Synopsis of Ph. D Thesis Titled
A STUDY OF KERALA MILK MARKETING FEDERATION AND ITS COMPETITIVENESS IN MILK AND MILK PRODUCTS MARKET IN KERALA

1.0 Introduction

The Kerala Co-operative Milk Marketing Federation Ltd (KCMMF) is the apex body of the dairy co-operatives in Kerala. Following the Anand pattern, it has a three tier structure consisting of the primary dairy co-operative societies at village level (Anand pattern co-operative societies (APCOS), three regional Unions such as Thiruvananthapuram Regional Co-operative Milk Producers Union (TRCMPU), Ernakulam and Regional Co-operative Milk Producers Union (ERCMPU) and Malabar Regional Co-operative Milk Producers Union (MRCMPU). The Federation controls and co-ordinates the activities of both the regional Unions and the APCOS. This study analysed the competitiveness of the MRCMPU with a view to recommend measures to improve its competitiveness.

2.0 Statement of the Problem

KCMMF (popularly referred to as Milma) procures milk from farmers and sells processed milk and milk products throughout Kerala. It is the duty of KCMMF to maintain stable price for milk and to ensure adequate supply of milk in the market of Kerala. Generally KCMMF is left with surplus milk in the monsoon season. Conversion of surplus milk into milk powder causes loss to it. Growing competition from other dairy co-operatives and private firms adds to its problems. In order to set off conversion loss incurred in monsoon, it procures milk at varied prices from the farmers on the basis of the fat content in the milk and sometimes it reduces the procurement price. On the other hand, it increases the consumer price of milk and milk products. Certainly, a slight decrease in the procurement price of milk and a slight increase in the consumer price of milk and milk products must result in an improvement in the earnings of MRCMPU
because of large scale processing and sales of milk and milk products. But in the last many years, the profit of MRCMPU was very low and it had even incurred losses. There is disparity in the efficiency of the regional unions and dairies. MRCMPU has experimented with so many ideas in its operations especially in marketing of milk and milk products. But it could not solve some of the inherent problems. This study aims at identifying and analysing the real problems that MRCMPU faces with a view to help it to formulate an effective strategy to make it vibrant and competitive. For this purpose, the competitive position of MRCMPU was compared with that of Mysore Chamarajanagar District Producers’s Union (MCDMU)

3.0 Objectives

The study is designed for achieving the following objectives.

3.1 Primary Objective

To ascertain the current level of competitiveness of MRCMPU and to recommend measures to ensure its long term competitiveness.

3.2 Secondary Objectives

The secondary objectives are:

1. To evaluate the performance of KCMMF in general and MRCMPU in particular.
2. To analyse the retailer’s performance and retailer’s satisfaction.
3. To evaluate the customer service level of MRCMPU and to identify measures to be taken to maximise the customers’ perceived value of the brand and to enhance the consumer satisfaction.
4. To assess operational efficiency of MRCMPU and recommend measures to enhance efficiency of operations.
4.0 Hypotheses

Based on the objectives set for the study, the following hypotheses have been formulated.

Ho. 1: MRCMPU is competitive as regards the operational activities.

Ho. 2: Dairies of MRCMPU are competitive as regards the operational, financial and value addition activities are concerned.

Ho. 3: MRCMPU is as competitive as its rival with regards to retailer satisfaction.

Ho. 4: MRCMPU is as competitive as its competition with regard to consumer satisfaction

5.0 Research Methodology

In this study, the term ‘competitive advantage’ was taken to measure the competitiveness of MRCMPU. It is a case study as the study is being confined only to MRCMPU Ltd. The study covered the three dairies of MRCMPU viz. Kannur, Kozhikode and Palakkad. The survey of retailers, consumers of Milma brand of milk and milk products, and non users of Milma brand was also conducted. Models were developed to analyse efficiency of operations of MRCMPU. Moreover SWOT Analysis was done to identify strengths, weaknesses, opportunities and threats of MRCMPU.

6.0 Period of Study

The reference period for the study was a period of 16 years from fiscal 1990-91 to fiscal 2005-06. As the audited statements and other data were not readily available for the recent years, in certain cases the study was restricted to less than 16 years.
7.0 Sources of Data

Primary data were collected through field surveys using interview schedules and interviews with senior officials and academic and other experts in this field. The secondary data used were compiled mainly from the annual reports and audited financial statements of KCMMF, MRCMPU and MCDMU.

8.0 Research Design

The study employed a case research approach. But comparisons were made to identify competitive advantage or disadvantage with data of other similar organizations available. A pilot study was conducted in order to identify the gravity of the problems of MRCMPU. For this, Kannur dairy was taken as sample unit and studied. Then the survey of five retailers, twenty consumers and five non users of Milma milk each from Kannur, Kozhikode and Malapuram districts was conducted. Interview schedule was modified and finalized after necessary changes were made to it in the light of the information from the pilot study. The study was spread over four segments of competitiveness such as union-wise competitiveness, Dairy-wise competitiveness, retailers performance and their satisfaction and customer service and consumer satisfaction.

9.0 Tools of Analysis

Simple statistical tools such as percentage and arithmetic mean and other tools such as Three by Three Matrix, Ratio Analysis, Value Addition Techniques, ANOVA, Cornell Technique, SWOT Analysis, Exponential Smoothing, Inventory Control Technique, Single Median Problem and Covering Problem were also used.

10.0 Limitations of the Study

The study is confined only to MRCMPU Ltd., one of the three Unions of KCMMF (Milma). The study mainly depended on the financial statements and annual reports of MRCMPU and other firms. It is presumed that the facts and
figures collected from the above statements and reports are true in all respects. Reasonable approximation is made while framing the model. Since, a lot of data reclassifications had to be done for the study, such reclassifications assumed uniform sales and cost throughout the period. Competitiveness of MRCMPU viz-a-viz the private milk firms could not be studied as the private firms were reluctant to provide necessary data regarding their operations in Kerala.

**11.0 Chapter Scheme**

The work is presented in seven chapters.

The first chapter covers Introduction and research methodology.

The second chapter contains performance evaluation of KCMMF (Milma).

The third chapter deals with performance evaluation of MRCMPU.

The fourth chapter is about the retailers performance and retailers satisfaction.

The fifth chapter focuses on the customer service level of MRCMPU and consumer satisfaction.

The sixth chapter presents models and SWOT Analysis of MRCMPU.

The seventh chapter gives summary, findings and recommendations.

**12.0 Major Findings of the Study in Brief**

- MRCMPU can maintain current share of milk market in future and it can increase volume of sales of existing milk products in future. There chance of consumers deserting Milma products in the near future is low.

- As MRCMPU controls major market share of milk and milk products in Kerala, any improvement in its marketing performance may lead to synergistic effect.

- The intensity of competition from other firms was found to be not generally high.
- MRCMPU was in a position of competitive parity in the case of availability of all varieties of milk in all seasons, price of Milma milk and milk products, quality of Milma milk and milk products, packing of Milma milk and milk products, handling of consumers complaints, innovation in marketing, scheduling of delivery time, and granting of agencies.

- MRCMPU procured 71.0 klpd from Palakkad District but it could sell only 34.0 klpd through Palakkad dairy (from 1991-92 to 2003-04). Surplus milk of MRCMPU was the result of surplus milk from Palakkad District.

- The growth rate in milk sales was not proportionate to the growth in milk procurement. Hence there was an imbalance between milk procurement and milk sales.

- Milk sales per agency of MRCMPU showed a steady decrease. The reasons were overcrowding of agencies and inefficiencies of agencies in selling milk.

- The ratio of procurement price and transport cost to the selling price of the milk of MRCMPU was higher than that of MCDMU.

- Incremental value addition of MRCMPU was unsatisfactory

- Major portion of total value addition of MRCMPU was applied for meeting employee cost.

- Long-term debts constituted a major portion in the total capitalisation of the Union

- MRCMPU was in a position of competitive parity in terms overall retailers satisfaction score.

13.0 Recommendations

- MRCMPU must take measures to minimise, integrate the retail network by employing own employees or engaging retail relationship managers who
must be in constant touch with retailers and attending to their complaints and problems.

- MRCMPU must gather suggestions and complaints from the retailers while distributing milk and milk products and it must take necessary corrective action in future.

- Route optimization of various procurement and distribution routes can be done in order to standardise procurement and distribution outlets.

- MRCMPU must concentrate to eliminate the gap between demand for and supply of its milk and milk products.

- If demand-supply mismatch in Palakkad district is handled properly, this problem of surplus milk can be contained.

- MRCMPU must make periodical evaluation of the performance of agencies.

- MRCMPU must gather and evaluate necessary data regarding the opinion of consumers, retailers, wholesalers, employees and public about the performance of MRCMPU, various aspects of milk and milk products, innovations and challenges in the milk and milk products market. For this suggestion boxes may be fixed in the APCOS, retail outlets, dairies and chilling plants.

- The joint impact of demand and replenishment cycle (performance cycle) variability can be considered to ascertain safety stock and closing inventory.

- MRCMPU must monitor the optimum utilisation of plant capacity to avoid idle time and bottlenecks during the production process.

- Proper discipline must be ensured throughout the distribution network with better supervision.
Location planning by comparing the total weight distances of each logistics centre can be followed. In this case, a particular logistics centre or two or more logistics centres, which have the lowest total cost, may be identified to ensure best customer service.

Necessary feedback system must be adopted in order to coordinate the functions of various dairies, chilling plants and Union.

Activity Based Costing (ABC) system can be followed in order to ascertain product wise cost structure.

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