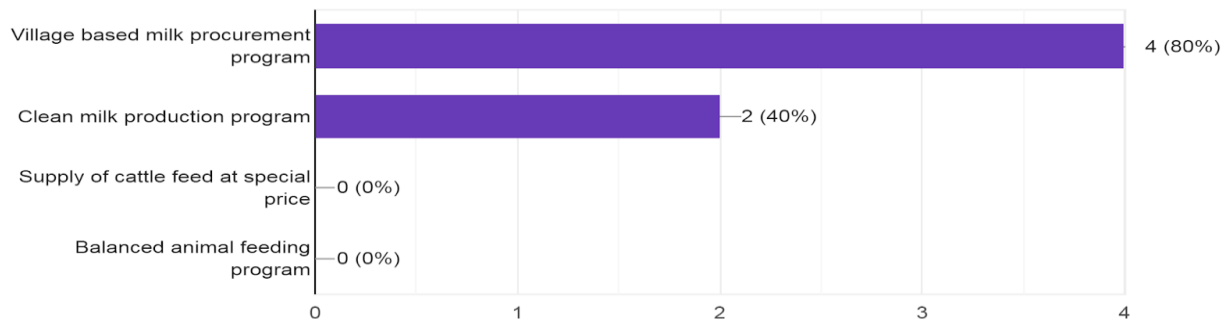
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Market research helps dairy firms to understand the requirement of customers and market mainly in terms of any modification required in quality of products on offer and to know about the brand awareness amongst customers. This information will help dairy firms to do necessary changes in the processing of milk and milk product to adjust the quality in relation to its price. Certainly if required more efforts can be taken by respective dairy firm on marketing to create brand awareness in the market. Hence quality works as foundation for brand establishment.

8. Do you have supportive mechanism planned for the Milk Supplying Farmers? like,

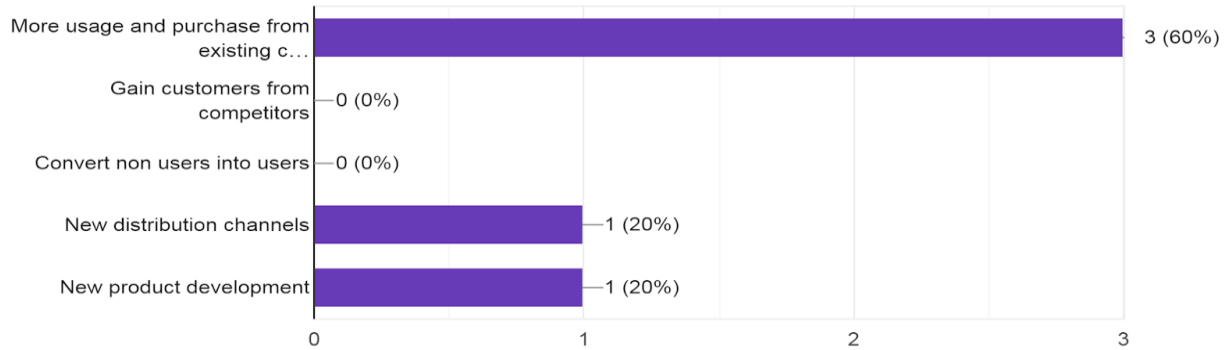
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Farmers are the internal customers for dairy business. So it becomes crucial for dairy firms to keep farmers happy and has some sort of support mechanism for them. Almost all dairy firms are have various programs designed for farmers like, village based milk procurement program and clean milk production program.

9. Which marketing strategies are followed by your organisation in regards with the products on offer

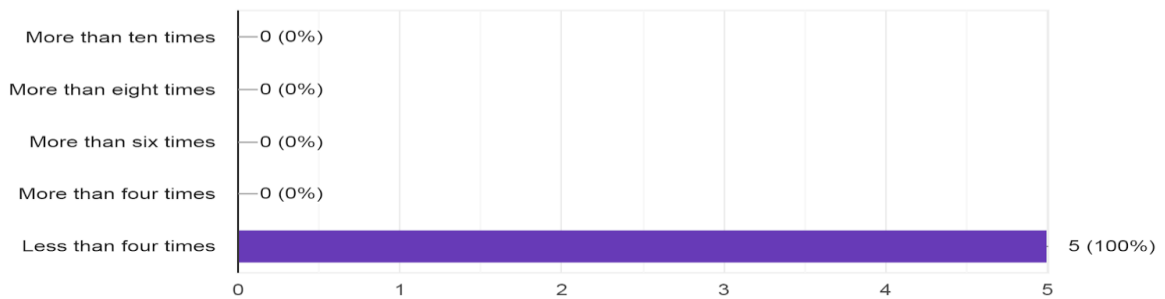
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Product is one of the important elements of marketing mix strategy for any business. It becomes possible to have a long run sustainable business only if the products on offer are of consistent quality and are able to satisfy the customers. All dairy firms are constantly working on the product marketing as per the feedbacks received in market research / survey to develop new products, new distribution channels and even emphasizing on more usage and purchase of products from existing customers.

10. In last five years has your organisation made product diversification as a part of marketing strategy,

5 responses



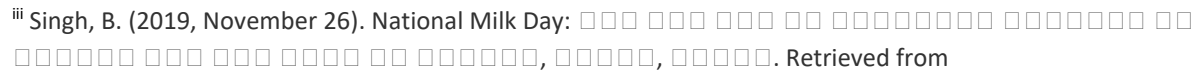
All dairy firms agreed that diversification of product is the necessity for their business and they have diversified the products as a part of their marketing strategy. Diversification of products in dairy industry also helps to deal effectively with the surplus amount of milk collection. Many diversified product in dairy industry has longer shelf life and better profit earnings for the dairy firms. It also solves the purpose of satisfying customer needs of various

dairy products under one roof. As a milk brand is established customer also expects from the dairy firm to diversify into milk products as quality milk brand is expected to do so.

Conclusion

1. The study reveals that all dairy firms are utilizing 4P's of marketing mix strategy in their business namely Product, Price, Place and Promotion,
 - i. They are offering Product mix in dairy segment with an average of minimum 5 diversified products manufactured from milk namely buttermilk, yoghurt, cheese, flavored milk, ice-creams. There are more on line as the brand grows.
 - ii. In case of Price, any dairy firm has to deal with two pricing strategies. As they have internal as well as external customer to deal with. Internal customer is farmer supplying raw material to the dairy. A dairy has to offer attractive price to the internal customer in order to get quality product in sufficient quantity. At the same time a dairy has a very competitive market with external customers. They have to offer competitive prices which are in relation to the market they are targeting.
 - iii. While considering Place as a part of marketing mix strategy in dairy business. All dairy firms have geographical constraint due to the perishable nature of dairy products. Beyond a certain point they cannot go far and off beat for collection of raw milk and have to rely on supply of raw milk from the farmers in the vicinity.
 - iv. Different types of Promotion techniques are used by all these dairy firms on regular basis. All of them are having dedicated monthly budget allotted for marketing activities.
2. There are no marked differences in marketing strategies by private established dairy brand, co-operative dairy brand and newly establishing dairy brand in India.
3. To start a new dairy firm there are certain challenges,
 - i. Most important challenge is to search the location where one can get ample of raw milk supply (as a raw ingredient) for the business set up. So sufficient internal customers (Farmers) in the vicinity to supply the raw material for the dairy.
 - ii. There is no assurance that the dairy firm will have the sufficient number of potential consumers (External Customers) in the same market place. In relation to this if there are no sufficient consumers the next challenge is, how to reach them? Distribution channels and transportation plays very important role to deal this challenge.
 - iii. Another challenge is to diversify the product range in order to divide the operational cost and the distribution channel cost. By achieving so an establishing dairy can cater to more raw materials, produce more byproducts of milk which have longer shelf life and higher pricing. This can also help in strengthening the brand image and en-cashing the brand goodwill at the same time.

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