CHAPTER 1
INTRODUCTION TO STUDY

1.1 Introduction-

India has become the world’s No.1 milk producing country with output of 100 metric tones in 2006-07. The annual rate of growth of milk production in India is between 5-6 percent, against the world’s growth rate at 1 percent. India’s annual milk production has more than trebled in the last 37 years. This rapid growth & modernization is largely credited to the contribution of dairy co-operatives, under the Operation Flood (OF) project, assisted by many multilateral agencies, including the European Union, the World Bank, FAO & WFP (World Food Program). In India, 40 crore people have their major income from dairying. Around 100 crore tone milk is manufactured every year in India. Annual growth in agricultural produce is 2% whereas annual growth of milk production is 4%.\footnote{11}

India’s dairy market is multi layered. It is shaped like a pyramid with the base made up of a vast market for low-cost milk. The bulk of the demand for milk is among the poor in urban areas whose individual requirement is small may be a glassful for use as a whitener for their tea & coffee. Nevertheless, it adds up to sizable Volume-millions of liters per day. In the major cities lies an immense growth potential for the modern sector. Presently, barely 778 out of 3,700 cities and towns are served by milk distribution network, dispensing hygienically packed wholesome, quality pasteurized milk. According to one estimate, the packed milk segment would double in the next five years giving both strength & volume to the modern sector.\footnote{7}

The effective milk market is largely confined to urban areas, inhabited by over 25 percent of the country’s population. The expected rise in urban population would be a boon to Indian dairying.\footnote{1} Presently the organized sector both cooperative & private & the traditional sector cater to this market.

Of the three A’s of marketing availability, acceptability & affordability. Indian dairying is already endowed with the first two. People in India like to drink milk. Hence no efforts are needed to make it acceptable. Its availability is not a limitation either, because of the ample scope for increasing milk production given the prevailing low yields from dairy cattle. It leaves the third vital marketing factor affordability. With small packing of milk & milk products it can reach to masses.
Two key elements of marketing strategy are focus on strong brands & product mix expansion to include Ultra Heat Treatment milk, cheese, ice creams & spreads. The changing marketing trends will see the shift from generic products to the packaged quasi, regular & premium brands. The national brands will gradually edge out the regional brands or reduce their presence. The brand image can do wonders to a product’s marketing.

Emerging Dairy Markets –

India with a sizable dairy industry growing rapidly & on the path of modernization would have a place in the prosperity for many decades to come.

- Food service institutional market – It is growing at double the rate of consumer market.
- Defence Market – An important growing market for quality products at reasonable prices.
- Ingredients market- A boom is forecasted in the market of dairy products used as raw material in pharmaceutical & allied industries.
- Parlor market – The increasing away from home consumption trend opens new vistas for ready to serve dairy products which would ride piggyback on the fast food revolution sweeping the Urban India.

The market scenario is changing fast. A rise in household incomes has led to a metamorphosis of rural & smaller markets. There has been a significant increase of middle class families & migration from rural areas to smaller developing towns. All this has resulted in the emergence of growing markets & demand in smaller towns across the country. The future of India’s dairy industry will have to be built on quantity & quality alone. With globalization & entry of big players in the organized sector, the challenge before the Indian dairy industry is to manage the growth in production, processing & marketing without harming harbinger of this growth – the small farmer who is the most competitive milk producer in the world. Dairy exports have also great potential since in a post-WTO world. Milk product from India can compete well with those from many advanced countries.
1.2 Statement of Problem –

Mainly the Dairies in Kolhapur are involved in processing & packaging of the buffalo milk & producing the milk products as Shrikhand, Milk Powder, Ghee, Paneer, Cheese, etc. They are marketing these products in the local areas or in the Maharashtra region. Previously there were only few dairy units existed in Kolhapur so the competition was less. Many new entrants have entered in the industry because of the attractiveness. Kolhapur is surrounded by many small villages & the major occupation of the people is farming. These farmers have the cattle along with the farms which increases the total attractiveness of this industry. This is the main reason for establishing the dairy unit in Kolhapur. As previously mentioned, the dairy units in Kolhapur are marketing their products in Kolhapur region or nearby it; they are not marketing outside the Maharashtra. And because of many small firms have been established in Kolhapur, their profitability have gone down. Secondly, some companies are manufacturing carton milk which lasts for longer period and they are facing the competition from them. Lastly, these dairy industries are mainly focusing on marketing of milk & not on the milk products which are more profitable than milk. Because of this, other companies have captured the market for milk products.

With these views the topic selected for the research is EFFECTIVENESS OF MARKETING POLICIES OF DAIRY INDUSTRY - A STUDY CONDUCTED IN KOLHAPUR DISTRICT (1991 TO 2006)

In this study, the researcher has studied the effectiveness of marketing mix of dairy products like the product development, product line decision of the selected dairies, their pricing policies, and their promotion policies such as sales promotion, advertising, publicity, personal selling, and their distribution channels. After studying their present marketing strategies, lacunas are found out & some new strategies are suggested to compete with the other competitors & also to improve the performance not only in the local areas but outside the state also.
1.3 Objectives of the study –
Keeping in view the introductory remarks and the changing dairy scenario, the following objectives were set for the study –

1) To analyze the effectiveness of marketing policies of dairy industry over a period of time.
2) To study the various products offered, pricing policy, promotional policies, and distribution policies adopted by the some selected dairy units.
3) To understand the marketing problems faced by them.
4) To study the future prospects for milk products.
5) To examine the various by-products & their marketing.
6) To assess the preference of the customers for milk and milk products over a period of time.
7) To recommend meaningful suggestions.

1.4 Hypotheses –
For the present study, researcher has formulated the following hypotheses –

1) Dairy units are doing well in the promotional strategy.
2) The dairy units are very good in their distribution network.
3) The sales of the milk and milk products are affected by the promotional strategies of the dairy units.
4) There is change in customer preferences because of the marketing efforts of the dairy units.

1.5 Scope and Limitations of the study –
This study has been undertaken to examine the marketing aspects related to dairy industry in Kolhapur District. So, the study of marketing practices of dairy industry is limited to the following aspects:-

1) Product Decision.
2) Pricing policy.
3) Promotional efforts.
4) Physical distribution policy.
The scope and limitation of the study are highlighted as follows –

1. The geographical area for the study is the entire Kolhapur District. The selected dairy units are spread over all the area of Kolhapur District.
2. For the study two co-operative, one primary co-operative society, one public limited and one private dairy unit are considered.
3. The study is conducted for the period from 1991 to 2006.
4. The study gives emphasis on the effectiveness of marketing policies of dairy industry.
5. The dairy units were hesitating to provide the information of the past years.
6. The users of the packaged milk and milk products are usually located in urban and semi urban areas so the customer survey was conducted in these areas.
7. Market share of the selected dairy units could not be found.

1.6 Significance of the Study –

India is positioning first in the production of milk. Milk processing organizations in India have tremendous potential in dairy industry sector. It has ample potential to create opportunities in the field of export of milk products, production of milk and milk products. It can boost India’s reservoir of foreign exchange to the utmost level by involving in the export of globally accepted quality of milk products.

Again due to the liberalization, multinational companies are coming to India to exploit the available raw milk resources. It is the need of an hour for Indian organizations to compete with the multinational as well as Indian milk processing companies like Nestle, Cadbury, Amul, Britannia etc. These big organizations have established their brand name. It is becoming difficult to compete with these big players. Effective marketing strategies are the only way to compete with them and to retain market share as well as to succeed in business.

The present study will be beneficial to the dairy units which are currently practicing marketing as they can realize their strengths and weaknesses. This will enable them to take corrective action for further improvements, if they are lagging behind in any aspect. The study measures the effectiveness of the marketing policies of dairy industry, so it provides base for dairy units to plan for future marketing strategies.
This study is also useful to those dairy units which are interested in introducing marketing concepts.

The study has also covered the customer preference analysis, so it gives the thorough knowledge about it. Moreover no study has covered the effectiveness of marketing policies of dairy industry in Kolhapur District. The study has taken into consideration the private and cooperative dairy units. This study will become the source of information for future researchers to collect data and information on the marketing of dairy products and also about the methodology required to collect and analyse the data.

The various aspects of the marketing viz. product, price, promotion and physical distribution adopted and implemented by the dairy industry in Kolhapur be studied. Hence, the attempt is to measure the effectiveness of the marketing practices of some selected dairies in Kolhapur District, and to suggest some ways & means to improve the present marketing pattern for the survival & growth.

1.7 Research Methodology –

The methodology of research is given as follows –

1. Research Design –

The research design of present study is the combination of exploratory and descriptive study. For the present study the detailed information regarding the marketing policies of the selected dairy units were collected to get insight into it; hence it is essentially an exploratory study. Customer preference analysis was done by conducting the survey which describes the characteristics and preferences for different milk and milk products of the surveyed respondents which is descriptive research. Thus research design for the present study had to take care of both the aspects.

2. Sampling Design –

I. Sample of Dairy Units –

The present study is designed to cover the total population of dairy units in Kolhapur District. The list of dairy units in Kolhapur has been obtained from the District Dairy Development Office, Kolhapur. Up to 2006, there were 13 dairy units in Kolhapur District. The list of
dairy organizations, their production capacity and milk products offered by them is as follows –

**Table 1.1 List of dairy organizations, their production capacity and milk products offered by them.**

<table>
<thead>
<tr>
<th>Type of Organisation</th>
<th>Name of dairy organization</th>
<th>Milk Production capacity (Lit per day)</th>
<th>Milk products offered</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cooperative Dairy Organisations</strong></td>
<td>Kolhapur Zilla Sahakari Dudh Utpadak Sangh Ltd; Kolhapur.</td>
<td>7,00,000</td>
<td>Shrikhand, butter, ghee, SMP, Paneer, curd, lassi</td>
</tr>
<tr>
<td></td>
<td>Warana Sahkari Dudh Utpadak Prakriya Sangh Ltd; Warananagar.</td>
<td>1,000,000</td>
<td>Shrikhand, butter, ghee, SMP, Paneer, curd, lassi, cheese</td>
</tr>
<tr>
<td></td>
<td>Mayur Sahakari Dudh Utpadak Sangh Ltd;</td>
<td>1,20,000</td>
<td>Shrikhand, butter, ghee, SMP, lassi,</td>
</tr>
<tr>
<td></td>
<td>Shri Mahalaxmi Sahakari Dudh Utpadak Sangh Ltd;</td>
<td>50,000</td>
<td>Ghee, Lassi, Shrikhand</td>
</tr>
<tr>
<td></td>
<td>Hiranyakeshi Ghatprabha Multipurpose, Multistate Co- operative Union Ltd; Gadginglaj.</td>
<td>1,50,000</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Primary Dairy Cooperative Society</strong></td>
<td>Shri Hanuman Sahkari Dudh Vyavsayik and Krushipurak Sewa Sanstha Maryadit (Yalgud).</td>
<td>5000</td>
<td>Shrikhand, butter, ghee, SMP, Paneer, curd, lassi, khawa, ice cream, kunda, Chakka</td>
</tr>
<tr>
<td><strong>Public Limited Organisations</strong></td>
<td>Jyotirling milk &amp; milk products Ltd; Kodoli</td>
<td>50,000</td>
<td>Shrikhand, ghee</td>
</tr>
<tr>
<td></td>
<td>Samrudhi Milk &amp; Milk Product Ltd; Hunnali, Kagal</td>
<td>25,000</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Sahyadri Dudh Utpadak Sangh Ltd; Chandgad</td>
<td>5000</td>
<td>Shrikhand, ghee, lassi, curd</td>
</tr>
<tr>
<td><strong>Private Dairy Organisations</strong></td>
<td>Kolhapur Ice &amp; Cold Storage, Kolhapur</td>
<td>1,20,000</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Bharat Dairy Pvt. Ltd</td>
<td>40,000</td>
<td>Shrikhand, butter, ghee, SMP, Paneer, curd, lassi, khawa</td>
</tr>
<tr>
<td></td>
<td>Daphalapur Dudh Udyog, Shirol</td>
<td>40,000</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Datta Food Process, MIDC, Jaysingpur</td>
<td>50,000</td>
<td>Nil</td>
</tr>
</tbody>
</table>

(Source: District Dairy Development Corporation, Kolhapur.)
Purposive sampling method\textsuperscript{11} is adopted to select the sample dairy units. For the study 2 cooperative, 1 private, 1 public limited and 1 primary dairy cooperative were selected.

The dairy units were selected on the basis of the

a) The production capacity – The dairy units having milk pasteurization capacity more than 2000 litres per day were selected for the study.

b) Manufacturing of milk products – The dairy units pasteurizing milk and manufacturing the different milk products were considered for the study.

c) Combination of all the sectors – The present research is the study of dairy units so all the sectors viz. cooperative, private and public limited companies were selected for the study.

Table 1.2 Sample of dairy units

<table>
<thead>
<tr>
<th>Type of dairy organisation</th>
<th>Total number of dairy units (as on June 2006)</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative dairy organisations</td>
<td>05</td>
<td>02</td>
</tr>
<tr>
<td>Primary dairy cooperative society</td>
<td>01</td>
<td>01</td>
</tr>
<tr>
<td>Public Limited organisations</td>
<td>03</td>
<td>01</td>
</tr>
<tr>
<td>Private organizations</td>
<td>04</td>
<td>01</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13</strong></td>
<td><strong>05 (38.5%)</strong></td>
</tr>
</tbody>
</table>

The five enterprises were selected for the study –

a) Kolhapur Zilha Sahakari Dudh Utpadak Sangh Ltd., Kolhapur.

b) Warana Sahakari Dudh Utpadak Prakriya Sangh Ltd., Warananagar.

c) Shri Hanuman Sahakari Dudh Vyavasaik and Krushipurak Sewa Sanstha Ltd., Yalgud, Kolhapur

d) Bharat Dairy, Kolhapur.

e) Sahyadri Dudh Utpadak Sangh Ltd. Shinoli, Chandgad.
II. Sample of Customers –

The population of Kolhapur District as per the census 2001 was 3,523,162 and the number of households were 712,349. Kolhapur District has 12 talukas and respondents were selected from each taluka randomly. Convenience sampling method was used to select the respondents for the survey. Total sample size was 700 respondents. As the major market area of the selected dairy units is Karveer taluka, more respondents were selected from Karveer Taluka.

The number of respondents selected from each taluka is as follows –

Table 1.3 Number of Respondents selected from talukas –

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Taluka</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Karveer</td>
<td>370</td>
</tr>
<tr>
<td>2</td>
<td>Kagal</td>
<td>30</td>
</tr>
<tr>
<td>3</td>
<td>Shahuwadi</td>
<td>30</td>
</tr>
<tr>
<td>4</td>
<td>Panhala</td>
<td>30</td>
</tr>
<tr>
<td>5</td>
<td>Hatkanagale</td>
<td>30</td>
</tr>
<tr>
<td>6</td>
<td>Shirol</td>
<td>30</td>
</tr>
<tr>
<td>7</td>
<td>Gagan Bawada</td>
<td>30</td>
</tr>
<tr>
<td>8</td>
<td>Radhanagari</td>
<td>30</td>
</tr>
<tr>
<td>9</td>
<td>Bhudargad</td>
<td>30</td>
</tr>
<tr>
<td>10</td>
<td>Gadchinglaj</td>
<td>30</td>
</tr>
<tr>
<td>11</td>
<td>Ajarra</td>
<td>30</td>
</tr>
<tr>
<td>12</td>
<td>Chandgad</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>700</td>
</tr>
</tbody>
</table>

Method of Data collection –

For accomplishing the objectives, collection of both primary and secondary data is used. Primary data was collected through survey method by administering separate well structured questionnaire to marketing managers, assistance marketing managers and customers.
Sources of data collection -

In order to accomplish the above objectives & to conduct this study, basically the primary data source is used. Primary data are collected through discussions, personal interviews of the concerned persons & through questionnaires. Secondary data is collected from the various journals, books published & annual reports. There were two distinct sets of respondents’ viz. managers and customers, rendering primary data through the medium of structured questionnaire. Additional information is collected from the Managing Director of the dairy units by conducting structured interview. In interviews open ended questions were asked to gather more information that was rather difficult to collect with the help of questionnaire.

A structured questionnaire was prepared and discussed and pilot study was conducted to test the validity of the questions. With pretested questionnaire, primary data was collected. Five point Likert Scale was used for data collection from marketing managers. Closed ended and open ended questions were incorporated in the questionnaire to collect the data from assistant marketing managers. A well structured closed ended questionnaire was used for the data collection from the customers.

Secondary Data –

The secondary data required for the study was collected from the organization’s annual reports, booklets, production and sales reports. To cover the theoretical aspects of the topic, various books, journals, articles, published, unpublished research studies were used. These references were collected from various libraries as follows –

1. Balasaheb Khardekar Library, Shivaji University, Kolhapur.
2. Jaykar Library, Pune University, Pune.
5. Agriculture College, Pune.
Method adopted for data analysis –

For the study the collected data was processed and tabulated suitably, so as to bring out the information of all aspects of marketing. Data analysis is done by using Microsoft Excel and SPSS software. For the analysis of the data, the following statistical methods were applied.

1. Tabulation and classification
2. Percentage and mean score
3. Mode and Skweness
4. Z test
5. Coefficient of correlation
6. Chi square test

1.8 Chapter Scheme –

A brief outline of the chapters in which the study will be divided is as follows-

1. **Introduction To the Study** -
   
   In this chapter, a detailed note of the objectives and significance of the study, hypothesis of the study, research design, and general methodology adopted to collect the data & information is explained.

2. **Dairy Industry in India** –
   
   This chapter will contain the operation flood phases & its objectives & the developments achieved through operation flood. Also it reveals the current Indian dairy industry scenario, opportunities and challenges for Indian dairy industry and its SWOT analysis.

3. **Dairy Industry in Maharashtra** –
   
   This chapter deals with the situation of dairy industry in Maharashtra. It also contains profile of the Kolhapur District, historical perspective of dairy industry, its growth & development in the Kolhapur.

4. **Review of Literature** -

   In this chapter literature available and the past studies undertaken in this area are studied. For this purpose unpublished Ph.D. thesis, M.Phil
dissertations, UGC sponsored project reports, Published books, Summery of research articles written by experts in the field of dairy development & published in the various periodicals are reviewed. This chapter deals with the theoretical analysis regarding the various aspects of marketing viz. product development, pricing, promotion & physical distribution.

5. **Organisation Profile –**
   This chapter highlights the organization profile of the selected dairy units. Also it studies marketing policies viz. product, price, promotion, physical distribution of selected dairy units.

6. **Data Analysis And Interpretation -**
   This chapter deals with the analysis of the data collected from marketing managers, assistant marketing managers and customers. Analysis is done by using statistical techniques such as Percentage, mean score, mode, skeweness, Z test and coefficient of correlation.

7. **Conclusion & Recommendations –**
   This chapter will highlight the findings & conclusions of the research & an attempt will be made to suggest some remedial measures regarding various aspects of marketing of dairy products.

**References –**


4 Gupta P.R., Managing growth is the challenge, Dairy India, 2007. pp. 15.
11 www.indiadiairy.com