

Marketing Strategies in Dairy Industry: A Case Study on Amul Dairy

Gedela Rakesh Varma

Research Scholar,

Department of Commerce and Management Studies,
Andhra University, Visakhapatnam-530003.

Prof. Jaladi Ravi

Professor,

Department of Commerce and Management Studies,
Andhra University, Visakhapatnam-530003.

Abstract:

Dairy is a worldwide agricultural production. people milk dairy animals exist almost in every country around the world, and up to one billion people live on dairy farms. It is a important part of the global food system and it plays a important role in the sustainability of rural areas in particular. It is a widely-known fact that the dairy sector directly contributes to the economies of a number of communities, regions and countries. An organization's concept combines all its marketing goals into one comprehensive plan. An ideal marketing strategy needs to be drawn from market research and focus on the product mix in order to attain the maximum profit and keep up the business enterprise. strategy generally referred as innovative technique adapted by organization to increase the profit The marketing strategy is the framework of a marketing plan. In this paper we will discuss about the marketing strategies implemented in amul dairy.

Key words:

Marketing strategy, product mix, DAIRY INDUSTRY

Preface:

Dairy is a worldwide agricultural production. people milk dairy animals exist almost in every country around the world, and up to one billion people live on dairy farms. It is a important part of the global food system and it plays a important role in the sustainability of rural areas in particular. It is a widely-known fact that the dairy sector directly contributes to the economies of a number of communities, regions and countries.

An increasing demand worldwide is noticeably emerging at present, and the industry is globalizing, thus increasing the scope and intensity of the global dairy trade. An organization's concept combines all its marketing goals into one comprehensive plan. An ideal marketing strategy needs to be drawn from market research and focus on the product mix in order to attain the maximum profit and keep up the business enterprise. The marketing strategy is the framework of a marketing plan. marketing mix and swot analysis are important strategies used in marketing. marketing mix consists of Products, place, price, promotion. swot analysis consists of strength, weakness, opportunities, threats strength focus on advantages of the organisation, weakness focus on the disadvantage of company opportunity signifiace on the advantage of the company threat of company focus on their barriers and future problems.

Review of Literature:

Marketing strategy has been a salient focus of academic inquiry since the 1980s, according to (Mavondo 2000). There are numerous definitions of marketing strategy in the literature and such definitions reflect different perspectives (Li et al 2000). A traditional definition of marketing strategy is a plan for pursuing the firm's objectives or how the company is going to obtain its marketing goals with a specific market segment (Orville and Walker 2008; The odosio, Leonidus, 2003; kotler, Armstrong, 2009) while Brodrechtova (2008) explains that marketing strategy is a roadmap of how a firm assigns its resource and relates to its environment and achieves corporate objective in order to generate economic value and keep the firm ahead of its competitors.

In laymen terms it is to determine the nature, strength, direction, and interaction between the marketing mix-elements and the environmental factors in a particular situation (Li et al 2000). According to Levie (2006), the aim of the development of an organization's marketing strategy development is to establish, build, defend and maintain its competitive advantage. A thorough analysis of the newest scientific articles on strategic management and organisational behaviour indicates that 71% of them analyse company performance as a dependent variable, 12% of them analyse it as an independent variable while 11% of the studies analyse performance as a dependent as well as an independent variable (March and Sutton 1997) Firm's performance, on the other hand, is a well established measure in marketing literature. We measure it through sales volume, profitability and market share for the current period (current firm performance), and perceived satisfaction with these measures when considering the previous year.

According to Cavusgil, Zou 1994; Thirkell, Dau, 1998; Lee, Griffith, 2004; Brodrechtova, 2008; Salavou, Halikias, 2008). Researches on the significance of the marketing showed a strong association between export marketing strategy and export performance; a positive and direct impact of marketing strategy on export performance of the firms in question (Mohamad et al., 2009; Mavrogiannis et al., 2008; Lages, lages, 2003; Julian, O' Cass, 2003; Leonidus et al., 2002; Cavusgil, Zou, 1994). Salavou and Halikias (2008), in their study, also found that the majority of exporter companies that obtained higher profitability, was due to their marketing-based strategies. In contrast, researchers such as Julian, (2003); Julian and O' Cass, (2003) concluded that export marketing strategies had no effect onto export performance. Also in the research by Abdul Adis and Md. Sidin, (2010) revealed that there were no direct or significant relationship between export marketing strategy (concluding product adaption, promotion adaption, distribution strategy, design strategy, price competitiveness, support to foreign distributor, target market specification) and

export performance of Malaysian wooden furniture industry. In brief, although a few studies mention there is not any relationship, most of researchers concluded that marketing strategy had significant positive effects on export performance and it was an important part of studies that had been evaluated many times previously. Impact of marketing strategies on profitability of SME's :-Mazzarol (2000) observed that "at the commencement of the new millennium, small businesses are being heralded as the engine of economic growth, the incubator of innovation, and the solution to decades of persistent unemployment the fulfillment of the enormous potential of the sector has been a consistent theme since the commencement of industrial revolution". In both developing and developed countries, promoting small and medium-sized enterprises (SMEs) is one of the most viable strategies for achieving national development goals such as economic development, strengthening the industrial base and local production structure (Hallberg, 2000).

Most of the academic literature and empirical studies relating to organizational behaviour in SMEs are based upon data gathered in developed countries. Previous research outcomes ought to be cross-validated and put into another perspective when studying SMEs in a developing country (Liargovas, 1998). There appears to be little doubt that small businesses do make a large net contribution to the creation of new jobs compared with large businesses (Birch 1979). Marketing is a contentious issue among both academics and practitioners when it comes to SMEs (Gilmore et al., 2001; Siu and Liu, 2005; Chiliya et al., 2009). Marketing theory development in SMEs has been somewhat limited and often relies on the application of classical marketing models to smaller businesses (Chaston and Mangles, 2002). Empirical support for the relationship between the marketing strategy and financial performance of a business has been provided by a number of studies.

The majority of these studies have been based on the Profit Impact of Marketing Strategy and have focused on company performance in USA (Faria and Wellington, 2005; Kyle, 2004). Various studies by Shim et al., (2004), O'Neill et al., (2002) and Patterson and Smith (2001) have suggested that overall business performance is influenced by the marketing strategy. However, the results of the aforementioned studies are inconclusive. According to Chiliya et al., (2009), taking the South African context, Cant and Brink (1999) studied the marketing perceptions of grocery shop owners whilst Martins (2000) studied the retail strategies based on the income and expenditure patterns of consumers. According to Chiliya et al., (2009), study revealed important shortcomings in the marketing knowledge and practises of SME's (Small and medium enterprises) owners/managers in Mdantsane, East London making what few strategies implemented as a failure.

However, this is not the case in other countries; prime examples being the United Kingdom, Phillipine, Australia (Mazzarol. T., 2000; Mitra J., and H. Matlay, 2000), Srilanka (R. Gajanayake 2010), China (Shigang Yan., and David A. S. Chew 2011), Egypt (Amira Kazem., and Beatrice vander Heijden 2006) while Holand, Germany and France were included in this category with the help of Covin, J.G., and Slevin, D.P.s (1991) rather detailed paper. The fact, according to various researches, that SMEs appear to be more efficient users of capital is suggestive but not conclusive evidence in this respect. And, on the contrary, some studies show that The fact, according to various researches, that SMEs appear to be more efficient users of capital is suggestive but not conclusive evidence in this respect. And, on the contrary, some studies show that small firms are less capital-efficient than medium or large units.

Need for the Study:

The Amul dairy had adopted marketing strategies to improve the growth of the business So, this study has

made an attempt to provide analyze the effectiveness of Amul dairy

Objective:

The main objective of this paper is to study the marketing strategy in Amul dairy

Methodology:

This paper mainly based on secondary data. The articles which are published in the area of marketing strategies in dairy industry have collected for the study and from website of amul dairy.

Marketing strategy of Amul

The Marketing strategy of Amul covers various aspects of the business right from segmentation and targeting to the overall mission and vision of the company and the various parameters which the company executes to become the top brand that it has in the market. So what is the

Marketing strategy of Amul

The segmentation of Amul is the mass population and in general, you will find people of all different age groups and demography enjoying Amul products. This is because Amul is not only present in Ice cream, but also in Milk, Butter, Cheese and other such products.

As it has a very deep product portfolio, it does not differentiate in its customers but uses a mass marketing principle. And till date, this principle has worked very well for the marketing strategy of Amul. Similarly, the target audience are the regular middle class people. This is because higher end customers do have a lot of high end products as an alternative in ice cream. However, for other products like Butter and cheese, both high end and low end customers are the target. In terms of positioning, Amul has top of the mind positioning because it is the first brand which comes in mind when talking of Ice cream, milk, cheese, butter or any other milk based products.

Mission of Amul

“We the motivated and dedicated workforce at amul are committed to produce wholesome and safe foods of excellent quality to remain market leader through development of quality management system, state of art technology, innovation and eco-friendly operations to achieve delightment of customers and milk producers”.

Vision of Amul – Amul has a vision to provide more and more satisfaction to the farmers, employees and distributors. Competitive advantage in the Marketing strategy of Amul There are two major competitive advantages of Amul over other brands. First and foremost is the supply chain. Because of the large numbers of dairy suppliers, Amul has a tremendous strength and reliability in its supply chain. Hence it is able to produce such high volumes. The second competitive advantage is the wide product portfolio due to which it can run Amul shoppe’s and also have its products present in retail. The product portfolio is such that products like Butter and Ice cream are cash cows for the company.

BCG Matrix in the Marketing strategy of Amul

When we plot the BCG matrix, Amul has certain products which are stars whereas others are cash cows. And in fact, Amul chocolates are question marks because they have very low market share in a growing market. Amul ice cream and Amul butter can clearly be said to be a cash cow because they have very high market share and the market in itself is growing with the increase in population. On the other hand, Dairy products like Milk, buttermilk, cheese, lassi, amul kool etc have a lot of direct and indirect competition in their niche. However, when compared with the same type of product, then Amul has a high market share. Thus, these products are stars for Amul.

Distribution strategy in the Marketing strategy of Amul Like any FMCG company, Amul concentrates on breaking the bulk. It supplies in huge amounts to its C&F, who is required to have the right arrangements to store Amul products in bulk. This C&F then transfers the products to distributors who in turn give it to retailers. Furthermore, Amul has a direct sale team too which sells to modern retail. Besides this, the company has exclusive Amul stores which sell all products of Amul brand. Thus, in the marketing strategy of Amul, distribution is another strength of the brand.

Brand equity in the Marketing strategy of Amul

Because of the excellent products, the top of the mind positioning, the fantastic distribution and supply chain channels and finally the point of purchase branding and advertising of the Amul girl, Amul finds itself in a very strong position where its brand equity is concerned. Amul brand is worth \$3.2 billion as per the 2013 brand equity report. Furthermore, most analysts say that Amul would have touched the \$4 billion mark, but the dropping value of the rupee is what caused the difference.

Competitive analysis in the Marketing strategy of Amul

Amul has some good competitors who have entered the market in the last decade and growing strong steadily. Most of these ice creams entered regionally but then held on to the regional market share. Thus, even though individually these brands might not be a worthy adversary, combined and with their total net aggregate, all of them together are giving a very tough competition to Amul.

Some of these competitors are Kquality walls, Vadilal, Havmore, Dinshaws, Arun Ice cream, Baskin Robbins, London dairy and others. Many of these ice cream products have their own niche or geographic targets. Arun ice cream is strong in the south whereas havmor and Vadilal are strong in the west.

Besides these organized players, there are many unorganized local players who also give competition to Amul by having their own outlets and their own variants of ice cream. However, the competition in Butter and Cheese and other dairy products is far lesser.

Market analysis in the Marketing strategy of Amul

The FMCG market is highly competitive in nature and is known to have a combination of organized players as well as unorganized players. Similarly, in FMCG, direct competition is equally important as indirect competition. For example – During winters, ice cream and cold milk products will not sell, whereas butter and cheese will sell equally well. But on the other hand, during summers the demand of ice cream shoots up so much so that companies are not able to meet demands. Thus, when we analyse the market of Amul, in some cases Amul is the clear market leader, whereas in other products it is a competitor in the market. Customer analysis in the Marketing strategy of Amul The typical customers of Amul belong to the Sec B and Sec C segment wherein they are either middle class or lower class. Amul in general uses mass marketing and therefore it targets these 2 classes majorly. The high end customers are more likely to prefer a Naturals, a Baskin robbins, or any other such brand which meets their taste and status.

Marketing mix of Amul

Amul is definitely an “Amoolya” brand. Amoolya in Sanskrit means something which is invaluable or priceless. With a presence in almost every product which can be made by milk, Amul has won over hearts along with market share to become a highly valued brand with an Indian origin. Amul was formed because of a revolt of dairy farmers. And today, Amul is a brand against which companies want to compete and come on top but the same is not being allowed by the smart minds in Amul. The reason Amul is such a strong brand is because of the marketing mix of Amul. Here is an in depth analysis of the Marketing mix of Amul.

Product in the marketing mix of Amul – Amul has a very very strong product portfolio. Amul product portfolio is comprised mainly of Dairy products. Amul butter, Amul cheese and Amul ice cream are cash cows for Amul as they have the major market share in their product category. Amul ice cream is amongst the top 10 ice cream brands of India. Amul milk, Amul Paneer and Amul Dahi consumption is on the rise. In fact Amul milk has 26% of market share in the packaged milk segment. The only disappointing performance is seen in Amul Chocolates which are a burden for Amul and lot of push is required for the sales of the same. This is because the chocolate market has established players like Parle, Dairy milk and others.

The Amul family tree has the following brands – Amul Milk, Amul bread spreads, Amul Cheese, Amul Milk, Amul kool and its variants, Amul pro, Amul ice cream, Amul Paneer, Amul Dahi, Amul Ghee, Amul Milk powders, Amul Nutramul, Amul mithai range, Amul mithai mate, Amul chocolates, Amul butter milk. Thus the product portfolio of Amul considering its dairy origins is astounding. Amul has various competitors based on different products. In ice cream it is Vadilal, Dinshaws and Havmor. In butter and milk there is mother dairy, Britannia and others. However, no competitor has such a vast dairy based product portfolio as Amul. This is the major reason that Amul has a sustainable competitive advantage over its competitors.

Price in the marketing mix of Amul – Amul has a strategy of low cost pricing. Some may call it penetrative pricing. But penetrative pricing strategy is used when the market has a high level of competition and a player wants to establish itself in the market by giving low prices. However, in the case of Amul, when Amul started, there were no national players and the dairy market was unorganized. During the introduction stage itself, Amul had a vision to provide their products to end customers at the best affordable rates. And the same vision is in place even today.

Today also, you will find that Amul butter, milk and cheese are available at affordable prices keeping in mind the end customers. You may call these products costly, but the cost has nothing to do with Amul's strategy. Remember that transportation costs as well as storage and distribution costs are very high in FMCG. Thus, as the cost of transportation, storage and distribution has increased over the years, so has the cost of Amul products gone up. But considering their value for the average India consumer, these products are still priced at an affordable rate.

SWOT analysis of Amul

Amul is one of the largest milk and milk based products manufacturer in India. Known to be the founder of the white revolution in India, Amul has some strong products and brands up its sleeves, strongest of them being Amul ice cream. Similarly, the Milk & Dairy products company has a very in depth product portfolio including cheese, butter, curd, chocolates, ice cream, and others. You can visit the following link to refer to the marketing mix of Amul. However, following are the points in the SWOT analysis of Amul.

Strengths in the SWOT analysis of Amul

Very high market share in ice cream – Amul has the top market share in ice cream segment which further helps it push other products into the market.

Excellent brand equity – amul is a beloved brand over the years and the contribution of amul girl and her outdoor ads should specifically be mentioned here.

Excellent quality management – even though amul has such a wide and large distribution network, hardly any quality complaints come for amul.

Strong distribution network – This is one company which is strong in urban as well as rural distribution. You will find amul present even in small towns and villages.

Good product portfolio – Amul had a deep product portfolio when compared to any fmcg company. It has many different variety of milk milk based food items like cheese, butter, milk, buttermilk, lassi and many others. In ice creams too, amul has a large variety of flavours

Strong Supply chain – Vendors love Amul and amul is known for the white revolution in India.

Rural presence – Strong rural presence of Amul is its plus point. It is mentioned here separately because this rural presence gives amul a strong competitive advantage.

Weaknesses in the SWOT analysis of Amul

Cost of Operations – Amul's operation is huge. And so is the cost. Plus the sector is such that maintaining margins becomes difficult day by day. Thus, to face international players, Amul needs to maintain the operations in the same manner it is carrying out today. It is not a weakness but rather a constant challenge for Amul. In fact, during summers, the brand faces severe shortage of supply.

Chocolates – Amul's expansion to chocolate has failed and hardly any product of Amul chocolates is selling in the market. Amul needs further products to expand its product line and increase bottomline.

Concentrate more on chocolate market – Amul has a no advertisement policy which creates a problem for its foray into additional products. Amul should in fact have separate SBU's and concentrate more on increasing its product line through chocolates or other such products.

Opportunities in the SWOT analysis of Amul

Export – Amul can export its product to other countries thereby increasing its turnover and margins exponentially.

Concentrate more on chocolate market – Amul has a no advertisement policy which creates a problem for its foray into additional products. Amul should in fact have separate SBU's and concentrate more on increasing its product line through chocolates or other such products.

Threats in the SWOT analysis of Amul

Increasing competition in Ice cream segment – Many players, local and international, are entering the ice cream market thereby taking away share of wallet from Amul. Kwality walls, Naturals, London dairy, Havmor, Arun ice cream, Vadilal, Ramani, are some of the few brands who are directly in competition with Amul.

Conclusion:

The segmentation of Amul is the mass population and in general, you will find people of all different age groups and demography enjoying Amul products. This is because Amul is not only present in Ice cream, but also in Milk, Butter, Cheese and other such products. As it has a very deep product portfolio, it does not differentiate in its customers but uses a mass marketing principle. And till date, this principle has worked very well for the marketing strategy of Amul. Similarly, the target audience are the regular middle class people. For some products both high end and low end customers are the target.

References and Further Reading

- Aaker, D and Joachimsthaler, E (2000) Brand leadership, The Free Press
- amul dairy
- <http://www.marketing91.com/marketing-strategy-amul/>
- Assael, H. (1992) Consumer Behaviour and Marketing Action, 4th Edition, USA: PWS-Kent
- Hoyer, W.D. and MacInnis, D.J. (2001) Consumer Behaviour, 2nd Edition, USA: Houghton Mifflin Company
- Baker, M. (2000) Marketing Management and Strategy, 3rd edition, Macmillan Business.

- Blythe, J. (2001) Essentials of Marketing, 2nd edition, Prentice Hall
- Booms, B.H. and Bitner, M.J. (1981), Marketing strategies and organisation structures for service firms, in Marketing of Services, J. Donnelly and W.R. George (eds), American Marketing Association
- Brassington, F and Pettitt, S, (2000), Principles of Marketing, Second Edition, Prentice Hall, Harlow
- Brooks, I and Weatherston, J. (1997) The Business Environment. Challenges and Changes, Prentice Hall.
- Chisnall, P.M. (1997) Marketing Research, Fifth Edition, London: McGraw-Hill
- Davies, M. (1998) Understanding Marketing, 1st edition. Prentice Hall
- Ellwood, I. (2002) The Essential Brand book, Kogan Page Limited
- Fill, C (2002) Marketing Communications, Contexts, strategies and applications, Prentice Hall
- Gabriel, Y & Lang, T, (1995), The Unmanageable Consumer, Sage, London
- Hoffman, D & Novak, T, (1996), 'Marketing in Hypermedia Computer-mediated Environments: Conceptual Foundations', Journal of Marketing, Vol 60(July), pp50-68
- Kapferer, J. (1997) Strategic Brand Management, Kogan Page
- Keller, K (1998) Strategic Brand Management, Building, measuring and managing brand equity, Kogan Page, London
- Kotler, P, Armstrong, G, Saunders, J and Wong, V, (2001), Principles of Marketing: Third European Edition, Prentice Hall, Harlow
- Kotler, P. and Armstrong, G. (1997) Marketing An Introduction. Fourth Edition. New Jersey. Prentice Hall International
- Kotler, P., Armstrong, G., Saunders, J. and Wong, V. (1999) Principles of Marketing, 2nd Edition, New Jersey: Prentice Hall

- Lauterborn, R.(1990), New marketing litany:4Ps passe; 4Cs take over, Advertising Age, Oct. 1:26
- Linneman, R.E. and Stanton, J.L. (1991) Making Niche Marketing Work, New York: McGraw Hill
- Loudon, D.L. and Della Bitta, A.J. (1993) Consumer Behaviour, 4th Edition, USA: McGraw Hill
- Lovelock (2001) Services Marketing, people, technology, strategy, Prentice Hall.
- Lovelock, C (1994) Product plus: How product + service = competitive advantage, McGraw Hill
- Lury, G.(1998) Brand Watching; lifting the lid on the phenomena of branding, Blackhall.
- McCarthy, J. (1975), Basic Marketing: a managerial approach, Homewood, IL
- McDonald, M. (2001) Marketing Plans. How to prepare them, how to use the. 4th edition, Butterworth Heinemann
- McMartin, J. (1995) Personality Psychology: A student Centered Approach, UK: Sage Publications
- Moschis, G.P. (1990) Consumer Socialisation, USA: Lexington Books Heath
- Peter, J.P. and Olson, J.J. (1996) Consumer Behaviour and Marketing Strategy, USA: Irwin
- Proctor, T. (2000) Essentials of Marketing research, UK: Financial Times-Prentice Hall
- Randall, G. (2001) Principles of Marketing, 2nd edition, Thomson Learning.
- Van Auken, B. (2002) The Brand Management Checklist, Kogan Page
- Weilbacher, W. (1993) Brand Marketing: Building winning brand strategies that deliver value and customer satisfaction, NTC business books, chapter1 and 2
- Ziethmal, & Bitner, (2003) Services Marketing: integrating customer focus across the firm, McGraw Hill, chapters 1,3 and 6.