

CASE STUDIES

This chapter presents case studies of Gujarat Cooperative Milk Marketing Federation (GCMMF) and Karnataka Cooperative Producers' Milk Federation (KMF) both belonging to the dairy business. GCMMF is owned by the producers (farmers) while KMF is largely funded and owned by the State Government and hence has a sharply contrasting pattern of ownership.

3.1 GUJARAT COOPERATIVE MILK MARKETING FEDERATION (GCMMF)

In July 2001, Dr. Verghese Kurien (see Box 1), the then Chairman of IRMA, GCMMF, and the architect of the world renowned Amul model of cooperative dairy development, while addressing a batch of IRMA students and alumni, stated that GCMMF (alongwith its member cooperative milk producers' unions) would not have been successful had it not been market oriented. He added "Amul succeeded because we had a market in Mumbai. The cooperative structure linked the farmers to major markets across the country." He also went on to explain how the Amul brand was built consciously in the initial years.

Box 1: A brief background of Dr Verghese Kurien

Dr Verghese Kurien, hailing from Kerala graduated in engineering from the University of Madras. He joined the Tata Steel at Jamshedpur as a trainee. He obtained a scholarship for a Master's degree in Mechanical Engineering at the Michigan State University in 1948. To fulfil the scholarship conditions he was posted in the government research creamery in Anand. While planning to quit his job and a chance encounter with Tribuvandas Patel who sought technical help from Dr Kurien for the cooperative dairy set up by farmers made him get involved in the Anand Milk Union Ltd (AMUL, later known as Kaira District Cooperative Milk Producers' Union Ltd). Tribuvandas Patel appointed Dr Kurien as General Manager of Amul in 1950. Dr Kurien built Amul, and as Chairman of the National Dairy Development Board (NDDB), was the architect of India's success in dairying commonly known as the white revolution. An outstanding manager and institution builder, he replicated the Anand model of cooperative dairying across the country at the suggestion of Shri Lal Bahadur Shastri, late Prime Minister of India. He also set up the Institute of Rural Management, Anand. Dr Kurien was awarded the Magsaysay Award in 1963 and the Padma Vibhushan in 1999.

3.1.1 Evolution of GCMMF

GCMMF had its origin in the freedom movement of India. On the advice and guidance of eminent political leaders such as Sardar Vallabhbhai Patel, Morarji Desai and Tribuvandas Patel, in 1946 AMUL (Anand Milk Union Ltd) was started to prevent the exploitation of milk producers at the hands of middlemen, insulate them from market fluctuations and provide market opportunities to milk producers. It was in a cooperative form of enterprise with focus on member-control for producing, procuring, processing and marketing milk. AMUL started with just two village societies and a procurement of 247 litres of milk in a day.¹ This grew to 12792 village societies (13141 in 2007-08) with a daily average of 65 lakh litres per day in 2006-07 (74 lakh litres per day in 2007-08).² With the cooperative network expanding in Gujarat there was rapid increase in milk procurement over the years. In the initial years, AMUL identified Mumbai (earlier Bombay) as a

major market for liquid milk. In 1954, a plant to manufacture powder and butter was established. In 1963, to meet the requirements of the Indian defence forces further expansion in capacities to manufacture cheese and milk powder was undertaken.

The evolution of GCMMF has at its core, a comprehensive model and lessons learnt from Anand pattern of cooperative (farmer owned) dairy development. The model involved among other things:³

- Creation of nation-wide marketing network.
- Emphasis on brand building.
- Milk processing through latest technology (including IT).
- Mobilisation of financial resources.
- Milk collection systems at the village level.
- Farmer owned set up at the grassroots with emphasis on member education and involvement.
- Milk production enhancement, animal health services.

As indicated earlier, Anand pattern of dairy development provided useful lessons that influenced GCMMF's strategies. These lessons in a nutshell were:

- Market as a necessity for post subsistence production in dairying.
- Marketing is a critical first step to build successful cooperative organisations, a point repeatedly emphasised by Dr. Kurien.
- Principle of pump priming.

- Member-control of organisations with professionals for management; this had a strong impact on GCMMF's HR strategy in later years.

To avoid predatory competition among successful milk unions in Gujarat, Dr. Kurien, in a sagacious and strategic move formed, in 1973, the Gujarat Cooperative Milk Marketing Federation (GCMMF) with headquarters at Anand. GCMMF is the apex marketing federation of 13 milk unions of Gujarat and owning brands AMUL and Sagar. (The popularly known AMUL brand was earlier owned by Anand Milk Union Limited, the precursor to the present Kaira District Cooperative Milk Producers' Union Ltd, constituent unions under the GCMMF umbrella. This is often confused with GCMMF and NDDB). The major objective of GCMMF is:

- To operate, own, marketing and distribution network across India and outside India.

With a view to achieving the above objective, GCMMF formulated the following mission statement:⁴

"We, at GCMMF, endeavour to satisfy the taste and nutritional requirements of the customers of the world, through excellence in marketing by our committed team.

Through cooperative networking, we are committed to offering quality products that provide best value for money."

To achieve this mission, GCMMF, formulated two pronged business philosophy that governs its activities, as below:

- To serve the interests of milk producers
- To provide quality products to consumers and value for money

GCMMF at present has 13 constituent district milk unions that own 22 dairy plants having a total milk handling capacity of 101.6 lakh litres per day (102.1 lakh litres per day in 2007-08). Of these plants four have a capacity of more than 10 lakh litres per day capacity. The total milk drying capacity is around 594 metric tonnes per day. In addition, GCMMF has initiated outsourcing at 9 dairy plants across India.

GCMMF's turnover increased from Rs.255.34 crore in 1985-86 to Rs 4277.84 crore in 2006-07 (Rs 5255.4 crore in 2007-08). Sales of AMUL brand of milk in Ahmedabad alone, one of the largest milk markets in the country, increased to almost 50% of the market in Ahmedabad, from a meagre presence in 1992-93. According to a study, approximately 15% of the GCMMF's total income was from the sale of liquid milk.⁵ The processing capacity of GCMMF increased from 11 lakh litres per day in 1992-93 to 101.6 lakh litres per day in 2006-07 (102.1 lakh litres per day in 2007-08). GCMMF also set up a dairy at Gandhinagar under its direct control (the other ones are under the control of the District Unions). GCMMF marketed its products under the brand name AMUL across the country. It also has under its umbrella other brands such as SAGAR, with significant presence in some regions of India. Masti, Snowcap

brands have also been created for specific purposes. In addition, GCMMF's member district level dairy unions also market their products under their own brand names. (till recently) SUMUL (of Surat union), Uttam (Ahmedabad union) in their respective districts. GCMMF also had made significant investments in packaging by having substantial control in Kaira Can Co. Ltd at Mumbai with 22.66% paid up capital and the People's Trusteeship Packaging Pvt. Ltd, Mehsana owning 46.62% of the paid up capital.

3.1.2 Key Milestones Achieved

The key milestones in the history of GCMMF are given in the following Table 3.1.1.

Table 3.1.1: Key milestones achieved

Formation of Amul	1946
Establishment of butter and milk powder plant	1954
Supply of dairy products to defence sector	1963
Forming GCMMF, federation of all milk unions in Gujarat	1973
Launch of malted food	1976
Launch of Indian ethnic milk sweets	1982
Introduction of IT based management applications	1992
Introduction of quality management initiatives	1994
Introduction of Amul cyber store	1999
Getting recognition for .coop suffix	2002
Setting up Amul Preferred outlets	2007

Source: GCMMF

Some of the achievements of GCMMF since its formation in 1973 are given in the following Table 3.1.2.

Table 3.1.2: Select achievements of GCMMF

Members:	12 district cooperative milk producers' unions (13 in 2007-08)
No. of Producer Members:	2.6 million (2.7 million in 2007-08)
No. of Village Societies:	12792 (13141 in 2007-08)
Total Milk handling capacity:	101.6 lakh litres per day (102.1 lakh litres per day in 2007-08)
Milk collection (Total 2006-07):	2.38 billion litres (2.69 billion litres in 2007-08)
Milk collection (Daily Average 2006-07):	6.5 million litres (7.4 million litres in 2007-08)
Milk Drying Capacity:	594 MT per day (626 MT per day in 2007-08)
Cattlefeed manufacturing Capacity:	2640 MT per day (3090 MT per day in 2007-08)

Source: GCMMF

3.1.3 Industry Environment of GCMMF

An important aspect of the industry structure of GCMMF is that most customers, including the literate, do not realise the aspects of good quality milk. Hygienic sourcing, manufacturing, low bacterial count are aspects not understood by consumers. On these quality aspects multinational companies in the dairy industry are strong. As it was pointed out “the Indian dairy industry will face severe attacks on quality, reliability and integrity.....Quality control should not be left out till the end product stage.”⁶

Another aspect is the tight control of the Government on cooperatives, unlike enterprises registered under the Companies Act. As it was observed “most of our companies, registered under the Companies Act, a law that in spirit and practice respects the rights of the owners and observes due process. Our cooperatives operate under archaic, colonial cooperative legislation in which the rights of the owners- the members, are observed in the breach and in

which due process finds scant place....We cannot even open a branch office without the approval of a petty bureaucrat.”⁷

NDDB, the apex body for dairy development in India, with its headquarters in Anand, had been strengthening the dairy sector of Gujarat state, the home base of NDDB. This led to increased production and availability of milk. Entrepreneurs found it attractive to tap the Ahmedabad market. In 1994, apart from the two cooperative dairies, there were nine private units marketing milk in Ahmedabad and there were 20 brands in the city.⁸ The state of affairs was similar in metros and many other Indian cities. The dairy business did not have high barriers to entry, had simple and easy access to technology and quick returns on moderate investments. Even businessmen who had no understanding of dairy business entered the sector after liberalisation.⁹ That private sector would enter dairy business with increase in investment capabilities and access to technology was anticipated and predicted. After liberalisation, and changes in MMPO, many leading private players have entered the dairy sector. Brands in the market such as Britannia, Nestle are owned by MNCs and many more are in the pipeline for market entry. At the same time, consumers do not bother about aspects such as low bacterial count, exact quantity packed versus quantity printed on the pouch, fat content etc.

Availability of milk was the priority to the housewife, and thus brand preference was weak and hence brand switching was common in the event of non-availability of a given brand. In such a scenario “.....the federation

(GCMMF) will have to shoulder the responsibilities of shaping the future of the Indian dairy industry, as indeed that of the entire food industry in India.”¹⁰ Often GCMMF launched its products at the initial stages of market evolution and thus was vulnerable to failure as any pioneer.

Marketing of milk and milk products across the country is a big challenge. It involves investments in cold chain, an efficient logistics and distribution network, and reaching millions of consumers every day under climatic conditions that catalyse fermentation. Maintaining quality thus is not an easy task for GCMMF which has to market its products nationwide unlike other state cooperative federations.

3.1.4 Products Manufactured

GCMMF's gross turnover in 2003-04 was Rs.2882 crore despite the withdrawal from edible oil business, an increase of 18% over the previous year. Its turnover in 2006-07 was Rs.4277.84 crore (Rs.5255.4 crore in 2007-08). The growth in value terms of Amul Milk in pouches, Long life Milk, Amul ice-cream, Amul ghee, Amul butter and cheese was also significant. Other products such as fresh cream, Amul Kool flavoured milk, Masti curds, have been good performers, though in curds category there has been competition from other state cooperative federations in their respective regions.

A select list of the products manufactured by GCMMF is given in Table 3.1.3.

Table 3.1.3: A select list of products manufactured

Breadspreads:

- Amul Butter
- Amul Lite Low Fat Breadspread
- Amul Cooking Butter

Cheese Range:

- Amul Pasteurised Processed Cheddar Cheese
- Amul Processed Cheese Spread
- Amul Pizza (Mozzarella) Cheese
- Amul Shredded Pizza Cheese
- Amul Emmental Cheese
- Amul Gouda Cheese
- Amul Malai Paneer (cottage cheese), Frozen, Refrigerated and Tinned
- Utterly Delicious Pizza

Mithaee Range (Ethnic sweets):

- Amul Shrikhand (Mango, Saffron, Almond Pistachio, Cardamom)
- Amul Amrakhand
- Amul Mithaee Gulabjamuns
- Amul Mithaee Gulabjamun Mix
- Amul Mithaee Kulfi Mix
- Avsar Ladoos

UHT Milk Range:

- Amul Shakti 3% fat Milk
- Amul Taaza 1.5% fat Milk
- Amul Gold 4.5% fat Milk
- Amul Lite Slim-n-Trim Milk 0% fat milk
- Amul Shakti Toned Milk

- Amul Fresh Cream
- Amul Snowcap Softy Mix

Pure Ghee:

- Amul Pure Ghee
- Sagar Pure Ghee
- Amul Cow Ghee

Infant Milk Range:

- Amul Infant Milk Formula 1 (0-6 months)
- Amul Infant Milk Formula 2 (6 months above)
- Amulspray Infant Milk Food

Milk Powders:

- Amul Full Cream Milk Powder
- Amulya Dairy Whitener
- Sagar Skimmed Milk Powder
- Sagar Tea and Coffee Whitener

Sweetened Condensed Milk:

- Amul Mithaimate Sweetened Condensed Milk

Fresh Milk:

- Amul Taaza Toned Milk 3% fat
- Amul Gold Full Cream Milk 6% fat
- Amul Shakti Standardised Milk 4.5% fat
- Amul Slim and Trim Double Toned Milk 1.5% fat
- Amul Saathi Skimmed Milk 0% fat
- Amul Cow Milk

Curd Products:

- Yogi Sweetened Flavoured Dahi (Dessert)
- Amul Masti Dahi (fresh curds)
- Amul Butter Milk
- Amul Lassi

Amul Ice-creams:

- Royal Treat Range (Rajbhog, Cappuchino, Chocochips, Butterscotch, Tutti Frutti)
- Nut-o-Mania Range (Kaju Drakshi, Kesar Pista, Roasted Almond, Kesar Carnival, Badshahi Badam Kulfi, Shista Pista Kulfi)
- Utsav Range (Anjir, Roasted Almond)
- Simply Delicious Range (Vanilla, Strawberry, Pineapple, Rose, Chocolate)
- Nature's Treat (Alphonso Mango, Fresh Litchi, Anjir, Fresh Strawberry, Black Currant)
- Sundae Range (Mango, Black Currant, Chocolate, Strawberry)
- Millennium Ice-cream (Cheese with Almonds, Dates with Honey)
- Milk Bars (Chocobar, Mango Dolly, Raspberry Dolly, Shahi Badam Kulfi, Shahi Pista Kulfi, Mawa Malai Kulfi, Green Pista Kulfi)
- Cool Candies (Orange, Mango)
- Cassatta
- Tricone Cones (Butterscotch, Chocolate)
- Megabite Almond Cone
- Frostik - 3 layer chocolate Bar
- Fundoo Range - exclusively for kids
- SlimScoop Fat Free Frozen Dessert (Vanilla, Banana, Mango, Pineapple)
- Health : Isab cool

Chocolate & Confectionery:

- Amul Milk Chocolate
- Amul Fruit & Nut Chocolate

Brown Beverage:

- Nutramul Malted Milk Food

Milk Drink:

- Amul Kool Flavoured Milk

Health Beverage:

- Amul Shakti White Milk Food

Ready to Serve Soups:

- Masti Tomato Soup
- Masti Hot & Sour Soup

Source: www.amul.com

3.1.5 Product Management Aspects of GCMMF

Prior to the formation of GCMMF and in the 1950s, the focus of Kaira District Milk Producers' Union was to supply liquid milk to the Bombay Milk Scheme. Subsequently to overcome limitations of the Bombay Milk Scheme and to absorb its entire surplus, the Kaira Milk Union set up facilities to process milk and convert the same into various products. Almost 50% of the milk procured is marketed in liquid form while the rest is converted into products.

GCMMF has a rich product portfolio of around 30 product categories (which have many variants). These products are aligned to each other and are market leaders in most categories. The chronology of important product launches by GCMMF can be seen in the Table 3.1.4.

Table 3.1.4: Important product launches

Category	Brand	Year Introduced
Whole Milk Powder	Amul	1955
Skim Milk Powder	Sagar/Amul	1955
Butter	Amul	1955
Ghee	Amul/Sagar	1955
Cheese	Amul	1959
Infant Milk Food	Amul	1966
Chocolate	Amul	1964
Malted Milk Food	Nutramul	1976
Ethnic sweet	Amul Shrikhand	1982
Cheese Spread	Amul	1983
UHT milk	Amul	1983
Milk in pouches	Amul	1986
Dairy whitener	Amulya	1983
Breadspread	Amullite	1994
Ice-cream	Amul	1996
Condensed milk	Amul mithai mate	1996
Ethnic sweet	Amul Gulabjamun	1998
Fresh curds	Masti Dahi	1999
Pizza	Amul	2001
Confectionary	Amul	2001
Kadi (an Indian ethnic dish)	Masti	2002
Flavoured milk	Amul Kool	2003
White Health beverage	Amul Shakti	2003
Sweetened Flavoured Dahi	Yogi	2003
Butter milk and Lassi	Amul	2002-03
Ready-to-serve Tomato soup	Masti	2003
Ready-to-serve Hot soup	Masti	2003
Probiotic dairy products	Amul	2007

Source: GCMMF

Within each category, there are variants or niche products that have been launched. The most important point to be noted is the increasing frequency of new product launches specifically after liberalisation in 1991-92. In the initial years, GCMMF followed a policy of focusing on marketing milk “diet” products rather than indulgences or luxury products. In recent years it has been making an effort to launch products for the upper income group. Even in the earlier years of liberalisation GCMMF attempted to understand consumers’

perception of Amul products with a view to becoming market oriented. For instance, a study based on a limited survey of consumers in Ahmedabad, pointed out that packaging and non-availability are important non-product attributes to be improved upon, and indicated product-wise attributes, as areas where consumers wanted improvement.¹¹ The study further identified aspects of GCMMF's corporate image and positioning, such as the need to innovate in product introduction, inconsistency in availability of Amul products, overcharging by dealers, Amul as 100% vegetarian product, low association of Amulya with Amul etc. GCMMF also did not exclude small towns. For instance, it undertook a study of the milk market in Nadiad town.

GCMMF endeavoured to provide increased value to its consumers. At the same time its prices have been lower than those of its MNC competitors. GCMMF's experience in catering to the Indian consumer for the last several decades has helped develop an understanding as to what the consumer perceived as "value". A case in point is GCMMF's marketing strategy for its Amul brand of ice-creams. GCMMF launched its brand of ice-creams in fourteen flavours in Mumbai and Gujarat in 1996, just a few years after liberalisation, at a price much cheaper than Kwaliti Walls. The ice-cream distribution network covered one-third of India. While ice-creams have been consumed by the upper middle class and the rich in India, often in exclusive ice-cream parlours, GCMMF sought to introduce major changes. With a view to bringing in more consumers, Amul ice-creams were positioned as "Real Milk, Real Ice-cream" and emphasised that the product was 100% vegetarian

(unlike its competing brands which were frozen desserts and used gelatin).¹² Its small tub of ice-cream was available at Rs.10. Thus a well conceived product management strategy helped it achieve a high market share. It is not that other state cooperative dairy federations did not foray into ice-cream business. They did not have a clear marketing strategy or trajectory. Aavin, the Tamil Nadu Cooperative's brand, for example, was available only in outlets in that state.

In 1986, GCMMF launched Amul brand of liquid milk in Ahmedabad and Gandhinagar markets which have a huge market of 10 lakh litres per day. To meet the requirements of this market, GCMMF set up a Mother Dairy in 1993-94 at an investment of Rs.100 crore. An investment of this order required a break-even of 2.3 lakh litres per day in 1993. Its earlier endeavour to bring about uniqueness of the brand in the milk market did not yield results. In March 1993, Amul had a market share of around 28 percent. GCMMF's earlier efforts were limited to having a four-colour film design with early morning symbols such as birds, flowers, sun, buffalo with different colours indicating for different varieties of milk (blue for toned etc). These were apparently to help consumers, who had low awareness of milk quality. This move however, was soon copied by local competitors and led to a situation where a consumer, who asked for a pouch with a specific design (of Amul) was handed over another similar pouch with similar design of a rival brand that provided a higher margin to the retailer. Limited research by GCMMF revealed that rival brands were far below in quality in comparison to

Amul and did not adhere to standards prescribed in the Prevention of Food Adulteration (PFA) Act. GCMMF also found out that competitors had presence only in two categories of milk though the law allowed four categories—double toned, toned, standardised and whole milk. The benefits of using market segmentation strategically, was clear to GCMMF. By having a presence in all four categories of milk, GCMMF developed a strategic response in a competitive, traditional commodity market dominated by “me-too” brands. By testing out this strategy in Ahmedabad, GCMMF would learn and later formulate a strategy for the whole country, as we shall see later, with respect to marketing of fluid milk. Not only did GCMMF launch all four categories of milk, but also created new ones by introducing innovations in packaging.

GCMMF launched, in the Ahmedabad market, four brands Amul Gold milk (premium, full cream) aimed at parents who preferred this feature for children, Amul Saathi (double toned, high SNF) for the health conscious, diabetics and the elderly (another major objective was to attract the loose milk consumers, who constituted a significant chunk of the Ahmedabad market, by pricing it on par with loose milk), Amul Shakti, the standardised version, and Amul Taaza, the toned milk brand. By having each of these brand variations at various price points, it provided consumers an opportunity to graduate to a higher priced variety in the event of higher income or hover within the Amul family of milk brands during price hike or shortages. By these moves GCMMF outsmarted the competition.

In its experiment with milk marketing in Ahmedabad, GCMMF formulated very interesting marketing efforts as follows:¹³

- Strengthening the distribution network, as availability more than brand preference, is the crucial aspect in milk marketing, GCMMF increased its retailer network to distribute Amul brands of fluid milk. GCMMF also penetrated new localities such as Shaltej, Vastrapur, Gurukul etc., being a pioneer in milk distribution. GCMMF also brought about changes in the invoicing system by having direct links with retailers reducing its dependence on distributors while having a distributor-driven marketing chain.
- By displaying “Amul” brand clearly on the sachets GCMMF was able to convince the consumers that the milk variations that had been launched were part of the Amul family of dairy products, most of which were popular and well known. There were further innovations such as the 200 ml pack targeted at the lower income groups. In the process, GCMMF created a new customer segment for packed and branded milk.
- GCMMF, as part of its philosophy to give value to consumers, provided more fat and SNF than statutory requirements. It opened 8 a.m. to 8 p.m. counters at major outlets to offer milk at a steady price throughout the day to counter the practice of competing brands charging a higher price in the afternoon.

- GCMMF also used innovations in the product promotions. It used the cable TV network, advertised Amul brand of milk on Doordarshan when such practices were considered as rare. It distributed leaflets, press advertisements, radio advertisements to educate consumers about milk and its contents. A significant chunk of the advertisement budget was allotted for promotions in Ahmedabad market with a lot of involvement at the field level.

Using the above marketing strategies, GCMMF increased its market share in Ahmedabad market to more than 50 percent. In the process of acquiring this market share GCMMF achieved the following:

- GCMMF created a strategic approach to marketing in a commodity category like fluid milk
- It developed, by a learning process, a marketing “model” for its expansion in other milk markets in future. In recent years based on the learning gained from the Ahmedabad market GCMMF has taken initiatives to launch Amul brand of milk in smaller cities such as Kanpur.

3.1.6 Advertising and Promotion Aspects of AMUL Brand

GCMMF was perhaps the only cooperative and among the few business enterprises to recognise the relevance of advertising. It started advertising its products as early as 1958. A unique decision was to divide the advertising for various products to different advertising agencies. This not only helped in the

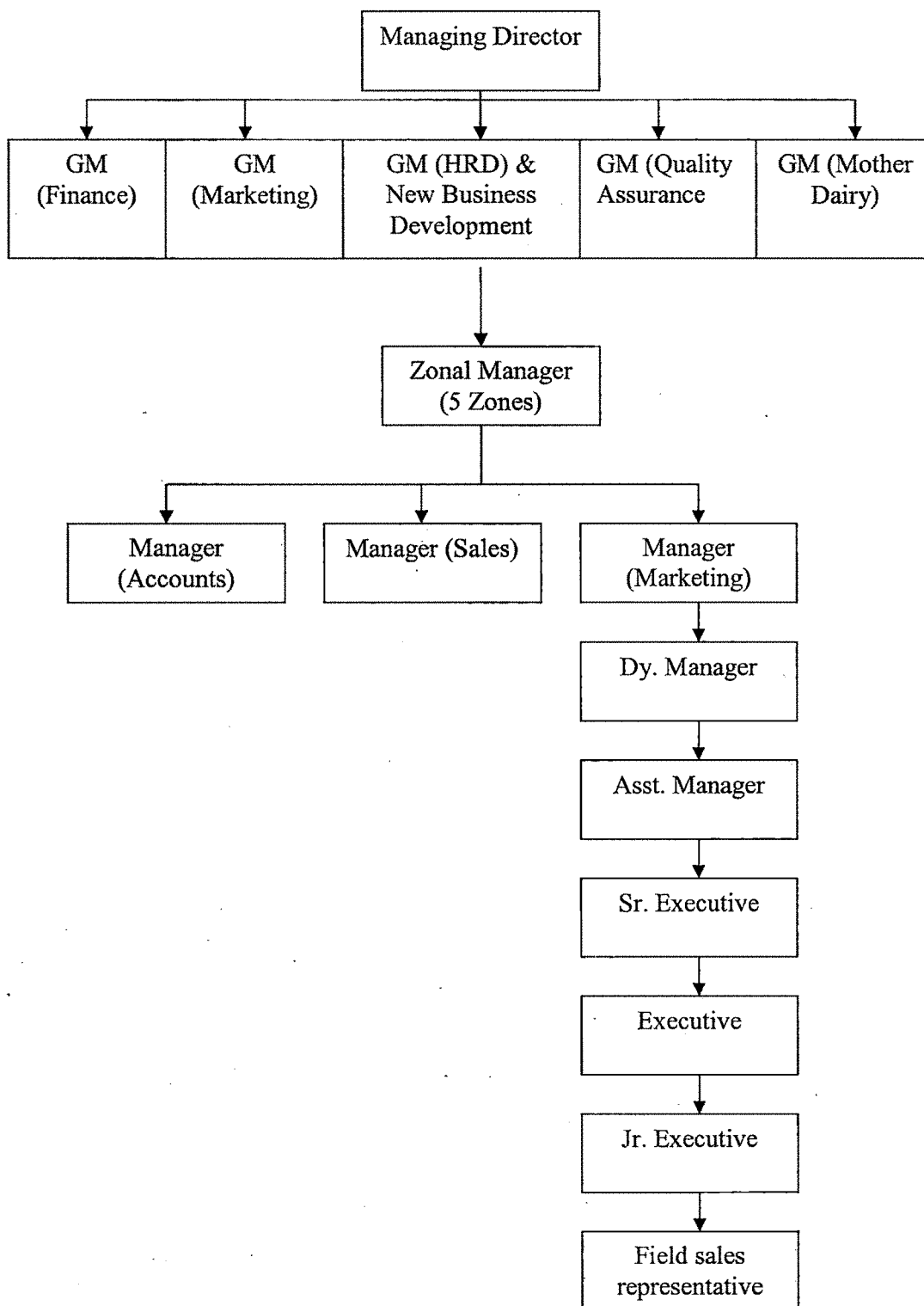
segmentation, targeting and positioning of the product, but also developed a brand identity for Amul. Its butter advertisements with a bubbly, mischievous girl and carrying statements with a lot of pun and satire of topical issues created a strong brand association of Amul with not only butter, but also other dairy products. With the expansion of the colour TV network in India, GCMMF launched a weekly programme on Doordarshan, the government supported channel, Surabhi with focus on Indian culture and traditions with a popular “question” component for viewers that generated lot of responses. It also sponsored the Amul India show on Star TV, a private channel, which was hugely popular.¹⁴ These programmes in a way led to a major strategic response- ‘Amul-The Taste of India’ campaign launched in late 1990s. Its ice-cream advertisements focused on the “vegetarian” aspect (Real Milk, Real Ice-cream, 100% vegetarian) pitching directly against competing brands, which were frozen desserts with gelatin content. GCMMF also sponsored the film Manthan directed by the well known film director Shyam Benegal to showcase its evolution as an institution and was an initiative in corporate branding. It also tried to position chocolates as an ‘any occasion snack’ cutting across age groups and genders (“for someone you love” was the slogan). Its advertisement expenditure is estimated to be around 1% of its sales, lower than other FMCG marketing organisations. A significant chunk of this advertisement is for ice-creams and creating the brand identity ‘Amul-The Taste of India’.

3.1.7 Organisation Structure of GCMMF

GCMMF is primarily a marketing organisation with the mandate for marketing the dairy products manufactured by member unions. It has structured financial ties and process relationships with its member unions, which are also autonomous organisations with an independent board and organisational structure. Often analysts ignore this aspect and tend to mix up the strategies pursued by NDDB, member unions with those of GCMMF.

GCMMF achieves its business objectives with a combination of functional, matrix and territorial forms of organisation. This enables it to achieve alignment of strategy with production and marketing. The organisational structure is briefly described in Figure. 3.1.

Figure 3.1: Organisational structure of GCMMF (Source: GCMMF)



In addition there are around 50 depot in-charge officers in the five zones, mostly of the rank of Asst. Managers, who report to the respective zonal managers. At the corporate level there are also groups of marketing executives at various levels (starting from AGM level) organised along strategic cells. These have been conceived on account of the variations in the nature of products, which contribute to different logistical requirements and to achieve synergy in marketing. These cells are dry products (milk powder, dairy whitener, etc.), wet products (butter, cheese, shrikhand, curds, chocolate, etc., that require refrigeration to avoid fermentation). Liquid milk/UHT is another strategic cell. Ice-cream, which is a fast growth product that requires a sophisticated cold chain, is another strategic cell. These cells at the corporate level operationalise product management strategies derived from business level strategic responses. GCMMF plans to increase the number of depots to around 100 in the next few years, almost double its present number.

3.1.8 Distribution Network of GCMMF

As part of its distribution network, GCMMF has been able to develop more than 4000 dealers across the country, 50 depots strategically located even in remote parts of India (Figure. 3.2). It has more than 500000 retailers stocking its products and has India's largest "cold chain" network. In Mumbai, according to an estimate, GCMMF sells around 220000 litres per day of Amul brand of milk. In Pune it quickly reached 14000 litres per day, through a network of around 14 area delivery agents (ADA) and 1000 retailers, within a few months of formal launch.

DISTRIBUTION NETWORK



Figure 3.2: Distribution network of GCMMF
(Source: Annual Report 2003-04, p.56).

In comparison to other FMCG marketing firms, mainly competing MNCs, GCMMF follows a very strict policy with respect to replacement of goods. Strict replacement policy is pursued to avoid servicing of spurious complaints at the cost of ignoring genuine complaints. GCMMF also exercises strict control over the distribution network an aspect somewhat peculiar to the C and F agents. GCMMF has its own officials to coordinate functions like accounts, MIS etc. Its officers also lend help to the agents in distribution of goods in contrast to other firms. In the process GCMMF gets a hold on the distribution activities of its agents and is able to take appropriate decisions at the field level. Wastage of human resources in the sales department to monitor performance of distribution agents is avoided and officers are deployed for more productive purposes.

Often it is stated that GCMMF provides lesser margin as compared to its major competitors. It has been, however, found that GCMMF's distributors carried low inventory, usually, a week's stocks. Coupled with frequent replenishment of stocks and lifting of stocks by distributors on payment basis, the working capital requirements of a GCMMF distributor is lower.¹⁵ Even though competitor firms offered higher margins to distributors it often led to high stock levels and locking up of working capital. GCMMF does not offer credit to its distributors, and insists on lifting inventories on payment, policies that are uniform across the country, unlike its competitors. Multinational companies offer longer credit period to their distributors to achieve higher penetration in the market. GCMMF's policies though might appear archaic in

a competitive situation, has in fact led to avoiding efforts in recovery, bad debts and litigation, given the market realities in which Indian companies operated. These practices of GCMMF such as lifting of stocks on payment with no credit period are increasingly being adopted by other FMCG firms. In addition GCMMF deploys the resources generated in this manner to its brand building endeavour.

Such pragmatic practices of GCMMF also minimise its costs of controlling the distribution network (by deploying its own officials) as the inventories are financed by the distributors. The distribution logistics of wet/chilled products, a challenge in a tropical country like India where high temperature and adverse weather conditions can lead to fermentation of dairy products. GCMMF uses a fleet of refrigerated vehicles of leading logistics and transport companies. The depots have been divided on a “hub & spoke” model, with hub depots supplying to smaller depots on demand. Its distribution logistics in the case of Masti curds is a good example of supply chain management and efficiently synchronised between the transport company’s vehicle and that of the distributor. The information flow involves communicating the demand by the distributor to the marketing unit which in turn communicates to the manufacturing plant. The quantity loaded and the expected time of arrival of the truck are conveyed to the depots. This information is shared with the distributors who plan their truck schedule to align with the arrival of the truck as per the GCMMF plan and in the process fermentation of products is minimised by eliminating the loss of time in storage.

GCMMF has also linked all the depots in its distribution network by use of Information Technology by installing more than 4000 computers in village level societies. It has installed over 1000 computers in its 14 dairy plants and more than 500 computers in its sales offices across the country. More than 3000 computers have been set up at various dealer points across the country. 19 VSATs covering member union and zonal offices have been established. GCMMF also implemented Virtual Private Network with fibre optic technology. An Enterprise-wide Integrated Application System, an ERP network has been developed and designed, customised to its needs. This is online to facilitate two way flow of information between GCMMF head office in Anand and its field offices.

3.1.9 Achievements of GCMMF

At this stage it may be useful to summarise the achievements of GCMMF.

- It has created a comprehensive model for dairy business in India. The model is not only sought to be replicated in other states of India, with variations in other countries, but also, provides an approach for similar models in other sectors of agribusiness. The GCMMF model has the following features summarised as below:
 - Milk collection systems at the grass root village level.
 - Pooling and processing of milk collected and its conversion to products on a large scale, thus gaining economies of scale (though not obvious, many agribusiness development programmes suffer from this deficiency).

- Access to latest technology from the village level to the customer point. For instance, usage of automatic testing machines at village collection point, usage of IT from the village level to the sales depot and deployment of modern technology for processing.
 - Creating a countrywide marketing network.
 - Involving producers in managing the organisation.
- An examination of development programmes initiated in India in the 20th century indicated the only one that has sustained is the Amul/Anand experiment by virtue of its marketing orientation.¹⁶
 - From a miniscule collection of 247 litres per day in 1946, the organisation has grown rapidly. Its current reach, expansion and professionalism in marketing, in a market with a strong presence of MNCs, can be linked to the formation of GCMMF in 1973. At present, GCMMF has 22 dairy plants owned by 13 member dairy unions in Gujarat, with a total milk handling capacity of 101.6 lakh litres per day (102.1 lakh litres per day in 2007-08). The average procurement was around 67 lakh litres per day (74 lakh litres per day in 2007-08).¹⁷ Four of the manufacturing plants have 10 lakh litres per day capacity. The milk drying capacity is around 594 MT per day (626 MT per day in 2007-08). It has outsourcing arrangements with nine dairy plants across the country. All these infrastructure facilities have been built owing to GCMMF's market penetration, market development and would strengthen it further.



- GCMMF has emerged as India's largest food products marketing organisation starting with marketing of milk in the initial years, followed by "western" dairy products and diversification into related products such as ice cream, pizza (uses cheese) and further into unrelated products such as soups. GCMMF has been able to build powerful brands such as AMUL and SAGAR that are marketed through 50 sales depots, 4000+ dealers and 500000+ retailers across the country every day. In the process, GCMMF owns India's largest cold chain network again a major advantage in a competitive market environment. This was consciously developed with the entry of many private players in the market.
- GCMMF has emerged as India's largest exporter of dairy products with major markets in the West Asia, SAARC countries, USA and Singapore. While UHT milk, ghee, cheese, butter are exported in consumer packs, full cream milk powder and skim milk powder are exported in bulk. The efforts of GCMMF in the exports arena resulted in winning APEDA awards eight consecutive times. The export performance stood at Rs 60 crore in 2006-07 (Rs 125 crore in 2007-08).
- GCMMF also pioneered the concept of IT applications in the cooperative sector as also in the marketing field. All the depots in its marketing network are linked to the head office in Anand through a countrywide IT network. It has also introduced web based marketing of its products and is thus a pioneer and introduced its cyber stores. It introduced the *coop suffix*

in its website www.amul.coop, thus enhancing the brand identity of Amul as a pioneering cooperative and for furthering its competitive advantage internationally.¹⁸ As a result of its efforts GCMMF was awarded the International CIO 2003 award for excellence in IT.

- GCMMF's product portfolio is very diversified and has often defined the product-market category by its offerings as can be inferred from the earlier discussions and is a market leader in most product categories with significant market share as indicated in the Table: 3.1.5.

Table 3.1.5: Market share of GCMMF

Category	Brand name	Market share	Rank
Infant milk food	Amulspray	65%	1
Dairy whitener	Amulya	60%	1
Whole milk powder	Amul WMP	80%	1
Skim milk powder	Sagar SMP	40%	1
Butter	Amul Butter	80%	1
Bread spread	Amul Lite	80%	1
Cheese	Amul Cheese	60%	1
Cheese spread	Amul Cheese spread	80%	1
Fresh milk	Amul	60% (in Gujarat)	1
Longlife milk	Amul Taaza	75%	1
Fresh curds	Amul Masti Dahi	75%	1
Pure ghee	Amul Ghee	25%	1
Ice-cream	Amul ice cream	40%	1
Condensed milk	Mithai Mate	55%	1
Branded ethnic sweets	Amul Shrikhand, Gulabjamun etc.	50%	1
Chocolates	Amul Chocolates	10%	3
Brown beverage	Nutramul	15%	4

Source: GCMMF

- GCMMF also initiated Total Quality Management (TQM) in 1994, as an instrument of change. It cascaded the initiative from the federation level to the lowest tier of village dairy cooperative societies. GCMMF formed 25000 Kaizens and 225 Quality circles across the length and breadth of the country. The endeavour resulted in GCMMF being awarded the Rajiv Gandhi National Quality Award for the year 1999.

Some of the above aspects and achievements are part of the strategic responses of GCMMF to market changes.

3.1.10 Strategic Responses of GCMMF

The strategic responses of GCMMF in relation to changes in the market environment particularly, after 1992 have been as below:

- Quality interventions as an instrument of change.
- Investment in information technology.
- Strengthening of Amul brand.
- Launch of new products and diversification.
- Strengthening the distribution network.
- Strengthening human resources.
- Investment in marketing research.
- Advocacy to influence policy changes.

These have been discussed in detail in the following sections.

- **Quality interventions as an instrument of change**

After liberalisation, there was a realisation in GCMMF of the relevance to manage effectively the dairy business in consonance with changing times.

Two aspects that had to be focused were:

- Meeting the dynamic aspirations of consumers.
- Improving the quality of products marketed by GCMMF.

The challenge was to make GCMMF a kind of “learning” organisation with continuous improvement of skills and customer focus. In 1994, to achieve the above transformation, GCMMF planned to introduce Total Quality Management (TQM) as a key strategy for change.¹⁹

The different components of this endeavour were as follows (Table 3.1.6):

- Organisational climate survey (appreciative inquiry).
- Awareness programme: a three day management of change (MOC) workshops for senior executives of GCMMF.
- Training of trainers’ workshop.
- Workshop on facilitation skills.
- Management of change: 3 day workshops, cascading across GCMMF using in-house teams of trainers.
- Other TQM initiatives- Kaizen, Housekeeping, Small Group Activity (SGA), Hoshin Kanri etc.

Table 3.1.6: Chronology of TQM events

Event	Date
Search for an agency (though NDDB)	Summer 1994
Appointment of ECS	August , 1994
Appreciative Enquiry	September, 1994
Proposal by ECS	October, 1994
MOC-Awareness programme I	17 November, 1994
MOC-Awareness programme II	January, 1995
Train-the-Trainers	6-10 February, 1995
1 st Apex Steering Council Meet	3 March, 1995
MOC Cascading across federation	February 1995 to April 1995
Kaizen Workshop for in-house trainers	5 May, 1995
Kaizen Launch	29 May, 1995
SGA Launch	July, 1995
Housekeeping Launch	19 October, 1995
1 st Red Tag Day	6 December, 1996
Team Facilitator Training	11 January, 1996
Leadership Training	7-8 March, 1996
Hoshin Kanri	6-8 January, 1997
Internal Consultant Development (FFRs)	March, 1997
First SML Workshop at Mount Abu	April, 1997
WD Quality Circles	October, 1997
Member Union Hoshin Kanri Workshop (Vision, Mission, Strategy)	November, 1997
First Amul Yatra	6-8 April, 1998
Internal Consultant Development for Village Cooperative Societies	October, 1998
WD Hoshin Kanri (VMS Workshop)	November 1998

Source: GCMMF

GCMMF largely used the services of Eicher Consultants with respect to TQM.

The organisational climate survey revealed that there was not much focus on customers, but was distribution centred. It also indicated that transporters and packing material suppliers perceived that they were outside the system. The wholesale dealers felt that GCMMF's policies were rigid and also did not involve them in formulation. The survey also indicated that there was need for training at all levels and a cross-functional perspective was absent. On the basis of this exercise, 40 executives were selected for the change management training, of which 17 were picked up for a further 5-day trainers' workshop to take the initiative further to around 560 executives across the country.

Kaizen initiative

Kaizen implies small improvements in one's own work. In 1995 this was launched with select trainers getting trained in Kaizen methods with a view to cascading in workshops across GCMMF in batches of 20. The focus of Kaizen was to introduce small improvements in one's own activities or that of the federation. Employers who returned "zero" Kaizens were counselled. In five years, 125000 Kaizens were registered in improvement of work, processes and the office environment. Table: 3.1.7 indicates a sample Kaizen and in 2002-03 alone GCMMF logged 25000 Kaizens in various areas.

Table 3.1.7: A sample Kaizen

Kaizen Record

Ref. No.: Name(s):	Deptt.: Mktg-Desp.	HO/Depot: HO Date:
BEFORE		
We have our refrigerated vans and containers where both sides are plain. These do not carry any advertisement of our Amul Products		
ACTION TAKEN		
We have taken initiative and developed Amul Butter Girl and Amul Cheese Boy paintings on both sides of refrigerated Vans/Containers of different carriers. Improved quality and outlook of our Refrig. Vehicles is also a hoshin of the current year and we have considered other points also (Painting being one of them)		
AFTER	BENEFITS	
This idea works as a mobile hoarding without any additional expenses. We also do not have to pay rent for such advertisement. Continuous advertisement of our products throughout the country is possible.	<ul style="list-style-type: none"> ▪ Saving of advertisement cost. ▪ Innovative advertisement medium. ▪ Strategic area of improvement in our business. ▪ Increases morale of sales persons. ▪ Creates customer awareness ▪ It has action value, memorising value and attention value. ▪ It fulfils the objectives of advertisement such as to inform, to persuade and to remind. ▪ Its frequency is great. ▪ Target audience is large. 	

Source: GCMMF

GCMMF also introduced “Red Tag” day to improve housekeeping, after 20 years, to clean up unwanted material. 5-S model of Japanese management (implying segregation, arrangement, cleanliness, maintenance of standards and discipline) with house keeping auditors for inspection was introduced. These resulted in better hygiene and smooth work flow. These were extended to the

depot level where organising product stock as per FIFO improved. The quality of the product to the consumer by delivering a fresher product also improved. Housekeeping Audit Formats were made part of the depot MIS. In 2006-07, Red Tag day was observed in 7313 village level societies to improve cleanliness.

Small group activity

Small group activity (SGA) was also initiated in 1995. These were complex problems that required 3-4 months for introduction. A typical group consisted of a team leader with 6-7 members drawn from various departments and the group was helped by a facilitator who was a senior manager in GCMMF. Examples of SGA include, improving ROI of wholesalers, to reduce second leg dispatches of product from depots to wholesale dealers.

The solution for the problem that was resolved was presented in SGA steering council and was adopted across GCMMF and got internalised. 225 SGAs were under implementation in GCMMF. A major benefit of SGAs was that it freed the top management from day-to-day operations and helped focus on strategic aspects.

Hoshin Kanri: an initiative in strategic planning

The Chinese character “HO” implies method and “Shin” means compass “Kanri” means management. Thus Hoshin Kanri implies a method for strategic direction setting. This approach, used by Japanese firms, is built

around the belief that to achieve better results the only way is to improve organisational processes. Unlike conventional planning which is incremental to the previous year's achievements, in Hoshin Kanri (policy deployment) key business processes are identified and strategic thrust areas are delineated. These identified areas are focused upon organisation-wide by all employees.

In January 1997, GCMMF initiated Hoshin Kanri. A four day workshop on Vision, Mission, and Strategy (VMS) was held at IRMA with 80 carefully selected participants across GCMMF at various levels from the CEO to the depot in-charge officers, Managing Directors of member unions, representatives of GCMMF's advertisement agencies and suppliers, thus covering the entire supply chain of GCMMF's products. Many teams examined the market scenario, vision in the first decade of 21st century. Such an exercise is undertaken once a year to align the organisation's goals with individual goals. These are cascaded down the hierarchy. Each GCMMF's employee's Hoshin for the following year in relation to VMS are entered in his LEADS book, a replacement for annual performance evaluation. The Hoshin Kanri workshop formulated the strategic thrust areas for GCMMF. Thus each employee develops a detailed blue print in relation to the same. Around 1600 Hoshins of employees were in progress (in addition to routine work) to achieve the following strategic thrust areas outlined in the VMS workshop:

- Expand marketing of existing products.
- Identify market for new products.

- Build capability for marketing fresh products.
- Integration through IT.
- Attract and retain quality manpower.
- Rationalisation of taxes.
- Integration of cooperatives with common branding.

Extension of TQM to the distribution channel

In 1996, GCMMF realised the importance of exposing its C and F agents and wholesale dealers to TQM concepts. It meant training two employees each, of around 2400 wholesale dealers across the country.

The thrust areas of TQM with respect to wholesale dealers identified were, increasing marketing abilities, providing better service quality, employee involvement and waste elimination. These were meant to gain leadership in the market. As indicated earlier there were 225 SGAs covering 2300 wholesale dealers across the country. This initiative has resulted in eliminating many “pain” areas in distribution and created an additional forum of interaction, a deeper one, between GCMMF and its distributors. To improve the performance of dealers GCMMF has planned to impart management training to its dealers with the help of a leading management institute.

TQM to the farmers (Internal Consultant Development-ICD Project)

In 1997 GCMMF realised the relevance of TQM at the farmer member level.

An interaction with the Managing Directors and board members found that the following needs existed at the farmer/member level in the village dairy cooperative society:

- Fulfilling expectations of producer members.
- Creating an enabling atmosphere of self development of farmer (producer) members through education.
- Increase in procurement of milk.
- Improving quality of product at all levels.

Given the massive size of this endeavour, GCMMF utilised the services of Eicher Consultancy Services. The methodology for this initiative was as follows:

- A village level survey to examine ground realities and to list areas of farmers' concern.
- Imparting skills to the union ICD team to groom them as trainers, change-agents and coordinators.
- Around 30 professionals from member unions were drawn and were exposed to a series of exhaustive training programmes in facilitation and consulting skills. Using this core group, the initiative was cascaded further and totally 934 internal consultants were available to carryout quality initiatives across hundreds of villages in Gujarat.
- Design of improvement initiatives called 'Modules': 'Cleanliness Module' at village cooperative society for instance.

- Launch of 'Modules' at the union level.
- Development of village resource persons as consultants, trainers and change-agents.
- Review and measurement process.

A few of the achievements under this initiative were as follows:

- Improvement and facelift in the hygiene and ambience of milk collection centres.
- Improvement in product quality by eliminating dirt, acidity levels of milk and as a result less microbial activity. This in turn would increase the shelf life of products at the consumer level.
- Elimination of unwanted papers on October 2 (Gandhiji's birthday) every year at the DCS level.
- By 2001 (within three years of the launch), 9100 dairy cooperative societies were covered under the first module of TQM (improving cleanliness) and in the second module better planning and budgeting at village dairy cooperative society level was launched. In 2006-07 as per this second module 4428 village dairy cooperative societies (5322 in 2007-08) have developed their business plans.

The most interesting aspect of the quality interventions in GCMMF is that it is not only a major strategic response in the light of the changing market environment, but also conceived, conceptualised, initiated, coordinated and monitored continuously at the top management level with enormous learning for the GCMMF organisation in future and even outside the dairy sector, given its coverage from village level to retailer level.

- **Initiatives in information technology**

GCMMF's usage of information technology dates back to the early 1980s. Initially GCMMF started with use of IT for data storage, basic applications such as payroll accounting. Subsequently around 1985, it started using IT for more complex OR applications such as route planning and optimisation for procurement of milk from village dairy cooperative societies. After 1992 GCMMF gave more thrust to its IT based systems management initiative. By 2000-01, it successfully implemented the "Enterprise-wide Integrated Application System". It installed computers at its village level milk cooperatives with data on milk producers and cattle available in GIS form. Computers were installed at 14 dairy plants and GCMMF offices. Having identified "Information Technology Integration" as a strategic thrust area since 1995, GCMMF achieved 100% computer literacy by 1997.²⁰ In 2002-03, GCMMF gained competitive advantage by having a Virtual Private Network (VPN) with secured fibre optic connectivity and implementation of Amul online ERP system for smooth flow of information across GCMMF and member unions, with major stockists accessible through email. As a result GCMMF developed rapid reaction-capability to changing business demands.²¹ Distributors could place orders through www.Amulb2b.com. GCMMF also launched www.amul.com on the internet in 1996. Subsequently it launched Amul Cyberstore in India and USA in 1999 and gift hamper service in the same year. GCMMF is also promoting the COOP TLD- top level domain project as a leading cooperative across the world by promoting the .coop suffix in its website www.amul.coop.

Its existing site had more than 300000 page views per month and its cyberstore was extended to 125 cities fetching an average of Rs.300 per visit. It also had an email database of around 100000 consumers. For the future, GCMMF planned to have Amul ice-cream cyberstores in 100 plus cities, 4 global E-commerce hubs (in USA, Dubai, Singapore and India), a retailer portal for 20000 outlets and e-transactions across village cooperatives.²²

GCMMF's IT strategy for its business in the light of market changes could be examined using a framework. The framework focused on IT-enabled business transaction: from automation to business scope redefinition.²³ The levels and the corresponding initiatives in GCMMF have been analysed and is given in Table 3.1.8 below:

Table 3.1.8: Levels of IT evolution in GCMMF

Evolution	Initiatives in GCMMF
Level 1: Localised exploitation	Payroll accounting etc. in early 1980s
Level 2: Internal integration	Technical interconnectivity in mid 1980 and more complex application
Level 3: Business process redesign	Enterprise wide integrated application system in mid 1990s for operational efficiency
Level 4: Business network redesign	ERP across independent organisations (including dealers). Functions include transaction processing, inventory movement, process linkage and knowledge leverage. (Current stage in initial phases)
Level 5: Business scope redefinition	Revolutionary changing the rules of business. Interfirm business relationships as a substitute for vertical integration (to be achieved)

Source: Based on N. Venkataraman (1994)²⁴

It is inferred that GCMMF is in the fourth stage.

- **Strengthening of Amul brand**

GCMMF's Amul brand name was derived from the Sanskrit word Amoolya. As indicated earlier Amul had a different approach to brand promotion before 1992-93. Each product under the Amul umbrella was handled by a different agency and was positioned differently as below:

Amul whole milk powder – “A dairy at your home.”

Amulya (dairy whitener)- “The mixing easy recipe.”

Amul cheese spread – “Nothing better.”

Amul chocolate – “A gift for someone you love.”

Amul butter – “Utterly butterly delicious Amul.”

While the association with Amul was strong in all cases, after liberalisation, the brand strategy had to be in consonance with the new market environment. GCMMF anticipated entry of MNCs with strong brands in the dairy business. It also expected the presence of more cooperatives in the same market. All these market changes would lead to fragmentation of the market. With a new MD at the helm to coincide with the changed market environment, GCMMF formulated the ‘Amul-The Taste of India’ campaign to create an “Indian” brand identity for the Amul brand. GCMMF had a limited advertisement budget, and a considerable percentage of it was for promotion of Amul brand. This resulted in the Amul Surabhi programme, the Amul India show in various TV channels and the Amul Boy and Girl contests. Another aspect of the brand promotion exercise was to sustain brand loyalty among consumers.

By 1980, Amul was the most recognised brand in India.²⁵ Before 1992, the focus of brand strategy was to create a brand for sustaining consumer loyalty and competitive advantage of better quality in a commodity market. Post liberalisation, the focus had to be changed. It has to maintain its identity as a pioneer and an Indian brand. Hence the 'Amul-The Taste of India' campaign was launched. Another aspect to this umbrella branding of Amul was to capitalise on the brand equity.²⁶ As cooperatives operated on thin margins, GCMMF had to get the best out of every rupee spent on brand promotion and hence umbrella branding was a major element of the strategy. It also strengthened its Sagar brand as a flanking brand (at a lower price) and as a hedge against downturns in the market and it could be leveraged in future, specifically in south India, where it had a high recall. 'Masti' brand was developed for fermented products like curds and it forayed in the soup, juice market. As described earlier with respect to Ahmedabad market, Amul was a pioneer in a branded approach in the liquid milk market and went beyond the commodity approach outlined in PFA act and created new sub-brands for Amul fresh milk.

In the case of ice-creams it also launched flanking brands such a Snowcap for softies, while a sub-brand called Amul Fundoo was launched to combat MNC product categories in frozen foods. It has also been strengthening the Amul Mithaimate sub-brand for the Indian ethnic sweets category. GCMMF also stopped marketing Dhara brand of edible oil, distributed by it on behalf of NDDB, not just because of its differing perceptions with respect to NDDB on

various aspects of dairy business policy, but also, on account of Dhara brand's lack of synergy between GCMMF's own corporate strategy and purpose.

GCMMF's brand strategy was clearly outlined by its Chairman, Dr. Kurien as follows:

"I have, therefore, reflected on the long history of the brand to see if I could distil reasons (why) Amul is a name widely recognised and respected....Probably the easy, but nonetheless wrong, answer is that Amul has been advertised well. Certainly it has helped that those responsible for keeping the Amul name in the public eye have used considerable imagination, if I do say so, 'the taste of India' is nothing short of brilliant. However, there is much more to it.....if Amul has become a successful brand-if, in the trade lingo, it enjoys brand equity- then it is because we have honoured our contract with consumers for close to fifty years.....the tough part of the use of a brand as a contract is that every day is a renewal.....If Amul's sales continue to rise it is because that contract has been honoured, again and again.....What goes into 'contract' that is a brand name?

- First, is quality.
- Secondly, the contract requires value for money. If one buys an Amul product, she gets what she pays for and more.
- The third element of the contract is availability.
- The fourth part of the contract is service.

.....Amul, therefore, is a brand with a difference. That difference manifests itself in a larger than life purpose. The purpose – freedom to farmers by giving total control over procurement, production and marketing.”²⁷

Thus, the focus of brand strategy after liberalisation is not about having a brand in a commodity market but having a larger goal of brand identity for Amul-the Taste of India, representing Amul’s organisational ethos signifying India’s political freedom and her economic freedom in a global era.

- **Launch of new products**

Till 1992-93, GCMMF launched its new products largely to have a presence in a given market. The logic was to utilise a market opportunity left unfulfilled by its competitors. Examples in this category would include Amul chocolates and chocolate based drink Nutramul. In the initial years, GCMMF restricted itself to basic milk products while launching new products. Post liberalisation, GCMMF gradually shifted to launching, so called “luxury” milk products. Interestingly, the frequency of launching new products has increased post liberalisation, as has been indicated earlier.

The logic behind launching of new products frequently to gain competitive advantage was as below:²⁸

- Gradual deregulation of dairy industry since 1989.
- While a core strategic thrust area would be liquid milk marketing, other new areas had to be decided.

- 'Operation flood' of NDDDB was coming to an end, resulting in processing capacities in the cooperative sector across the country. Thus many other cooperative federations such as Karnataka Milk Federation (KMF), Bangalore acquired strong marketing capabilities in their respective states.
- New private dairies were being set up, a few by MNCs.
- A detailed market survey of consumers of Amul, by IMRB, with respect to their expectations, indicated that consumers expected GCMMF to launch products such as ice-creams and other food products.

Thus GCMMF came to launch more and more new products. GCMMF, for instance, launched Masti curds, to capture consumers in Delhi where Amul milk was not being marketed. It is inferred that in developed dairy markets such as the USA, most dairy companies have strong presence in the yoghurt category. This was possible in India as well with the emergence of new consumer segments, changing life styles in urban areas and increasing demand for quality food products for a healthy life owing to increasing health awareness. It was also in anticipation of market entry by MNCs in this product category.

GCMMF introduced Amul ice-creams in fourteen flavours in Mumbai and Gujarat in 1996. This move was based on GCMMF having examined its business afresh and identified new opportunities and emerging risks. An emerging risk was the entry of private sector in dairy business post 1991-92. As a result GCMMF had to provide more products to consumers in the form of brand extensions and new offers. Introduction of ice-creams was in keeping

with its philosophy of “value for money product” to consumers. Ice-cream till then was seen as a luxury item. Some niche offers in the ice-cream category included ‘Fundoo’ sub-brand aimed at children, slim-scoop a low fat ice-cream, ‘Isab cool’ - a laxative ice-cream for health conscious consumers. Apart from ice-creams, Amul fresh cream, Amul Kool flavoured milk, Amul kadi have been launched. After deregulation in the dairy business, UHT milk was introduced in 1998 and Amul had eight variants milk in 2003. GCMMF also introduced gulabjamun mixes, softy mixes that have potential to become dominant brands in their category.

Another much discussed intervention was the introduction of Amul frozen pizzas in Mumbai market. It was perceived that an entry in a Rs.150 crore industry with high annual growth rate with Amul brand of frozen pizza would help initiate standardisation and value addition in pizza business and would make it affordable to the vast majority who found MNC offers steeply priced.²⁹ GCMMF also estimated annually there was a demand for 700-800 tonnes of mozzarella cheese (a semi-soft, unripened cheese).

Changing consumer behaviour aspects such as more fragmented meals, fitness and health awareness, increasing male involvement in food, shopping to eat food, rest style ‘at home’ eating and the demand for quality food, prompted GCMMF to offer Amul frozen pizza. The entry in 2001 was strategic and considered ‘audacious’ by analysts.³⁰ After initial success of selling around 4000 pizzas per day in Mumbai (a typical high priced outlet sold 400 pizzas

per day) GCMMF's product tapered. The reasons attributed were: consumers being accustomed to processed cheese and felt mozzarella cheese was bland, not being able to cook a good pizza and cooking inconvenience, frozen was equated with old and stale, and convenience not the most important attribute wanted.

While GCMMF achieved its strategic objective of using surplus mozzarella cheese it learnt a few lessons for its forays with ready-to-serve Masti soups in 2003. The unique aspect of GCMMF's management of its portfolio of brands has been constant environmental scanning and addition of new innovative products.³¹

Interestingly, GCMMF did not foray into the instant coffee, instant tea and the branded sugar market despite strong expressions of interest, favourable product test results, negotiations and willingness to market under Amul brand by the respective Commodity Board/Apex cooperatives. GCMMF's diversification in marketing ready-to-serve Masti soups indicate the organisation's exhibition of strategic behaviour by analysing potential businesses in the market space that would maximise its success in the long term. GCMMF did not market products such as instant coffee, despite the product's synergies with its distribution network. The rationale of choosing a product for further market development stemmed from GCMMF's examination of a set of value-delivery options and the organisation's

capabilities in meeting them and not conventional opportunism to meet the needs of a given segment.

- **Strengthening of the distribution network**

Distribution management has been GCMMF's important competitive advantage. Given the massive size of its network of 50 depots, more than 4000 dealers, and around 500000 retail outlets, it is an asset meticulously built over the years. After 1991-92, with entry of more players, GCMMF strengthened its distribution network by developing and aligning four distribution highways-fresh products, chilled products, frozen products and ambient products.³² This enabled GCMMF to exploit synergies among all the product lines and to introduce new products based on market demand. It is inferred that GCMMF is the only organisation in India that has achieved this level of realignment for synergy in channels. GCMMF also deployed the Time-based Military Technique (TMT) to achieve higher penetration by synchronising national distribution of a single product in a day. GCMMF also involved its distributors by organising their visits to GCMMF's production facilities as part of Amul Yatra. Around 114 distributors and 482 top retailers from all over India visited Anand in 2003-04 and by 2007-08, 7000 distributors and retailers had visited under Amul Yatra plan. It planned to conduct management development programmes for leading distributors and retailers in collaboration with a leading management school. GCMMF also set up 3 separate milk sales offices in Mumbai, New Delhi and Boisar given its strategic thrust of leadership in fresh products. It initiated distribution audit to examine the

adherence of distributors to norms prescribed. It augmented its cold chain network by having around 13 state-of-the-art cold rooms at important depots (totally 24 modern cold rooms of different sizes across India).

As described earlier GCMMF's distributors are part of its massive TQM initiative and even small aspects such as optimising storage space at depots by training distributors in proper stacking arrangements have been undertaken.

GCMMF established in 2003 its own Amul Utterly Delicious stores in Mumbai, Delhi, Bangalore, Hyderabad and Delhi. It has also opened Amul kiosks in leading academic institutions and corporate offices in select cities. The objective behind this strategic response is to enhance visibility of Amul brand and to increase availability at all 'connecting points' with the consumers. The focus of GCMMF's strengthening of its distribution network post-liberalisation is not just ensuring geographical reach but alignment with its strategic goals. It plans to achieve a turnover of Rs.10000 crore by marketing a variety of products by strengthening and expanding its distribution network across the country and integrating them through IT.

- **Cooperation among cooperatives**

The **Rochdale principles of cooperation** emphasise cooperation among cooperatives as a major principle. GCMMF has formulated the expansion of its marketing reach through common branding and cooperative networking using the above principle. GCMMF has manufacturing arrangements with

Karnataka Milk Federation, Patna Dairy project, two of the four locations outside Gujarat for manufacturing ice-creams. Similarly it has arrangements with Salem Dairy and possibly KMF and Akulj Dairy in Maharashtra for long life UHT milk. The advantages behind this strategic move are as follows:

- Reduction in transportation costs in delivery of Amul products to markets in proximity.
- Adding value to milk of producers in these locations.
- Utilising surplus processing capacity in those locations.
- Generation of goodwill and an Inter-Organisational Arrangement (IOA) for production and marketing in a competitive scenario that has emerged after liberalisation with the presence of MNCs. GCMMF has also forged a healthy working relationship with NDDB, the apex body for the dairy sector in India.

The responses of GCMMF have been classified on two dimensions: controllable versus non-controllable responses and internal versus external responses. A controllable response is one which the management can initiate, seek resources and implement the response with limited effort. An internal response is one where the stimulus for the response has come from within the organisation. For instance, increase in production capacity is an internal response. An external response is one where the stimulus for the response emerged from the environment. To give an example the decision of GCMMF to launch new products to meet emerging market-needs is an external response. While initiating ERP appears to be an external response, the reason

for initiating was to improve internal information within GCMMF units. In some cases a response can be both internal and external. For example, quality management practices at the village dairy cooperative level as well at the dealer levels. The stimulus was to bring about change and integration at all levels even though the dealers are not under the control of GCMMF like village dairy cooperative societies. In Table 3.1.9 the matrix of responses has been given.

Table 3.1.9: Responses of Gujarat Cooperative Milk Marketing Federation

	Internal	External
Controllable	<p><u>Responses initiated:</u></p> <ul style="list-style-type: none"> Investment in IT and deployment of ERP 100% computer literacy A strong product management team Alignment of distribution network into four distribution highways Quality initiatives as a change management strategy for employees, member cooperative unions, farmers <p><u>Limited responses:</u></p> <ul style="list-style-type: none"> To stem the loss of experienced senior executives More of a distribution focus in marketing efforts 	<p><u>Responses initiated:</u></p> <ul style="list-style-type: none"> Shift in brand management strategy (Amul the Taste of India campaign) Launch of new products such as ice-cream, probiotic products and luxury dairy products Alignment of distribution network into four distribution highways Diversification into non-dairy business Investment in increasing depots and India's largest cold chain network Launch of flanking brands Quality management as an initiative for change management for coop union, wholesalers, retailers, farmers Investment in marketing research All member unions in Gujarat to market under Amul brand name and not under their local brand name Retailing initiatives through Amul stores and kiosks Internet based marketing efforts <p><u>Limited responses:</u></p> <ul style="list-style-type: none"> Towards limitations in availability of minor/niche dairy products Towards limitations in launching premium products Limited strategy for non-dairy business
Non-Controllable	<p><u>Limited responses:</u></p> <ul style="list-style-type: none"> Organisation culture and professionalisation in member cooperative unions. Occasional fugitive tendencies of member unions 	<p><u>Responses initiated:</u></p> <ul style="list-style-type: none"> Lobbying for cooperatives against joint venture company initiative of NDDB. Advocacy for producers' company bill Limited cooperation among cooperatives (potentially many state Federations could become competitors) Thrust on exports Quality management training for retailers, dealers for change management and better integration. <p><u>Limited responses:</u></p> <ul style="list-style-type: none"> Co-branding with other dairy federations In retaining and attracting top class human resources

Source: Based on Sharma (2007) and Annual Reports of GCMMF

(As the framework of Sharma (2007) focuses on the past, an effort has been made to examine the future market scenarios and potential responses in the last chapter on summary of findings and recommendations).

As Dr Verghese Kurien stated in his address to farmer leaders and executives of GCMMF "Your federation has always tried to be a step ahead of the market.Those who scoffed at the idea of co-operation as a business model are today trying to emulate it."³³ Earlier in his address he emphasised ".....most other organisations fail to understand that value for money is not just about low prices-it means offering the best quality products at the most reasonable price."³⁴ To have an edge over new entrants he outlined GCMMF's strategic direction as leveraging its experience as well as procurement, processing, distribution and branding advantages to establish high entry barriers and innovation in every area. GCMMF's turnover registered a record turnover of Rs 6705 crore, an increase of nearly Rs 1450 Crore during the financial year 2008-09, over the previous year. The turnover of GCMMF and its member unions touched Rs 10000 crore during 2008-09. The milk procurement of GCMMF grew by 15 per cent, reaching a peak of 110 lakh litres per day, during last winter.³⁵ "Our growth has come from all major products as well as from all geographical regions of the nation," according to GCMMF chief general manager R.S. Sodhi, who highlighted that liquid milk, butter, cheese and ghee have been the main growth drivers.³⁶

END NOTES AND REFERENCES

- ¹ GCMMF (2004), Amul India Story, p.4.
- ² GCMMF (2004), Amul India Story, p.6.
Also see http://www.amul.com/chairmanspeech_annual08.html
- ³ GCMMF (2004), Amul India Story, GCMMF, p.14.
- ⁴ GCMMF (2001), A Tryst with Quality-the GCMMF experience, 1994-2001, p.51.
- ⁵ Manikutty, S. (2002), "Gujarat Cooperative Milk Marketing Federation", Asian Case Research Journal, Vol. 6, No: 2, pp. 205-239.
- ⁶ Kurien, Verghese (1994), GCMMF Annual Report, 1993-94, p.14.
- ⁷ Kurien, Verghese (1995), GCMMF Annual Report, 1994-95, p.14.
- ⁸ Sinha, Sanjay and Ratna Bhushan (1994), "Skim, then penetrate", Advertising and Marketing, 6(15), Nov 15, pp. 62-65.
- ⁹ Phansalkar, Sanjiv (2005), Opportunities and Strategies for Indian Business; Preparing for a Global India, New Delhi: Response Books, p.23.
- ¹⁰ GCMMF (1997), Annual Report 1996-97, p.11.
- ¹¹ Shah, Rajesh (1993), Consumers Quality Perception of Amul Products, MTS Report 1034, Anand: Institute of Rural Management, pp.1-69.
- ¹² Kurup, E. Jayashree (1997), "They stoop to conquer", The Economic Times, June 1, 1997 as quoted in Srinivas Ramdas Sunder (1998), Amul and India's National Dairy Development Board, Harvard Business School Publishing, p.8.
- ¹³ Sinha, Sanjay and Ratna Bhushan (1994), "Skim, then penetrate", Advertising and Marketing, 6 (15), Nov 15, pp.62-65.
- ¹⁴ Manikutty, S. (2002), "Gujarat Cooperative Milk Marketing Federation", Asian Case Research Journal, Vol. 6, No: 2, pp. 205-239.
- ¹⁵ IRMA (1999), Distribution Aspects of GCMMF-unpublished IRMA Note, pp.1-5.
- ¹⁶ Suresh, Maruthi R., and Veena Joshi (1988), Institutional Analysis of Renewable Energy Programmes, New Delhi: Tata Energy Research Institute, pp.5-15.
- ¹⁷ http://www.amul.com/chairmanspeech_annual06.html, accessed on 22.11.2007.
- ¹⁸ Kurien, Verghese (2004), GCMMF Annual Report 2003-04, p.11.
- ¹⁹ GCMMF (2001), A Tryst with Quality-the GCMMF experience, 1994-2001, pp.1-66.
- ²⁰ Kothari, Nirlesh (2001), A note for IRMA Management Development Programme, Anand: Institute of Rural Management (mimeograph), pp.1-4.
- ²¹ Kurien, Verghese (2004), GCMMF Annual Report 2003-04, p.11.
- ²² Kothari, Nirlesh and Jayen Mehta (2001), A write-up on GCMMF's e-business initiative, Anand: Institute of Rural Management (mimeograph), p.4-8.

-
- ²³ Venkataraman, N. (1994), "IT Enabled Business Transformation: from Automation to Business Scope Redefinition", Sloan Management Review, Winter, pp.73-87.
- ²⁴ Venkataraman, N. (1994), "IT Enabled Business Transformation: from Automation to Business Scope Redefinition", Sloan Management Review, Winter, pp.73-87.
- ²⁵ Srinivas, Ramdas Sunder (1998), Amul and India's National Dairy Development Board, Harvard Business School Publishing, p.6.
- ²⁶ Sodhi, R. S. (2003), "Amul, the Brand of India", Indian Dairyman, Vol. 55, No: 3, March, pp.88-90.
- ²⁷ Kurien, Verghese (2001), "Amul Saga", Seminar 498 February, pp.41-44.
- ²⁸ Mehta, Jayen (2002), Panel Discussion Summary, MDP on Consumer Oriented Business Strategies, Anand: Institute of Rural Management, June, pp.1-2.
- ²⁹ Chaudhry, Swati and Puneet Gambhir (2003), Market Potential and Sales Action Plan for Amul's "Utterly Delicious Pizza" in Mumbai, draft MTS Report, Jan, pp.1-74.
- ³⁰ Kaul, Bhavna (2001), "Bet on the Base: Will Amul's Audacious Foray into the Pizza Market Bring Home the Bacon", Business World, Vol. 21, No: 13, July 31, pp.40-41.
- ³¹ Sodhi, R. S. (2003), "Amul, the Brand of India, Indian Dairyman", Vol. 55, No: 3, March, pp.88-90.
- ³² Kurien, Verghese (2004), GCMMF Annual Report 2003-04, p.9.
- ³³ Kurien, Verghese (2004), GCMMF Annual Report 2003-04, p.15.
- ³⁴ Kurien, Verghese (2004), GCMMF Annual Report 2003-04, p.5.
- ³⁵ www.newkerala.com/nkfullnews-1-14842.html, posted on April 2, 2009.
- ³⁶ "GCMMF churns Rs 10000 crore", The Times of India, April 1, 2009.

3.2 KARNATAKA COOPERATIVE MILK PRODUCERS' FEDERATION LIMITED (KMF)

In 2007 when asked to comment on the major challenges faced by Karnataka Milk Federation then, a senior marketing official observed the following:

“Many housewives look for convenience in urban areas, they would prefer to purchase branded curds from shops rather than make it at home. Maintaining high quality expectations of consumers is a major challenge with the entry of major private sector players and multinational companies in the dairy market. Customers seek value for money unlike the past. Developing procurement is important as consistent supply of milk is critical to meet the market demand. The situation is unlike the past when dairies were saddled with surplus milk with problem of disposal”.

3.2.1 Introduction

Karnataka Cooperative Milk Producers' Federation (KMF) is the apex cooperative body in the state of Karnataka representing dairy farmers. It is also the agency to implement dairy development activities in the state. The evolution of KMF is somewhat different from similar dairy federations in other parts of India. The Government of Karnataka has played and continues to play an active role in the management of KMF. This organisation has maintained a strong relationship with the National Dairy Development Board (NDDB), the apex body for dairy development at Anand and often perceived as a collaborator of NDDB in all its new initiatives in South India.

3.2.2 Evolution of KMF

Dairy sector in Karnataka, prior to cooperativisation was the responsibility of the state Animal Husbandry department. In 1955 the first modern dairy was established in Kudige, Kodagu (Coorg) district. A large dairy with a capacity of 1.5 lakh litres per day was set up in 1965 in Bangalore. In June 1974, an integrated project was launched with the major objective of restructuring and reorganising the dairy industry on the basis of a cooperative model and to provide infrastructure for dairy development. In 1975 the project was initiated with the support of the World Bank and covered the districts of Bangalore, Mysore, Tumkur, Hassan, Mandya, Kodagu, Mangalore and Kolar which are the southern districts of Karnataka. A public sector organisation Karnataka Dairy Development Corporation (KDDC) was set up to implement the project with an outlay of Rs. 51 crore. This project came to an end in 1984. The dairy development activities were expanded to include the entire state of Karnataka barring a few talukas in the coastal districts. KDDC was restructured as Karnataka Cooperative Milk Producers' Federation (KMF), as a cooperative producer-owned structure in May 1984 with an IAS officer deputed from the Karnataka state cadre as its head. KMF implemented the Operation Flood-II (of NDDB) in Karnataka and subsequently Operation Flood-III till 1996. At present, KMF has a network of 13 district level milk producers' unions under its umbrella covering all the 28 districts in the state of Karnataka.

The federation has 17 liquid milk plants, 2 product dairies and 39 chilling centres, with a total processing capacity of 25.90 lakh litres per day.¹ The

turnover of KMF is around Rs.2013 crore per annum in 2006-07 (Rs 2707 crore in 2007-08)² . KMF is the second largest dairy federation in India next only to the well known Anand based GCMMF (popularly known as Amul). In some ways, the contribution of KMF by generating income to the rural areas and thus to Karnataka's economy is as important as that of Information Technology enterprises. The linking of villages through dairying to the urban markets by KMF has resulted in significant development in districts such as Kolar that have limited rainfall and constraints for setting up other enterprises.

3.2.3 Objectives of KMF

KMF has the following objectives with respect to dairy development in the state:³

- Providing assured and remunerative market for the milk produced by the farmer members.
- Providing quality milk to urban consumers.
- To build village level institutions in the cooperative sector to manage dairy activities.
- To ensure provision of milk production inputs, processing facilities and dissemination of know-how.
- To facilitate rural development by providing opportunities for self employment at the village level and opportunity for steady income.

KMF, following the Anand model of dairy cooperatives, has sought to eliminate middlemen and producers with the help of professionals employed by them to manage the institutions.

KMF's turnover increased from Rs. 90 crore in 1985-86 to Rs. 1050.34 crore in 2000-01 and further to Rs 2013 crore in 2006-07 (Rs 2707 crore in 2007-08) (estimated to be Rs 3000 crore in 2008-09 according to KMF official). The average sales of milk rose to 21.29 lakh litres per day in 2007-08 from 6.15 lakh litres per day in 1985-86.⁴ The processing capacity increased from 8.60 lakh litres per day in 1985-86 to 25.90 lakh litres per day in 2006-07. In the process, another public sector firm Karnataka Milk Products limited was merged with KMF. The federation marketed its milk and other products under the brand name NANDINI. The 13 milk unions under the umbrella of KMF, marketed milk under NANDINI brand name in their respective geographical domain. Marketing of all value added products and sale of liquid milk in Bangalore city and outside Karnataka was the responsibility of KMF. The federation was also responsible for market development activities, brand building, and coordination across unions and handling of surpluses and shortages of liquid milk across unions. KMF has also under its control a quality control laboratory and a Central Training Institute.⁵ The quantity of milk sold is estimated to be 21.29 lakh litres per day in 2007-08.⁶ (estimated to be 23.5 lakh litres in 2008-09 according to KMF official)

3.2.4 Key Milestones of KMF

The key milestones achieved by KMF in its three decades of existence are given in Table 3.2.1.

Table 3.2.1: Key milestones of KMF

World Bank aided Karnataka Dairy Development project implemented	1974
Karnataka Dairy Development Corporation (KDDC) is born	1974
Government dairies transferred to KDDC	1975
Karnataka Milk Products Limited established	1980
Corporate brand name 'NANDINI' given	1983
Karnataka Milk Federation is born	1984
KDDC transformed into KMF	1984
KMPL assets transferred to KMF	1984
Dairies at Hassan, Tumkur, Mysore, Bangalore, Gejjalagere, Dharwad, Gulbarga	1988
Centralised Marketing organised	1989
Chilling & Processing plants at Bijapur, Gulbarga, Bellary, Shimoga and Kolar transferred to district milk union	1991
Commercial production & marketing of NANDINI flavoured milk launched	1992
Varieties of new NANDINI Products viz.,NANDINI Paneer, Burfi, Kova & Sweet curds launched	1995
Foundation stone laid for Mega Dairy & new powder plant at Bangalore, Mini Dairy schemes & other development programmes	1996
Inauguration of ice-cream manufacturing unit at Mother Dairy premises, Bangalore	1997
Launching of new products	1998
'Mega Dairy' started functioning in Bangalore Union	2000
Launching of homogenised toned milk	2007

Source: KMF

3.2.5 Industry Environment of KMF

One of the most important aspects of the industry structure of KMF, is that most customers, even the literate among them, do not understand as to what constitutes a good quality milk. Aspects such as low bacterial count, hygienic sourcing and manufacturing do not cut much ice with customers. A study of consumers buying behaviour of milk indicated that 82.14% of the consumers surveyed indicated that quality is the most important attribute considered.⁷ At the same time, thickness of milk was often considered as the most important aspect of quality by consumers as indicated in an IRMA panel discussion in 2002.

The average per capita consumption of milk is not high though it has improved over the years under Operation Flood. Of the estimated 20 lakh litres per day demand in Bangalore city, an estimated 12.5 lakh litres per day is met by KMF. Consumption of unbranded and loose milk is still prevalent with an estimated 20% of the consumers dependent on it. Small hotels, in general, purchase unbranded milk. Very little quantities are met by cattle maintained in the city.

In line with liberalisation, the delicensing of dairy sector to some extent has taken place and after modification of Milk and Milk Products Order, there has been an entry of private players in the milk market. Brands such as Heritage, Dodla have emerged as competitors for NANDINI in the liquid milk market. In addition, multinational companies such as Nestle, Britannia have also entered the dairy market. Private processors have also set up facilities to cater

to the Bangalore market. These include major players such as Heritage, Dodla, Tirumala etc. The sales of some of the major private sector players is given below in Table 3.2.2.

Table 3.2.2: Milk sold by major private players in Bangalore in 2007

Name of the private player's brand	Quantity of milk sold in litres per day
Heritage	100000
Dodla	86000
Tirumala	98000
Jersey	67000
Arokya	28000
Nilgiris	26000
Shruti	25000
Mukund	50000
Teja	25000
Shivsakthi	16000

Source: KMF (figures approximate)

In view of the changed scenario, other cooperative set-ups such as GCMMF (Amul) have also entered the Karnataka market with more products. Thus KMF has to compete with other established cooperative enterprises as well.

KMF has, as pointed out earlier, evolved from the public sector KDDC, and later KMPL was merged with it. KMF had to rationalise its human resources policies in the mid 1980s to bring about uniformity. Subsequently dairy producers' unions were formed, as per NDDB's policy, as the middle tier in the cooperative network. All such unions, 13 in total, which are constituents of KMF have their own milk processing facilities (Figure 3.3).

KMF UNITS AND MILK UNIONS

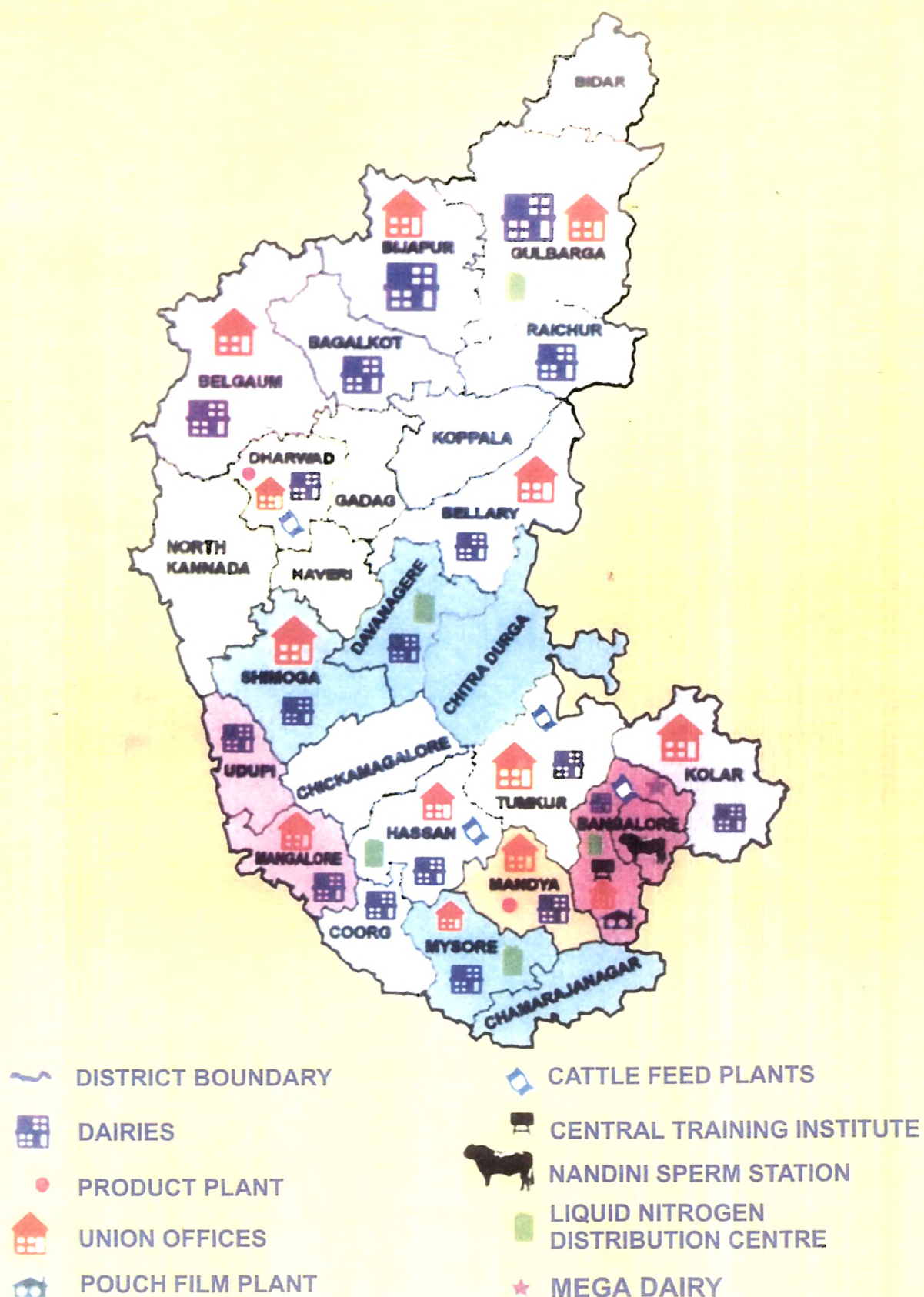


Figure 3.3: KMF's milk unions and processing facilities
(Source: Harbinger of Rural Prosperity 2007, p.15).

A few unions mostly in southern Karnataka generate surplus milk and have developed considerable organisational strengths. Such of these unions have, on occasions, shown a tendency to take marketing decisions independent of the federation or have argued for strategies not in consonance to those of KMF. For instance, Kolar Union a few years back planned to sell its surplus quantity of milk in Goa to private dairies there in contrast to the policy of the federation.

KMF has to take care of the developmental needs of dairy unions of Northern Karnataka. These unions have been set up later and are smaller than those in southern Karnataka. Unlike dairy unions in southern Karnataka, those in northern Karnataka are yet to acquire significant marketing strengths in their respective geographical areas. It is also the policy of the state government of Karnataka to support all developmental initiatives in the northern districts, which are underdeveloped. KMF, as a government controlled cooperative has to adhere to the policy of the state government (this is in contrast to the situation in Gujarat, where dairy unions that are constituents of GCMMF have been formed in economically viable areas with the rest under the direct control of the state government).

"In India, cooperative is a state subject. Owing to a variety of historical factors, the cooperatives of most states impose severe restrictions on these organisations and are often treated as a department of the state government. Governments of most states other than Gujarat and Maharashtra have repeatedly used extensive powers, which the cooperative law provides them to

supersede.... to over rule decisions of such (elected) boards."⁸ KMF, for instance, has to adhere to Government policy and direction even in aspects such as increasing the prices of liquid milk marketed to urban consumers.

Distribution of liquid milk is a challenge. In 1989, KMF marketed liquid milk through 500 agents in 52 routes. In 2007, in Bangalore alone, liquid milk is marketed through 2500 agents in 230 routes. In addition, increasing urbanisation has led to expansion in the geographical area under Bangalore city, thus distributing packaged milk to these areas is itself a challenge. There is also the problem of distributing milk in urban slums where the poor reside.

3.2.6 Products Manufactured

KMF's gross turnover is around Rs.2013 crore (Rs 2707 crore in 2007-08). Marketing milk and milk products in Bangalore city is the major aspect of KMF's business. From a market share of 40% in 1982⁹ in the liquid milk market in Bangalore, KMF increased its share to 67% in 2007-08 (as per latest estimates. Till recently it was 62.5%). The growth in turnover has also been significant. At the same time, the rate of growth in milk sales of KMF has not been significant.

The products manufactured by KMF are given in Table 3.2.3 and Figure 3.4.

Table 3.2.3: Product sales (2006-2007)

• Milk	21.29 lakh litres per day (23.5 lakh litres per day in 2008-09)
• Butter	3000 tonnes per year (450 tonnes in retail), (1500 tonnes per year in bulk, 730 tonnes in retail in 2008-09)
• SMP	6500 tonnes per year (250 tonnes in retail), (4000 tonnes per year, 450 tonnes in retail in 2008-09)
• NANDINI GOODLIFE	35000 litres per day in Bangalore and Kerala (73000 litres per day in 2008-09)
• Curds	150000 litres per day (175000 litres per day in 2008-09)
• Mysore Pak (3 pack sizes)	15 tonnes per month
• Badam Powder (250g)	5 tonnes per month
• Paneer (200g)	7 tonnes per month
• Peda (250g)	25 tonnes per month
• Khoa (200g)	2 tonnes per month
• Jamun (250g)	½ tonne per month
• Jamun Mix (2 pack sizes)	Negligible
• Rossogolla (250g)	In loose, recent
• NANDINI Bite	Negligible
• Flavoured Milk	300000 bottles of 200 ml per day in 4 flavours.
• Ice-creams	(250000 bottles of 200 ml per day, 25000 tetrapacks of 200 ml per day in 2008-09) 500 litres per day mostly in cities (2000 litres per day in 2008-09)

Source: KMF (figures approximate). Unless stated there is no change in the estimated sales figures for different products in 2008-09.

Many delights of

Nandini



KMF Karnataka Milk Federation Ltd. Bangalore -560029,
Ph: 25536625, 25536292 Visit us : www.kmfnandini.com

YAKSHI

Figure 3.4: Products manufactured by KMF
(Source: Harbinger of Rural Prosperity 2007, p.88).

The products manufactured by the major constituent unions are given in Table 3.2.4.

Table 3.2.4: Products manufactured by KMF constituent dairy unions

Constituent Union	Major Products Manufactured
Bangalore Milk Union	Toned milk, Double toned milk, Full cream milk, Standardised milk, Homogenised toned milk, Ghee, Table butter, Skim milk powder, Whole milk powder, Peda (an Indian sweet), Flavoured milk, Spiced butter milk
Tumkur Milk Union	Homogenised toned milk, Toned milk, Ghee, Peda(an Indian sweet), Curds, Flavoured milk, Butter
Kolar Milk Union	Homogenised toned milk, Toned milk, Full cream milk, Tetra Fino milk, Ghee, Butter, Skim milk powder, Whole milk powder, Peda, butter milk, Curds, Yoghurt
Mandya Milk Union	Toned milk, Homogenised milk, Standardised milk, Ghee, Table butter, Skim milk powder, Whole milk powder, Peda, Burfi(an Indian sweet), Curds
Mysore Milk Union	Homogenised toned milk, Toned milk, Double toned milk, Full cream milk, Standardised milk, Ghee, Table butter, Peda, Flavoured milk, Lassi, Curds
Hassan Milk Union	Homogenised toned milk, Toned milk, Double toned milk, Standardised milk, Ghee, White butter, Table butter, Skim milk powder, Whole milk powder, Peda, Curds, Butter milk
Dakshina Kannada Milk Union	Homogenised toned milk, Toned milk, Ghee, Table butter, Mysore pak
Shimoga Milk Union	Toned milk, Full cream milk, Homogenised toned milk, Double toned milk, Standardised milk, Ghee, Table butter, Butter milk, Lassi, Ice-cream, Curds, Peda, Mysore Pak, Badam powder, Jamoon mix, Flavoured milk
Raichur-Bellary Milk Union	Toned milk, Double toned milk, Full cream milk, Standardised milk, Ghee, Butter, Peda, Skim milk powder, Whole milk powder, Lassi, Curds

Source: KMF¹⁰. Discussions reveal that the major products have remained the same. Homogenised toned milk is a recent addition. The products as above are marketed in various pack sizes.

The market share of KMF for the different products is given in Table 3.2.5.

Table 3.2.5: KMF's approximate market share as of 2007

Product	KMF's market share	Other
Milk (all)	60% (in Karnataka)	40%. Other brands include Heritage, Dodla, Tirumala etc
Ghee	50% (Karnataka)	GRB, Shivasakthi are important private brands. There are 25-30 private brands together having a market share of 50%. GRB has a market share of 10%
Butter	30% (Karnataka)	65% (Amul)
Skim Milk Powder	30% (Karnataka)	70% (Amul)
Nandini Goodlife	90% (Karnataka)	10% Nestle and Amul Taaza
Curds	75% (Karnataka)	25% is branded. Dominated by Nestle, Heritage, Amul Masti. Remaining is local brands
Mysore Pak	Around 20% (Karnataka)	Local/unbranded
Badam Powder	Around 10%(Karnataka)	No competition
Paneer	Around 15%(Karnataka)	Amul has 20% market share. Rest is unbranded.
Peda	Around 25%	Local brands constitute the remaining market share
Flavoured Milk	60% (Karnataka)	Amul Kool has 15% market share. Remaining is local brands
Ice-creams	5% (Karnataka)	Amul has 50% market share. Local brands constitute the remaining market share

Source: KMF

3.2.7 Product Management Aspects of KMF

As a dairy enterprise, in the initial years, KMF focused only on distribution of milk. It was only in 1989 more products in addition to milk were launched. These products according to a study, included curds, sweetened condensed milk (for defence), ice-cream, skim milk powder, whole milk powder, peda.¹¹ "NANDINI" brand ghee manufactured by KMF, had a Top-of-Mind (TOM) awareness of around 33%, while that of butter increased from 14% in 1985 to around 25% in 1989, according to the study.

The study also identified that except in ghee and peda, the brands Amul and Milkmaid (specifically in sweet condensed milk) had higher Top-of-Mind awareness than the NANDINI brand in all products manufactured by KMF. KMF's flavoured milk brand Miltone had a low awareness with only 12% of respondents surveyed being aware of the same.

In 1991-92, KMF made a serious attempt to understand and enter the ice-cream market. An exhaustive study indicated a growing market for ice-creams in Bangalore city.¹² The study estimated that the market size was around Rs.5.73 crore per month, with the growth in volumes pegged at 10% annually. It was also pointed out that ice-creams were high margin products, with the Bangalore market preferring branded ice-creams and high consumption of ice-creams in winters as well. There were only six competitors (Dollops, Kwaliti, Joy, Dasaprakash, Vadilal, Subzero) in the market and there were four clear and different segments (retail/parlour, carry home, marriage, clubs/hotels) with identified purchase drivers. Except for a limited effort to sell 'softy' in the

early 1990s, KMF did not make a concerted effort to enter the ice-cream market despite very favourable market conditions owing to production constraints and also was operating in a captive market. According to KMF estimates in 2007, the demand for ice-creams is growing around 20% annually (10% more than the earlier study).

In 1994, another study indicated that Amul was the major cheese brand in Bangalore and Nilgiris brand the only branded paneer.¹³ The study recommended launch of cheese spreads, cheese cubes in various pack sizes and entry into the paneer market, primarily in Bangalore, taking into account market preferences, demand estimates, consumer-end uses of cheese, cheese spread and paneer. While KMF made its entry in the paneer market, though not in a major way, it did not make a concerted effort to penetrate the cheese market by launching cheese spreads and cheese cubes despite quite favourable consumer perceptions and scope for a powerful entry. In the paneer market, the then leading brand Nilgiris, was perceived to be of average quality according to the study. Amul has a current market share of around 50% in the cheese market in Bangalore, the balance shared by just three other brands which either have supply chain constraints or they are small players.

3.2.8 Advertisement and Promotion Aspects of NANDINI Brand of KMF

KMF's advertisement and promotion strategy followed a very conventional approach till 1993, except in 1986. In 1986, "Just like homemade" promotion was undertaken by KMF.¹⁴ At the same time, the expenditure on advertising decreased from Rs.31.93 lakh in 1985-86 to Rs. 28.15 lakh in 1987-88. In 1993, KMF with active support from NDDB initiated an advertisement policy to combat competition and entry of private players. NDDB provided Rs.28 lakh, in addition to another Rs.10 lakh to KMF and Bangalore Milk Union exclusively for product promotion. KMF on its part contributed Rs. 4 lakh for joint promotion with NDDB. The advertisement and promotion strategy of KMF involved the following:¹⁵

- Print advertisements were placed before important festivals like Ganesh Chaturthi, Dussehra and Deepavali, in major newspapers such as Deccan Herald (English), Prajavani (Kannada) and Kannada magazines such as Sudha, Taranga and Grihashobha. The slogans of these print advertisements are given below:
 - *Why smart mothers give their families milk from Mother Dairy.*
 - *Mother dairy: it is where smart mothers buy milk.*
 - *Milk is one of the purest expressions of mother's love (analogy between mother and NANDINI – divine cow).*
 - *When it comes to food our cows are as fussy as your children.*

- Outdoor advertising included the following:
 - 10 hoardings in strategic locations.
 - 245 autos with boards on monthly rental.
 - 400 panels on distribution vehicles.
 - 24 paintings on Road Dividers.
 - Face-lifting on all booths (a healthy cow).
- Auto hoardings: Milk Pure Milk was also part of outdoor advertisement campaign.
- Jingles before 'Nandana' programme in Vividh Bharati were also part of the advertisement campaign. The message through jingles was product specific as below:

Ghee Sachet:	<i>Pure and fresh, your trusted ghee, save Rs. 4</i>
Flavoured milk:	<i>Modern drink for modern times</i>
SMP (skim milk powder):	<i>Ready milk whenever wanted</i>
WMP (whole milk powder):	<i>Fresh and tasty</i>
- An attempt to differentiate toned, standardised and full cream milk was made using slogans such as:
 - *Making his daily coffee so different.*
 - *For making her favourite kheer.*

- Providing in shop stickers, distribution of leaflets to 10000 households, providing free samples and discount coupons also constituted the advertisement and promotion strategy of KMF, worked out jointly with NDDB.
- KMF also participated in major exhibitions and highlighted its logo of a "healthy crossbred cow" and the brand name of NANDINI (divine cow).
- While KMF used to sponsor TV serials in 1993, the usage of TVs as a medium for its advertisements decreased gradually. This is owing to changes in the support strategy of NDDB the apex body for dairy sector in India.
- In recent years KMF has launched the "Know Your Milk" programme in leading institutions, schools and colleges to promote its brand.

In 1989, a study pointed out that 60% of the respondents surveyed (in Bangalore), did not have high recall of any advertisement of KMF's brand, NANDINI.¹⁶ In 2002, another study indicated that 41% of the respondents surveyed could not recall advertisements of NANDINI brand.¹⁷ While the advertisement strategy implemented from 1993 onwards did result in better recall there is scope for further improvement. In 2002 there were also varying perceptions between the state government, KMF, its constituent unions and NDDB with respect to the advertisement strategy to be pursued and the choice

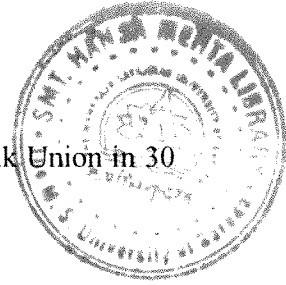
of the advertisement agency. The current budget of KMF for advertisements is around Rs 3 crore.

3.2.9 Distribution Network of KMF

In 1992, Bangalore Milk Union was distributing 3.42 lakh litres per day of milk in sachets through 700 agents in Bangalore city. At present, Bangalore Milk Union is distributing 6.12 lakh litres per day of milk in sachets through 1200 agents in 80 routes. In 2007, in Bangalore alone, liquid milk is marketed through 2500 agents (of all milk unions put together) in 230 routes including trial routes. In addition there are 200 day counters and 35 milk parlours (which in addition to Nandini liquid milk in sachets, stock other Nandini dairy products).

Mother Dairy (Bangalore), under the control of KMF, distributes milk in sachets through 600 agents, and loose milk through 145 Fibre Reinforced Plastic tanks and 145 Bulk Vending Booths. It has also 20-day counters and 30 routes to distribute milk. Mother Dairy, set up in 1984, to handle the surplus of other constituent unions of KMF sells around 2.5 lakh litres per day of milk in Bangalore.

In addition to Bangalore Milk Union, Kolar Milk Union markets around 1.45 lakh litres per day in Bangalore Milk market through 270 agents spread across 35 routes. Tumkur Milk Union distributes 1 lakh litres per day of milk in Bangalore through 250 agents in 25 routes. Mandya Milk Union distributes



liquid milk in sachet primarily in south Bangalore. Mandya Milk Union in 30 routes through 155 agents sells around 140000 litres per day.

It would be obvious from examining the Strategic Marketing Plans of KMF's constituent unions and based on discussions with KMF officers that the dependence of the unions on Bangalore market was very high (50% to 98% of their total sales). At present, the geographical areas of distribution in Bangalore have been carved out for the South Karnataka milk unions as above, which are closer to Bangalore city. Conflicts between these unions are known to occur and are often resolved structurally by the Director of Marketing at KMF. Given the spread of dairy development in the state, it would be only a matter of time that unions based in North Karnataka would also vie for space in the Bangalore market. Reconciliation either structurally or allotting exclusive areas may not be a solution. This would emerge as a major issue in the years to come.

For the marketing of NANDINI brand of dairy products, KMF established a network of 150 professional wholesale dealers spread across southern states of India. Depots have been established in Bangalore, Hubli, Mangalore, Chennai and Tirupati. Chennai depot, however, is in the process of being closed. It has also been observed over the years that the process of establishing a new depot or closing another did not follow a clear strategy in consonance with the overall strategy of the firm. (In contrast, GCMMF hopes to achieve a target Rs.10000 crore turnover by 2010, and establishing several depots in Eastern India is a key part of the strategy to achieve the same).

3.2.10 Achievements of KMF

The achievements of KMF are worth looking into. Despite control of KMF by the state government by various means, KMF has a string of achievements it can be proud of. A few of these are given as follows:

- KMF is a very important player in the Bangalore dairy market by virtue of market share and its strong procurement and processing infrastructure across the state. Its supply chain at the grassroots is well integrated to the market. It has professional experience in handling dairy operations for many years. Its distribution network of agents and routes planning is a challenge to its competitors. Apart from liquid milk, KMF has successfully emerged as a leader in the market for curds as well and has been more successful than its other competitors such as Nestle and Amul in the Karnataka market.
- It has successfully handled negative associations in the consumer's mind of the earlier Government Dairy period.
- It has been successful in setting up a supply chain system of procurement, processing and marketing of milk. By the year 2006-07, under 13 constituent milk unions, 10649 village dairy cooperative societies (11063 in 2007-08) had been established covering 18.93 lakh members (19.56 lakh as per latest estimates), with a procurement of around 29.25 lakh litres per day covering 511 milk procurement routes.

- In the area of marketing it has successfully moved from commodity stage, to product stage by providing assured service to consumers and consistent quality. Some dimensions of brand stage have also emerged. NANDINI is today a powerful regional brand in the dairy business. It has launched a series of customer contact programmes and advertisements for brand promotion.

3.2.11 Strategic Responses of KMF

The strategic responses of KMF in the context of changes in the market environment are as follows:

- Strengthening of distribution network.
- Launching of new products.
- Increase in production capacity.
- Training of officers.
- Quality initiatives of KMF.
- Union level responses.
- Investment in Marketing Research.
- Participation in the Mnemonics Campaign of NDDB.
- Alignment with NDDB's Vision 2010.

These have been explained in detail in the following sections.

- **Strengthening of distribution network**

- As indicated earlier KMF's distribution of milk and other dairy products grew from 52 routes and 500 agents in 1989 to 112 routes and 1450 agents in 2002 and 230 routes and 2500 agents in 2007. The number of wholesale dealers also increased from 6 in 1989 to 150 professional wholesale dealers all over South India in 2007. In addition, KMF also appointed 22 exclusive dealers for selling NANDINI GOODLIFE (tetra pack milk). The Strategic Plan of KMF 2001-02 identified the following measures to strengthen its distribution network:
- Creation of Any Time Milk Counters in key locations (100 in Bangalore alone) for ensuring 24 hour availability of NANDINI products to overcome limitations (of limited hour distribution) of the agency system.
- Introduction of Centralised Depot Marketing system to ensure continuous availability of NANDINI milk products to retailers and also to reduce the cost of transportation. Bangalore and Hubli depots were set up in 1994 and 1995 respectively. Subsequently Chennai and Tirupati depots were established in 1999. To increase market penetration of NANDINI products, additional depots have been planned in Mangalore, Mysore, Hyderabad, Goa and Kerala.

➤ Other responses include:

- Appointing a wholesale dealer in each taluka of Karnataka.
- Introduction of mobile sales vans in Bangalore, Mysore, Hubli and Mangalore markets. The objectives are not only to increase penetration of products but also to align KMF with the consumer's buying behaviour and in addition to shift to retail marketing.
- Direct sale of dairy products to employees in large institutions through employee associations.
- Increased focus on selling milk through sachet and lesser focus on distribution through bulk vending booths in the oncoming years.

The importance of distribution is extremely important in the dairy business and specifically for KMF, as a study on consumer behaviour of liquid milk identified that 71.44% of respondents surveyed indicated regular supply as extremely important, next only to quality. KMF officers in many discussions as part of this research and during training programme panel discussions highlighted the importance of distribution and ensuring regular availability of milk as key service outputs demanded by the consumer. Any shortfall in this aspect is monitored by NDDB, the apex body for the dairy sector for relevant corrective action.

• **Launching of new products**

- By and large, KMF has considerable strengths in ghee. NANDINI brand of ghee is reputed for its purity, taste and texture, making it one of the largest selling brands in India. At the same time, KMF is often perceived as a bulk seller. A major strategic response has been to

increase its penetration in the retail market. To this end, ghee packed in glass bottles/pearlpet jar has been launched to meet the consumer requirement. Ghee has also been launched in standee pouches in various pack sizes and is available in all major retail outlets in Bangalore and major towns of Karnataka. In addition, based on a market opportunity analysis, SMP has been launched in metallised polythene packages, again to reach the household consumer.

- A successful product that was launched to gain competitive edge is NANDINI GOOD LIFE (Tetra pack) milk. This found acceptance not only in Karnataka, but also in Goa and Kerala. Further, variations such as the low fat NANDINI GOOD LIFE Slim aimed at the health conscious segment in different pack sizes have been introduced in view of NANDINI GOODLIFE's success.
- A variant of NANDINI GOODLIFE with 12% fat and 9% SNF has been introduced aimed at ice-cream manufacturers for manufacturing "Softy" ice creams and has been received well. This variant is marketed directly to ice-cream manufacturers.
- To cater to the preferences of North Karnataka consumers, a new brand of buffalo milk called SHUBHAM was introduced. This met a long standing felt consumer need in North Karnataka.

- Other new products that have been launched are:
 - Jamoon Mix - 1998
 - Mysore Pak - 1998
 - Badam Powder- 1999
 - Badam Burfi - 2006
 - Spiced Buttermilk in tetrapack -2006
- The launch of all new products by KMF is a key response in view of KMF's plans to increase its presence in the retail market. Further, its growth in the liquid milk market in Bangalore has only been marginal. Any additional income and growth can only come from introduction of new products. It also provides scope for conversion of surplus milk procured.
- Recently, in July 2007, KMF also introduced the homogenised toned milk that has become popular in Bangalore. In addition to meeting customer needs, the strategy is to launch value added milk variants at various price points avoiding the requirement of seeking the state government's permission to change the prices the prices of existing variants of milk already marketed by KMF.
- **Increase in production capacity**
 - Another strategic response of KMF has been to expand its processing capacity. From 15 dairy units with 10.90 lakh litres per day processing capacity in 1991-92, it increased to 17 dairy units with a total capacity of 25.90 lakh litres per day in 2001-02. This includes a "Mega Dairy" in Bangalore, started in 2000 and inauguration of a chilling centre at

Hosakote with a capacity of 150000 litres per day. Other projects include establishment of 30 MT milk powder plant at Mother Dairy and expansion of ice-cream plant from 3000 litres to 10000 litres.

An alliance was established between GCMMF (Amul) and Kolar Milk Union for manufacturing GCMMF's Masti brand of curds. This is with a view to optimising the production facility at Kolar Milk Union. An initiative has also been taken to manufacture ghee centrally at Bangalore to maintain uniform quality and aroma by sourcing butter from constituent unions.

- **Training of officers**

The Central Training Institute of KMF was brought under the control of Chief Manager (HRD). Investments were made for a modern classroom. Several officers from all functions were trained in major in-house training programs conducted in collaboration with IRMA. Some of these are:

- Brand Management.
- Marketing skills programme coordinated by NDDB.
- Energy Management programme.
- Quality Management programme.

In addition, officers of KMF regularly attend Management Development Programmes conducted at IRMA.

The investment of KMF in developing human resources has gone up considerably after 1992-93. KMF is also having discussions with IRMA and NDDDB to set up an institution on the lines of IRMA at Ramanagara (Bangalore South).

- **Quality initiatives of KMF**

Based on the thrust given by NDDDB, KMF has initiated several quality management programmes in its constituent unions. These include:

- HACCP was implemented in 2002.
- ISO 9000 has been implemented since 2002.
- TQM, Kaizen, Quality Circle have been initiated in 2004. Six-sigma initiative has not yet started in KMF.

A major initiative that has been taken up is the 'clean milk production' programme implemented in village dairy cooperative societies in parts of Kolar Milk Union. Farmers are trained in hygienic practices in milking and educated about the relevance of cleanliness. In addition, bulk coolers are installed at the village cooperative level to reduce bacterial contamination and fermentation. These village cooperatives in turn are linked to the manufacture of bacteria-free NANDINI GOODLIFE milk in Kolar Milk Union.

- **Union level responses**

The intermediate tier in the Anand model of dairy cooperatives is the dairy cooperative union. It plays a very critical role in linking the dairy producer to the market. Formulation of Strategic Marketing Plan by each (major) constituent union, with the support of NDDB, has been an important response. The key aspects of this plan by each union are as below:^{18 19}

- Improving the network of agents for milk distribution.
- Increasing the number of day counters.
- Opening of milk depots (400 to 500 litre capacity freezers) on franchisee model.
- Increasing penetration in institutional markets.
- Catering to the requirements of large and important buyers like Tirumala-Tirupathi Devasthanam.
- Introducing transporter-cum-distributor system.
- Establishing consumer redress cell in every union head office.
- Establishing relationships with consumers by organising visits of families and school children to the dairy under Know Your Milk Programme (with the objective of creating awareness of hygienic manufacture of milk).
- Increasing the visibility of NANDINI brand through variety of sales promotion material.
- Investing in training of marketing officers in the area of sales and distribution management and interface workshops to cross functional teams.

- Expanding of the organisational structure of the marketing department at the union level.
- Allocating funds for market development (sales promotion, consumer education, infrastructure development and training).

The above have been the strategic responses at the Union level to changes in the marketing environment, as constituent unions till 1990-91 were nothing but milk procurement offices with little focus on marketing.

Interestingly, Raichur-Bellary Milk Union undertook a detailed market study and radically departed from the conventional socio-economic classification of milk consumers on the basis of family size and examined buying behaviour on the basis of daily purchase quantity of branded milk. The study identified segments of usage of milk and selected target markets and positioning platforms.²⁰

- **Investment in marketing research**

KMF has invested heavily in marketing research since 1990s. Interestingly, it is next only to GCMMF, in using IRMA students for undertaking MTS studies since 1980s. On an average two studies have been undertaken every year by KMF using IRMA students.

- **Expansion of the organisational structure of the marketing department of KMF is another important response.**

- **Participation in the mnemonics campaign of NDDB**

This is a kind of co-branding programme conceived by NDDB and supported by the board to counter market entry of strong MNC brands (This uses the 'drop' logo of NDDB in all milk sachets).²¹

- **Alignment with NDDB's Vision 2010**

In the light of liberalisation and delicensing of the dairy sector, KMF has aligned itself in formulating strategies in the following major areas, which in turn have been derived from NDDB's Vision 2010:²²

- Productivity enhancement.
- Cooperative Business (procurement, processing and marketing).
- Quality Assurance Programme.
- National Information Networking.

These are to be implemented with a financial support of Rs.250 crore from NDDB. This is a major strategic response of KMF to cope with emerging competition.

3.2.12 Issues

Despite KMF's evolution and increasing market orientation several issues remain as summarised below:

- Are product level responses of KMF adequate? For instance, KMF failed to capitalise the market opportunity in ice-creams in 1991 despite scientific marketing research. Products such as cow cheese

have been launched and withdrawn before making an impact. So also various types of Indian sweets.

- Has KMF been able to shift from being a bulk marketer to a retail marketing firm?
- Are distribution networks aligned with product strategy?
- Are Segmentation, Targeting, and Positioning strategies clearly conceived before launch?
- What have been the brand management practices?
- Have new products launched preserved the brand identity of NANDINI?
- Why has KMF not been able to look beyond Karnataka despite the second largest player (next to GCMMF) in the dairy sector in India?
- Has KMF examined the brand identity of NANDINI? Has its leveraged its brand strength in launching new products?
- Should "Western" milk products be launched under the NANDINI brand?
- Has it identified new purchase drivers in fluid milk?
- Are brand management practices and responses in consonance with market share (high, low), category (premium, value for money)
- What have been KMF's product-market posture, growth vector, core competence and synergy deployed between KMF and its unions?
- Can KMF in future, avoid the tendencies of developed unions, such as Kolar to chart a different trajectory from that of the federation? Would established unions continue to support underdeveloped unions in North Karnataka?

established unions continue to support underdeveloped unions in North Karnataka?

- Can KMF focus only on the economically viable areas and avoid carrying the burden of the Government of Karnataka's social concerns?
- Most strategic initiatives of KMF have been after 1992-93 in the light of increasing private sector presence in the dairy business and often with the initiative and support coming from NDDB. Would KMF undertake such initiatives without NDDB's motivation like GCMMF?
- Is KMF quick and proactive in its responsiveness or does it react to moves of other competing firms? Does government say in the operations of KMF restrict its responses?

The above issues have been examined in later sections covering analysis of organisations that have been studied as part of this research.

KMF is having differing perceptions with the state government in the area of pricing of milk. It was restrained by the state government from increasing the prices of milk under the Milk Procurement Act. The Karnataka High Court rejected an interim prayer by KMF and many other milk unions seeking a direction to the government to permit them to increase the price of milk by Rs. 2 a litre.²³

The responses of KMF have been summarised in Table 3.2.6.

Table 3.2.6: Responses of Karnataka Milk Federation

	Internal	External
Controllable	<p><u>Responses initiated:</u></p> <ul style="list-style-type: none"> Creation of centralised depot marketing system in KMF Initiating direct sales to institutions Launching of new products such as Indian sweets to overcome surplus supply of ghee/availability of manufacturing facility Launch of homogenised toned milk Training of officers Limited interventions in quality Limited interventions in energy management in plants Creation of Any Time Milk counters in Bangalore Strengthening of distribution network in Bangalore (introduction of more routes) <p><u>Limited responses:</u></p> <ul style="list-style-type: none"> In setting up a strong product management team Limited IT network 	<p><u>Responses initiated:</u></p> <ul style="list-style-type: none"> Increasing the wholesalers in South India Exclusive dealers for NANDINI GOODLIFE Launch of NANDINI GOODLIFE, NANDINI SLIM to meet emerging health conscious market segments in Bangalore Increase in production capacity Launch of homogenised toned milk <p><u>Limited responses:</u></p> <ul style="list-style-type: none"> In strengthening brand management Limited response to opportunities such as launching ice-creams Limited efforts to increase penetration in South India and having a clear depot management strategy In reducing Bangalore focused marketing In moving towards a strong retail marketing In gaining access to North Indian markets for NANDINI by having alliance with other cooperatives
Non-Controllable	<p><u>Limited responses:</u></p> <ul style="list-style-type: none"> In reducing inter-union competition among various dairy unions Formulating a management policy for small sized cooperative dairy unions in North Karnataka No change management/ OD initiative for a market oriented culture Reduction in dependence and handholding support from NDDB 	<p><u>Limited responses:</u></p> <ul style="list-style-type: none"> In countering entry of private players in Bangalore market No advocacy to capitalise on favourable policies with NDDB Inadequate lobbying for autonomy with State government in matters relating to recruitment, appointment, promotion, finance, pricing etc. Networking with other cooperatives for furthering its marketing strategies Handling of differing perception of the state government with respect to increasing retail price of milk

Source: Based on Sharma (2007), discussions at KMF

The responses of KMF have been classified on the basis of two dimensions: controllable versus non-controllable responses and internal versus external responses. A controllable response is one which the management can initiate, seek resources and implement the response with limited effort. An internal response is one where the stimulus for the response has come from within the organisation. An external response is one where the stimulus for the response emerged from the environment. Increasing the production capacity is an external response as the stimulus came from the environment. The decision of KMF to launch new products to meet emerging market needs is an external response. While initiating direct sales to institutions appears to be an external response, the reason for initiating was due to internal structural aspects in KMF. In some cases a response can be both internal and external. For example, the cause for introduction of homogenised toned milk in the Bangalore market was not just to meet emerging demand for value-added milk at various price points. The stimulus was also an internal one as KMF cannot change prices for existing variants of milk without permission from the government. As the framework of Sharma (2007) focuses on the past, an effort has been made to examine the future market scenarios and potential responses in the last chapter on summary of findings and recommendations.

END NOTES AND REFERENCES

- ¹ KMF (2007), Harbinger of Rural Prosperity, April, p.7.
- ² <http://www.kmfnandini.coop/html/aboutus.htm>
- ³ KMF (2007), Harbinger of Rural Prosperity, April, p.1.
- ⁴ KMF (2007), MIS Statement, Feb, p.1.
- ⁵ KMF (2007), Harbinger of Rural Prosperity, April, p.14.
- ⁶ KMF (2007), Integrated Business Plan 2007-08, March.
- ⁷ Gowda, Mune (1992), Impact of Types of Distribution on Consumer Buying Behaviour for Milk in Bangalore City, MTS Report 923, Anand: Institute of Rural Management, pp.1-37.
- ⁸ Shah, Tushar (1993), The Logic of a Cooperative Company, Working Paper 44, Anand: Institute of Rural Management, pp.1-14.
- ⁹ Selvanarayanan, N. (1982), A Study of the Distribution System of Bangalore Dairy, MTS Report 71, Anand: Institute of Rural Management, pp.1-25.
- ¹⁰ KMF (2001), Strategic Marketing Plans of Different Unions. (Strategic Marketing Plans were developed based on partial support from NDDB. Most unions have stopped developing this plan at present in the absence of financial support from NDDB).
- ¹¹ Balachandran, K. and M. Krishnan (1989), Study of Market Intelligence System and Analysis of Distribution of Liquid Milk and Products in Bangalore Dairy, MTS Report 583, Anand: Institute of Rural Management, pp.1-40.
- ¹² Mishra, R. B. and Jayanta Ghosh (1991), Ice-cream Market in Bangalore, MTS Report 674, Anand: Institute of Rural Management, pp.1-57.
- ¹³ Nataraj, B. and K. Narayana (1994), Study of Cheese and Paneer Markets in Bangalore city, OYP Report (MTS 1147), Anand: Institute of Rural Management, pp.1-92.
- ¹⁴ Sarma, S.V.S. R. (1985), Advertising Strategy for Milk Products, MTS Report 262, Anand: Institute of Rural Management, pp.1-114.
- ¹⁵ Reddy, K. Raja and D.G. Raghupathy (1995), A Study of Advertisement and Sales Promotion Taken Up by Different Milk and Milk Product Players in Bangalore Metro vis-s-vis KMF, MTS Report 1231, Anand: Institute of Rural Management, pp.1-79.
- ¹⁶ Balachandran, K and M. Krishnan (1989), Study of Market Intelligence System and Analysis of Distribution of Liquid Milk and Products in Bangalore Dairy, MTS Report 583, Anand: Institute of Rural Management, pp.1-40.
- ¹⁷ Rathore, Mahaveer Singh and B.K. Srikanta (2002), Market Study of Milk for KMF, MTS Report 1542, Anand: Institute of Rural Management, pp.1-61.
- ¹⁸ KMF (2001), Strategic Marketing Plans of Different Unions.
- ¹⁹ KMF (2007), Draft Integrated Business Plan 2007-08.
- ²⁰ KMF (2001), Strategic Marketing Plan Draft Report for Bellary Milk Union.

-
- ²¹ NDDB (2002), Mnemonics Plan, Anand: National Dairy Development Board, pp.1-2.
- ²² KMF (2007), Draft Integrated Business Plan 2007-08.
- ²³ <http://www.hindu.com/2009/03/05/stories/2009030550170100.htm> posted on March 5, 2009.