CHAPTER 5

ENVIRONMENTAL SCANNING IN DAIRY PRODUCTS SEGMENT
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Environment means the surroundings, external objects, influences or circumstances under which someone or something exists. The environment of any organization is the aggregate of all conditions, event and any influence that surrounds and affects it.

5.1 EXTERNAL AND INTERNAL ENVIRONMENT:

The external environment includes all those factors outside the organization, which provide opportunities or poses threat to the organization. The Internal Environment refers to all the factors within an organization, which impart strengths or cause weakness of strategic nature.

The environment in which an organization exists can be described in terms of the opportunities and threats operating in the external environment apart from the strengths and weaknesses existing in the Internal Environment. The four environment influences can be described as follows.

❖ **Opportunity:** It is a favorable condition in the organization’s environment, which enables it to consolidate and strengthen its position.

❖ **Threat:** It is an unfavourable condition in the organization’s environment, which creates a risk or causes damage to the organization.

❖ **Strength:** It is an inherent capacity which an organization can use to gain strategic advantage over its competitors.

❖ **Weakness:** It is an inherent limitation or constraint which creates a strategic disadvantage.

Business firms undertake SWOT analysis to understand the external and internal environment. SWOT stands for strengths, weakness, opportunities
and threats, and is also known as WOTS-UP analysis. Through such an analysis, the strengths and weakness existing within an organization can be matched with the opportunities and threats operating in the environment so that an effective marketing strategy can be formulated.

The process of strategy formulation starts with and erratically depends on the appraisal of the external and internal environment of an organization.

5.2 SOURCES OF INFORMATION FOR ENVIRONMENT SCANNING:

The various sources for collecting the data for environmental scanning can be classified in different ways. Formal and informal are two sources. Then there can be written as well as verbal sources. In terms of origin, data sources can be external and internal.

Given below are some of the important types of sources of information for Environment Scanning.

❖ Documentary or secondary source of information:

• Newspapers, magazines, Journals, books related with various Industries.

• Industry association newsletters, root publications, annual report of marketing and competitor companies.

❖ Internal sources like companies’ files and documents, management information system, company employees etc.

❖ External agencies like Customers, Marketing intermediaries, Suppliers Trade associations, Gout agencies etc.

❖ Formal studies done by Employees, Market research agencies, Consultants and Educational Institutions.
Spies and surveillance through Ex. Employees of competitors, Industrial espionage or by planting “moles” in competitor companies.

5.3 METHOD AND TECHNIQUES USED FOR ENVIRONMENT SCANNING:

Various methods and techniques are available for environmental scanning. There are formal and systematic techniques as well as intuitive methods available. Researcher may choose from among there methods and techniques those which suit his need in terms of the quantity, quality, availability, timeliness, relevance and cost of environmental information.

Various authors have mentioned the methods and techniques used for environmental scanning, Le Bell and Krasner outlined nine groups of techniques: Single-variable extrapolation, theoretical limit envelopes, dynamic modes, mapping, multivariable interaction analysis, unstructured expert opinion, structured expert opinion, structured inexpert opinion, unstructured inexpert speculation.

Fahey, King and Narayanan have included ten techniques in their survey of environmental scanning and forecasting in strategic planning. These are Scenario - writing, simulation, morphological analysis, games theory, cross impact analysis, field anomaly relation, multi-echelon coordination and other forecasting techniques. While many of these techniques are based on statistical methods used for forecasting some of them, like scenario-writing may not use statistical information but employ informed judgment and intuition to predict what the future is most likely to be, expressed is the form of a descriptive statement or report.

As an illustration of how environmental scanning can be done by the strategist, I have briefly explained a technique called QUEST (Quick Environment Scanning Technique) proposed by B. Nanus. QUEST is a four-
step process which uses scenario writing for scanning the environment and identifying strategic options.

The steps involved in applying the techniques are:

1. Make observations about the major events and trends in the industry.
2. Speculate on a wide range of important issues that might affect the future of the organization by the environment.
3. Prepare a report summarizing the major issues and their implications.

5.4 ENVIRONMENT SCANNING FACTORS IN THE DAIRY SEGMENT:

A. FINANCIAL CAPABILITY:

- Questions related to sources of funds
  a. Is the organizations capital structure satisfactory?
  b. Can the organization raise capital from the market?
  c. Does the financing pattern make the organization dependent on outsiders?
  d. Is the reserved and surplus position healthy?
  e. Is relationship with banks and financial Institutions cordial?

- Questions related to usage of funds
  f. Are adequate investment opportunities available?
  g. What type of relationships exist with shareholders?

- Questions related to Management of funds
  a. How effective and efficient are the financial, accounting and budgetary systems?
  b. What trends the various financial ratios indicate?
  c. Have they been satisfactory over the last few years?
d. What is the status of the ongoing projects?

B. MARKETING CAPABILITY:

❖ Questions related to products or services

a. Does the organization offer variety of products or services?
b. What is the level of product differentiation?
c. Does the product-mix satisfy market requirements?
d. Are there products, which do not contribute to profitability?
e. What steps have been taken to phase out such products?
f. How do the products compete with others in the Industry?

❖ Questions related to price

g. What are the pricing objectives pursued?
h. Are they oriented towards profit maximization, sales revenue maximization?
i. Do the priming policies conform to market requirement?

❖ Questions related to promotion

j. Does the organization use relevant promotional tools?
k. Are the different forms of promotion used effectively in generating sales?
l. What does market research indicate regarding promotion?
m. Are the funds allocated to promotion used effectively?

❖ Questions related to integrative and systematic factors

n. How does the organization compare with others of its kind in terms of market standing and image?
o. What are the strengths and weakness in the marketing organization?
ENVIRONMENTAL SCANNING IN DAIRY PRODUCT SEGMENT

p. How effective is the marketing management information system?

C. OPERATIONS CAPABILITY FACTORS:
   ❖ Question related to the production system
     a. Does the plant location offer any unique advantages or disadvantages?
     b. Is the plant capacity of the requisite level?
     c. Do work systems support efficiency and productivity?
   ❖ Question related to Operations and Control
     a. Is the material supply system reliable?
     b. What is the efficiency and effectiveness of the inventory control system?
     c. How effective are the cost, quality and maintenance system?
   ❖ Questions related to the Research and Development system (R&D)
     a. Does the organization posses certain distinct advantages with respect to R&D personnel, facilities and technology?
     b. How far do technology collaborations benefit the organization?

D. PERSONNEL CAPABILITY:
   ❖ Questions related to the personal system
     a. How effective are the various personal systems like manpower planning, selecting, development etc.
   ❖ Question related to organization & employee characteristics
     a. How does the organization compare with other of its kind in terms of corporate image?
     b. Does the organization possess unique advantages with regard to the quality of its Managers, staff and Workers?
c. What special benefits does the organization offer to its employees, which others do not offer?

E. GENERAL MANAGEMENT CAPABILITY:

✦ Question related to general managers

a. Does the top management possess the required orientation to implement strategies?

✦ Question related to external Relationship

a. What is the level of influence that the organization has on governmental regulatory institutions and financial institutions?

b. Is the organization able to manage its public relations well?

c. Does the organization discharge its social responsibilities well?

✦ Questions related to organization climate

a. Does the organization culture support the achievement of objectives?

b. Is the use of power, political equations, the balance of vested interests conducive to achievement of objectives?

5.5 DYNAMICS OF INTERNAL ENVIRONMENT:

The dynamic of the internal environment of an organization can be understood in terms of the organizational resources and behaviour, strengths and weakness, synergistic effects, and the distinctive competencies.

An organization uses different types of resources and exhibits a certain type of behaviour. The combination of these different resources along with the prevalent behaviour produces synergy or dysergy within an organization, which lead to the development of strengths or weaknesses over a period of time. Some of these strength make an organization competent in a particular area of its activity causing it to develop a distinctive competence.
Organizational capability rests on an organization's capacity and ability to use its distinctive competencies to excel in a particular field.

The resource, behaviour, synergy, strength and weaknesses, and distinctive competence of an organization determine the nature of its internal environment.

A. ORGANIZATIONAL RESOURCES:

Organizational resources are the physical and human resources used as inputs by an organization to create outputs in the form of products and services through a transformation process. All organizations use resources of different types. Some of the important types of resources are people, money, materials, facilities, systems, and knowledge. Very few organizations, like individuals, are born with a silver spoon in the mouth; most organizations have to acquire resources the hard way. The cost and availability of resources are the most important factors on which the success of an organization depends. If an organization is favourably placed with respect to the cost and availability of a particular type of resource, it possesses an enduring strength, which may be used as a strategic weapon by it against its competitors. Conversely high cost and scarce availability of resources cause a persistent strategic weakness in an organization.

B. ORGANIZATIONAL BEHAVIOUR:

Organizational behaviour is the manifestation of the various forces and influences operating in the internal environment of an organization that create the ability of or place constraints in the usage of resources. Organizational behaviour is unique in the sense that it leads to the development of a special identity and Character of an organization. Some of the important forces and influences that effect organizational behaviour are:

The quality of leadership, management philosophy, shared values and
culture, quality of work environment, organizational climate, organizational politics, use of power, etc.

C. STRENGTHS AND WEAKNESSES:

Organizational resources and behaviour do not exist in isolation. They combine in a complex fashion to create strengths and weaknesses within the internal environment of an organization. Strength is an inherent capability, which an organization can use to gain strategic advantage. A weakness, on the other hand, is an inherent limitation or constraint, which creates a strategic disadvantage for an organization. Financial strength, for example, is a result of the availability of sources of finances, low cost of capital, efficient use of funds, etc. A weakness in the operation area results from inappropriate plant location and layout, obsolete plant and machinery, uneconomical operations, etc. In the following section, we shall take up a detailed discussion of strengths and weaknesses in different functional areas within an organization.

Strengths and weaknesses do not exist in isolation but combine within a functional area and also across different functional area to create synergistic effects.

D. SYNERGISTIC EFFECTS:

It is the inherent nature of organizations that strengths and weakness, like resources and behaviour, do not exist individually but combine in a variety of ways. For example, two strong points in a particular functional area add up to something more than double the strength. Likewise, two-weakness acting in tandem results in more than double the damage. In effect, what we have is a situation where attributes do not add up mathematically but combine to produce an enhanced or a reduced impact. Such a phenomenon is known as the synergistic effect. Synergy is an idea that the whole is greater or lesser
then the sum of its parts. It is also expressed as two plus two is equal to five or three effect. Within an organization, synergistic effects occur in a number of ways. For example, within a functional area, say of marketing the synergistic effect may occur when the product, pricing, distribution and promotion aspects support each other, resulting in a high level of marketing synergy. At a higher level, the marketing and production areas may support each other, leading to operating synergy. On the other hand, the marketing inefficiency reduces the production efficiency, the overall impact being negative, in which case dysergy (or negative synergy) occurs. In this manner, synergistic effects are an important determinant of the quality and type of the internal environment existing within an organization and may lead to the development of distinctive competencies.

E. DISTINCTIVE COMPETENCE:

On the basis of its resources and behaviour, an organization develops certain strengths and weakness which when combined lead to synergistic effects. Such effects manifest themselves in terms of organizational competencies. In other words the net result of the strategic advantages and disadvantages that exists for an organization determines its ability to compete with its competitors. When a specific ability is possessed by a particular organization exclusively or in relatively large measure, it is called a distinctive competence.

A distinctive competence is "any advantage a company has over its competitors because it can do something which they cannot or it can do something better than they can". It is not necessary, of course, for all organizations to possess a distinctive competence. Neither do all organizations, which possess certain distinctive competencies, use them for strategic purposes. Nevertheless, the concept of distinctive competence is useful for the purpose of strategy formulation. The importance of distinctive competence to strategy formulation rests with "the unique capability it gives
an organization in capitalizing upon a particular opportunity, the competitive edge it may give a firm in the marketing place and the potential for building a distinctive competence and asking it the cornerstone of strategy”

Many organizations achieve strategic success by building distinctive competencies around the critical success factors. Few examples of distinctive competencies are given below.

- Superior product quality on a particular attribute say two-wheelers, which is more fuel-efficient than its competitors products.
- Creation of a marketing niche by supplying highly specialized products to a particular market segment.
- Differential advantage based on superior research and development skills, of an organization not possessed by its competitors.
- Access to a low-cost financial source like equity shareholders by an organization not available to its competitors.

F. ORGANIZATIONAL CAPABILITY:

Organizational capability is the inherent capacity or potential of an organization to use its strengths and overcome its weaknesses in order to exploit opportunities and face threats in its external environment. Since organizational capability is the capacity or potential of an organization, it means that it is a measurable attribute. And since it can be measured, it follows that organizational capability can be compared. But such a statement is obviously oversimplified. Organizational capability is a highly subjective attribute and is very different, if not impossible, to measure. As an attribute, it is the sum total of resources and behaviour, strengths and weaknesses, synergistic effects occurring in and the distinctive competence of any organization.

Strategists are primary interested in organizational capability because of two reason. First, they wish to know what capacity exists within the organization
to exploit opportunities or face threats in its environment. Secondly, they are interested in knowing what potential should be developed within the organization so that opportunities could be exploited and threats could be faced in future. Organizational capability is measured and compared through the process of organizational appraisal. A feasible approach to appraising the organization is to start with the factor and influences operating within the organization, which is known as organizational capability factors.

5.6 ORGANIZATIONAL CAPABILITY FACTORS:
Organizational capability factors or simply capability factors are the strategic strengths and weakness existing in different functional areas within an organization which are of crucial importance to strategy formulation. Other terms synonymous to organizational capability factors are: Strategy factors, strategic advantage factors, strategic advantages, corporate competence factors etc.

Different types of capability factors exist within the internal environment of an organization. For the purpose of explanation, authors have divided them into different functional areas. In this book, we have divided the organization into five largely accepted and commonly understood functional areas. These are: Finance, Marketing, Operations, Personal and General Management. It should be remembered, however, that such a division is arbitrary and organizations need to choose a basis for classification that would be the most relevant to there structures, functions and activities. For instance, a service organization like a corporate hospital may have besides different specialties, functions such as a laboratory, radiology unit, therapy, purchase and stores, personnel, housekeeping and accounting. The organization of such a type would have functional areas based on its typical activities.
A. FINANCIAL CAPABILITY:

Financial capability factors relate to the availability, usage, and management of funds and all allied aspects that have a bearing on an organization’s capacity and ability to implement its strategic.

Some of the important factors which influence the financial capability of any organization are as follows:

- Factors related to sources of funds: Capital structure, procurement of capital, controllership, financial pattern, working capital availability, borrowings, capital and credit availability, reserves and surplus, and relationship with lenders, banks and financial institutions.

- Factors related to usage of funds: Capital investment, fixed asset acquisition, current assets, loans and advances, dividend distribution, and relationship with shareholders.

- Factors related to management of funds: Financial accounting and budgeting systems, management control system, state of financial health, cash, inflation, credit, return and risk management, cost reduction and control, tax planning and advantages.

**Typical strengths that support financial capability**

- Access to financial resources
- Amicable relationship with financial institutions
- High level of creditworthiness
- Efficient capital budgeting system
- Low cost of capital as compared to competitors
- High level of shareholder’s confidence
- Effective management control system
- Tax benefits due to various government policies.
B. MARKETING CAPABILITY:

Marketing capability factors related to the pricing, promotion, and distribution of products or services and all the allied aspects that have a bearing on an organization's capacity and ability to implement its strategies. Some of the important factors which influence the marketing capability of an organization are as follows:

- **Product-related factors**: Variety, differentiation, mix, quality, positioning, packaging etc.
- **Price-related factors**: Pricing objectives, policies, changes, protection.
- **Promotion-related factors**: Promotional tools, sales promotion, advertising, public relations, etc.
- **Integrative and systemic factors**: Marketing mix, distribution system, marketing standing, company image, marketing organization, marketing system, marketing management information system, etc.

**Typical strengths that support marketing capability**

- Wide variety of products
- Better quality of products
- Low price as compared to the similar products in the market
- Price protection due to government policy
- Effective sales promotion
- High-profile advertising
- High quality customer service
- Effective distribution system
- Favourable company and product image
- Effective marketing management information system
C. OPERATIONS CAPABILITY:

Operations capability factors relate to the production of services, use of material resources and all allied aspects that have a bearing on an organization's capacity and ability to implement its strategies.

Some of the important factors which influence operations capability of an organization are as follows:

❖ **Factors related to the production system**: Capacity, location, layout, product or service design, work systems, degree of automation, extent of vertical integration etc.

❖ **Factors related to the operations and control system**: Aggregate production planning, materials supply, inventory, cost and quality control; maintenance systems and procedures, etc.

❖ **Factors related to the R & D system**: Personnel, facilities, product development, patent rights, level of technology used, technical collaboration and support etc.

**Typical strengths that support operations capacity**

- High level of capacity utilization
- Favourable plant location
- High degree of vertical integration
- Reliable sources of supply
- Effective control of operational costs
- Existence of good inventory control system
- Availability of high caliber R & D personnel
- Technical collaboration with reputed firms abroad
D. PERSONNEL CAPABILITY:

Personnel capability factors relate to the existence and use of human resources and skills and all allied aspects that have a bearing on an organization’s capacity and ability to implement its strategies.

Some of the important factors which influence the personnel capability of an organization are as follows:

- **Factors related to the personal system**: System for manpower planning, selection, development, compensation, communication, appraisal, position of the personal department within the organization, procedures and standards, etc.

- **Factors related to organizational and employees characteristics**: Corporate image, quality of managers, staff and workers, perception about and image of the organization as an employer, availability of development opportunities for employees, working conditions, etc.

- **Factors related to industrial relations**: Union-management relationship, collective bargaining, safety, welfare and security; employee satisfaction and morale etc.

**Typical strengths that support personnel capability**

- Genuine concern for human resources management & development
- Efficient and effective personnel systems
- The organization perceived as a fair and model employer
- Excellent training opportunities and facilities
- Congenial working environment
- Highly satisfied and motivated workforce
- High level of organizational loyalty
- Low level of absenteeism
- Safe and salutary working conditions
E. GENERAL MANAGEMENT CAPABILITY:

General management capability relates to the integration, coordination, and direction of the functional capabilities towards common goals and all allied aspects that have a bearing on an organization's capacity and ability to implement its strategies.

Some of the important factors, which influence the general management capability of an organization, are as follows:

- **Factors related to the general management system:** Strategic management system, processes related to mission, purpose objective setting, strategy formulation and implementation machinery, strategy evaluation system, management information system, corporate planning system, rewards and incentives system for top managers etc.

- **Factors related to general managers:** Orientation, risk-propensity, values, norms, personal goals, competence, capacity for work, track record, balance of functional experience, etc.

- **Factors related to external relationship:** Influence on and rapport with the government, regulatory agencies and financial institutions; public relations; sense of social responsibility, philanthropy, public image as corporate citizen etc.

- **Factors related to organizational climate:** Organizational culture, use of power, political processes, balance of vested interests, interests, introduction, acceptance and management of change; nature of organizational structure and controls etc.

**Typical strengths that support general management capability**

- Effective system for corporate planning

- Control, reward and incentive system for top managers geared to the achievement of objectives.
• Entrepreneurial orientation and high propensity for risk-taking
• Good rapport with the government and bureaucrats
• Favorable corporate image
• Commonly being perceived as a good organizational to work for
• Development-oriented organizational culture
• Political processes used for consensus-building in organizational interest
• Effective management of organizational change

5.7 STRATEGIC ADVANTAGE PROFILE IN DAIRY SEGMENT:

Based on the detailed information presented in the form of primary and secondary data, it is possible for researchers to prepare a concise chart of strategic advantage profile or competitive advantage profile of National and Multinational Players in dairy product segment.

[Main sources of information: Environmental capability factor analysis in dairy segment]

After the presentation of Strategic Advantage Profile (SAP), the strategists of dairy industry are in a position to assess the relative strengths & weaknesses of national and multinational players in each of the following functional areas and identify the gaps that need to be corrected so that the opportunities could be used. The preparation of SAP provides a convenient method to determine the relative priorities of an organization vis-à-vis its competitors, its vulnerability to outside influences, the factors that support or pose a threat to its existence and its overall capability to compete in industry.
## STRATEGIC ADVANTAGE PROFILE (SAP) OF AMUL

<table>
<thead>
<tr>
<th>Capability Factors</th>
<th>Competitive Strengths/Weaknesses</th>
</tr>
</thead>
</table>
| **Marketing**      | • Largest assortment of dairy products given by any company with considerable depth.  
                          • Product Mix satisfy the market requirement  
                          • Butter and Cheese are cash cow that contribute to the overall profitability in a big way  
                          • Market leader in the dairy product industry will satisfy quality and reasonable priced products  
                          • To defend its position as a market leader  
                          • Efficient use of print-electronic media, POP and outdoor advertising  
                          • Highly creative advertising and effective use of promotional tool.  
                          • Intensive distribution network and all products are easily available in the market |
| **Production**     | • State of art technology used.  
                          • Budget for new product development.  
                          • Strong R & D facilities.  
                          • High milk collection leads to high production. |
| **Finance**        | • Cash rich company  
                          • Healthy relationship with bank and other financial institutions |
| **Personnel**      | • Top management consists highly qualified and experienced, renowned personnel with sharp business acumen  
                          • Favourable corporate image  
                          • Effectively managed cooperative structure |
## STRATEGIC ADVANTAGE PROFILE (SAP) OF NESTLE

<table>
<thead>
<tr>
<th>Capability Factors</th>
<th>Competitive Strengths / Weaknesses</th>
</tr>
</thead>
</table>
| **Marketing**      | ❖ Product mix offers in almost all product categories under consideration to satisfy the market requirement to considerable extent  
❖ Condensed milk and chocolate contribute to substantial profitability of the company  
❖ One of the largest player in the market offering premium product at premium price  
❖ Product quality leadership  
❖ Focus primarily on electronic media for promotion of its products  
❖ Effective use of electronic and print media in positioning its products as premium quality amongst its target segment  
❖ Dairy whitener, chocolate and condensed milk are easily available  
❖ Wider distribution of network  
❖ Poor availability of Nestle’s Butter |
| **Production**     | ❖ Strong in R & D  
❖ Superior in technology  
❖ Effective Quality control system  
❖ High budget for new product development. |
| **Finance**        | ❖ High cash rich company  
❖ Blue-chip company  
❖ Healthy relationship with financial institutions |
| **Personnel**      | ❖ Experienced top management  
❖ Professionally qualified staff |
### Chart No.: 5.3

**Strategic Advantage Profile (SAP) of Britannia**

<table>
<thead>
<tr>
<th>Capability Factors</th>
<th>Competitive Strengths/Weaknesses</th>
</tr>
</thead>
</table>
| **Marketing**      | ♦ Product assortment consists of Butter, Cheese & Dairy Whitener etc.  
♦ Lacuna in the product mix compared to other market players in dairy product category  
♦ Cheese & Butter considerable significance to the profitability but dairy whitener is still in question marks.  
♦ Market share maximization  
♦ Focus on print & electronic media  
♦ Frequency & effectiveness of advertisement in case of product categories under consideration are not up to the requisite level in comparison to others |
| **Production**     | ♦ Relative not strong in R & D  
♦ Used advanced technology for production  
♦ Relatively lower budget for new product development |
| **Finance**        | ♦ Cash rich company  
♦ Proper allocation of funds  
♦ Healthy relationship with banks & financial institutions |
| **Personnel**      | ♦ Experienced top management  
♦ Recruiting limited number of professionals |
### STRATEGIC ADVANTAGE PROFILE (SAP) OF CADBURY

<table>
<thead>
<tr>
<th>Capability Factors</th>
<th>Competitive Strengths / Weaknesses</th>
</tr>
</thead>
</table>
| **Marketing**      | • Concentrate on the chocolate segment among the category under consideration.  
                    • Does not satisfy the market requirement. It focuses its resources only on the chocolate segment  
                    • Leader in chocolate segment  
                    • Product quality leadership  
                    • Promote its chocolate primarily through audio-visual media  
                    • Creative advertisement, capable of reinforcing the premium quality image of the company's product  
                    • Intensive distribution network in chocolate segment. |
| **Production**     | • Relatively strong in R & D  
                    • Use advanced technology for production  
                    • Relatively high budget for new product development |
| **Finance**        | • High cash rich company  
                    • Global player in the chocolate segment  
                    • Healthy relation with banks and other financial institutions  
                    • Sound Financial status |
| **Personnel**      | • Experienced top management  
                    • Professional and skilled manpower. |
5.8 SWOT ANALYSIS OF INDIAN DAIRY INDUSTRY:

SWOT analysis of Indian dairy industry as follows:

A. STRENGTHS:

- **Demand profile:** Absolutely optimistic.

- **Margins:** Quite reasonable even on packed liquid milk.

- **Flexibility of product mix:** Tremendous. With balancing equipment, you can keep on adding to your product line.

- **Availability of raw material:** Abundant. Presently, more than 80 per cent of milk produced is flowing into the unorganized sector which requires proper channelization.

- **Technical manpower:** Professionally trained, technical human resource pool, built over last 30 years.

B. WEAKNESSES:

- **Perishability:** Pasteurization has overcome this weakness partially. UHT gives milk long life. Surely, many new processes will follow to improve milk quality and extend its shelf life.

- **Lack of control over yield:** Theoretically, there is little control over milk yield. However, increased awareness of developments like embryo transplant, artificial insemination and properly managed animal husbandry practices, coupled with higher income to rural milk producers should automatically lead to improvement in milk yields.

- **Logistics of procurement:** Bad roads and inadequate transportation facility make milk procurement problematic. But with the overall economic improvement in India, these problems will also get solved.
Problematic distribution: Yes, all is not well with distribution. But then if ice creams can be sold virtually at every nook and corner, why can’t we sell other dairy products too? Moreover, it is only a matter of time before we see the emergence of a cold chain linking the producer to the refrigerator at the consumer’s home!

Competition: With so many newcomers entering this industry, competition is becoming tougher day by day. But then competition has to be faced, this is a fact. The market is large enough for many to carve out their niche.

C. OPPORTUNITIES:

In India, the following areas must be tapped:

Value addition: There is a phenomenal scope for innovations in product development, packaging and presentation. Given below are potential areas of value addition:

- Steps should be taken to introduce value-added products like shrikhand, ice creams, paneer, khoa, flavored milk, dairy sweets, etc. This will lead to a greater presence and flexibility in the market place along with opportunities in the field of brand building.

- Addition of cultured products like yoghurt and cheese provide further strength - both in terms of utilization of resources and presence in the market place.

- A lateral view opens up opportunities in milk proteins through casein; caseinates and other dietary proteins, further opening up export opportunities.
• Yet another aspect can be the addition of infant foods, geriatric foods and nutritional.

❖ Export potential: Efforts to exploit export potential are already on. Amul is exporting to Bangladesh, Sri Lanka, Nigeria, and the Middle East. Following the new GATT treaty, opportunities will increase tremendously for the export of agri-products in general and dairy products in particular.

D. THREATS:

❖ Milk vendors, the un-organized sector: Today milk vendors are occupying the pride of place in the industry. Organized dissemination of information about the harm that they are doing to producers and consumers should see a steady decline in their importance.

It is evident that the ‘strengths’ and ‘opportunities’ far outweigh ‘weaknesses’ and ‘threats’. Strengths and opportunities are fundamental and weaknesses and threats are transitory.

The Indian dairy industry, following its delicensing, has been attracting a large number of entrepreneurs. Their success in dairy depends on factors such as an efficient yet economical procurement network, hygienic and cost-effective processing facilities and innovativeness in the market place.
<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand image</td>
<td>Highly formal hierarchy structure resulting in delay in decision making</td>
</tr>
<tr>
<td>Wider product mix in dairy product segment</td>
<td></td>
</tr>
<tr>
<td>Sound inbound and outbound logistic</td>
<td></td>
</tr>
<tr>
<td>Strong brand equity</td>
<td></td>
</tr>
<tr>
<td>Advertising is creative and effective</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer taste and preference</td>
<td></td>
</tr>
<tr>
<td>Increasing consumption pattern in dairy product segment</td>
<td></td>
</tr>
<tr>
<td>Emerging rural market</td>
<td></td>
</tr>
<tr>
<td>Increasing the demand of packaged dairy products</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>THREATS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition amongst local players and multinational companies.</td>
<td></td>
</tr>
<tr>
<td>Change in consumer's preferences and taste</td>
<td></td>
</tr>
<tr>
<td>Competition in dairy product industry getting stiffer day by day</td>
<td></td>
</tr>
<tr>
<td>Major threat to its butter and cheese comes from Britannia and organized sector (Parag, Mother Dairy etc.)</td>
<td></td>
</tr>
</tbody>
</table>
### SWOT Analysis of Nestle

| **STRENGTHS** | • Brand image  
|               | • Premium Product  
|               | • Wide product mix  
|               | • Strong distribution channel in urban area  
|               | • Effective advertising  
| **WEAKNESSES** | • Premium Price  
|               | • Not easily available in rural market  
|               | • Does not have full fledged position in dairy product segment  
| **OPPORTUNITIES** | • Emerging upper middle and middle class  
|               | • Increasing the demand of quality dairy products  
|               | • Increasing the demand of packaged dairy products  
| **THREATS** | • Competition amongst local players and National companies  
|            | • Change in consumers preferences and taste  
|            | • Competition in dairy product industry getting stiffer day by day  

# SWOT Analysis of Britannia

<table>
<thead>
<tr>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong financial and strategic backup from its parent company</td>
</tr>
<tr>
<td>• Growing distribution network in dairy segment</td>
</tr>
<tr>
<td>• Well established distribution network for its bakery products</td>
</tr>
<tr>
<td>• Good product mix</td>
</tr>
</tbody>
</table>

| Weaknesses                                     | |
|-----------------------------------------------|
| • Lack of product differentiation             |
| • Ineffective advertisement                   |
| • Not easily available in rural market         |
| • Does not have proper positioning in dairy product segment |

<table>
<thead>
<tr>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Consumers taste and preferences</td>
</tr>
<tr>
<td>• Increasing consumption pattern in dairy product segment</td>
</tr>
<tr>
<td>• Emerging rural market</td>
</tr>
<tr>
<td>• Increasing the demand of packaged dairy products</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Competition amongst local players and National companies.</td>
</tr>
<tr>
<td>• Change in consumers preferences and taste</td>
</tr>
<tr>
<td>• Growing competition in dairy product industry</td>
</tr>
</tbody>
</table>
### SWOT Analysis of Cadbury

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Strong financial &amp; strategic backup from its parent multinational company</td>
<td></td>
</tr>
<tr>
<td>- Cash rich company</td>
<td></td>
</tr>
<tr>
<td>- Favourable brand image</td>
<td></td>
</tr>
<tr>
<td>- Strong brand equity</td>
<td></td>
</tr>
<tr>
<td>- Market leader in chocolate segment</td>
<td></td>
</tr>
<tr>
<td>- Intensive distribution network</td>
<td></td>
</tr>
<tr>
<td>- Premium quality of its products</td>
<td></td>
</tr>
<tr>
<td>- Effective advertising reinforcing its image of company that believes in quality</td>
<td></td>
</tr>
<tr>
<td>- Creative advertising suggesting new purchase occasion</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WEAKNESSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Lack of full product range in dairy product segment</td>
<td></td>
</tr>
<tr>
<td>- Brand cannibalization</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Growing consumption of chocolate among children &amp; adults.</td>
<td></td>
</tr>
<tr>
<td>- Growing awareness about quality</td>
<td></td>
</tr>
<tr>
<td>- Consumer taste &amp; preference</td>
<td></td>
</tr>
<tr>
<td>- Emerging rural market</td>
<td></td>
</tr>
<tr>
<td>- Increasing the demand of packaged dairy products</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>THREATS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Competition amongst national and other multinational companies.</td>
<td></td>
</tr>
<tr>
<td>- Change in consumers preferences and taste</td>
<td></td>
</tr>
<tr>
<td>- Over penetration in chocolate segment in comparison to other dairy products</td>
<td></td>
</tr>
<tr>
<td>- Calorie conciseness among teenagers</td>
<td></td>
</tr>
</tbody>
</table>
5.9 PORTFOLIO ANALYSIS:

Portfolio analysis is used as the tools to study the market scenarios and strategic decisions concerning product mix of industry. This was done considering the main advantage of this approach for multi-product, multi-business firm in the dairy product industry where resources could be canalized for taking corporate level to those businesses that possess the greatest potential.

The most popular technique is used and the results are as the Boston Consulting Group (BCG) matrix or product portfolio matrix.

BCG Model:

This model categorized product into four groups: question marks, stars, cash cows, & dogs based on their market share relative to competition and the market growth rate. An important assumption made by BCG is that products can be treated as Strategic Business Units (SBU), provided they fulfilled the following conditions.

- The products/SBU must have a clear well-defined and identifiable competitor, which is trying to outsmart the firm.
- The products/SBU can be planned separately from the rest of the firm.
- It has an independent manager responsible for its sales, profits and strategic planning.

Further, the BCG Model assumes a market growth rate of 10% as the cut-off point. All SBUs growing a rate higher than 10% are in the high growth segment and those growing at a rate lower than this were perceived to be in the low growth segment. Market growth rate is represented on the vertical axis.

STARS: Stars are high growth, high market share businesses, which may or not self sufficient in terms of cash flow. This cell corresponds closely to the
growth phase of the Product Life Cycle (PLC). To a large extent, govt. priorities, seek to determine the star status of any industry in India.

**Strategy:** Expansion strategy to establish a strong competitive position.

**CASH COW:** As the term indicates, cash cows are businesses, which generate large amounts of cash, but their rate of growth is slow. In terms of PLC these are generally mature businesses, which are reaping the benefits of experience curve. The cash generation exceeds the reinvestment that could profitability be made into cash cow. The cash generated by cash cow is reinvested in stars & question marks.

**Strategy:** Mainly adopt stability strategies. Where the long term prospects are exceptionally bright, limited expansion could be adopted. As cash cow industries lose their attractiveness and tend towards decline, a phased retrenchment strategy may be feasible.

**QUESTION MARK:** Business with high industry growth but low market share for companies are question marks or problem children. They require large amount of cash to maintain or gain market share. Question marks are usually new products or services, which have a good commercial potential

**Strategy:** No single set of strategies could be recommended. If the company feels that it can obtain a dominant market share, it may select expansion, otherwise retrenchment strategy may be amore realistic alternative. Question marks therefore may become stars if enough investment is made or they may dogs if ignored.

**DOG:** Those businesses which are related to slow-growth industries & where a. company has a low relative market share are termed as dogs. They neither nor require large amounts of cash. In terms of PLC, the dogs are usually products in the late maturity or declining stage.

**Strategy:** Retrenchment strategies are normally suggested. But government policies may prevent retrenchment and dogs may be artificially sustained.
Boston Consulting Group (BCG) Matrix

<table>
<thead>
<tr>
<th>Market Growth Rate</th>
<th>Relative Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td>STAR</td>
</tr>
<tr>
<td>LOW</td>
<td>PROBLEM CHILD</td>
</tr>
<tr>
<td>HIGH</td>
<td>CASH COW</td>
</tr>
<tr>
<td>LOW</td>
<td>DOG</td>
</tr>
</tbody>
</table>

Portfolio Analysis of Dairy Industry

<table>
<thead>
<tr>
<th>Market Growth Rate</th>
<th>Relative Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td>CHEESE</td>
</tr>
<tr>
<td>LOW</td>
<td>DAIRY WHITENER</td>
</tr>
<tr>
<td>HIGH</td>
<td>BUTTER, CHOCOLATE</td>
</tr>
<tr>
<td>LOW</td>
<td>CONDENSED MILK</td>
</tr>
</tbody>
</table>

Portfolio Analysis of Amul

<table>
<thead>
<tr>
<th>Market Growth Rate</th>
<th>Relative Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td>CHEESE</td>
</tr>
<tr>
<td>LOW</td>
<td>DAIRY WHITENER</td>
</tr>
<tr>
<td></td>
<td>CONDENSED MILK</td>
</tr>
<tr>
<td>HIGH</td>
<td>BUTTER</td>
</tr>
<tr>
<td>LOW</td>
<td>CHOCOLATE</td>
</tr>
</tbody>
</table>
### Portfolio Analysis of Nestle

<table>
<thead>
<tr>
<th>Market Growth Rate</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Condensed Milk</td>
<td>Butter,</td>
</tr>
<tr>
<td></td>
<td>Dairy Whitener</td>
<td>Chocolate</td>
</tr>
</tbody>
</table>

Relative Market Share

### Portfolio Analysis of Britannia

<table>
<thead>
<tr>
<th>Market Growth Rate</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dairy Whitener</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Butter, Cheese</td>
<td></td>
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</table>

Relative Market Share

### Portfolio Analysis of Cadbury

<table>
<thead>
<tr>
<th>Market Growth Rate</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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Relative Market Share