CHAPTER 4
REVIEW OF LITERATURE

Present study is an attempt to study the marketing policies of dairy units. However, before proceeding towards the present study, it is necessary to take the review of the literature available and the past studies undertaken in this area. This chapter has been divided into following parts –

1] Unpublished Ph.D. theses, M.Phil dissertations & UGC sponsored project reports.
2] Published books.
3] Summery of research articles written by experts in the field of dairy development & published in the various periodicals.

4.1 Ph.D. Theses, M.Phil Dissertation & Projects –

Bhat (1998) in his research he suggested that due to increasing competition as a result of liberalisation and globalisation, it is necessary to start a separate wing exclusively looking after the market research activity to study changing market environment. Basically market research should be done to study the consumer buying behaviour, buying motives, brand loyalty, brand awareness, transfer activities such as physical distribution, warehousing, advertisement and sales management so that information necessary for proper marketing strategy can be followed to supplement the efforts for survival and growth of the food processing units. Also this activity should be followed on a continuous basis to monitor the market trends, product situations, competitive situation and macro marketing environment.

Bhusari (2002) found in her research work that the small scale industries do not have very well-planned marketing activity and are found to ignore the importance of sales planning & sales organisation before commencing their activities. Although they know the importance of planning and marketing research in selling their products, but the same is not being in practice. The researcher has suggested that in meeting the changing pattern of customer’s tastes and preferences, the marketer should take the help of experts in planning and developing the product to suit the consumer’s demand and to compete effectively with the competitors, product modification
should be given due attention. A broad based product mix should be suitable to take advantage of economies of scale and to overcome the risk of concentration on one product. Apart from informing the consumer about the benefits of the product over a period of time, the owners should try for identification and distinguishing their brand from others in the same product category. Hence, adoption of target marketing strategy along with product differentiation is the need of the hour.

**Chougale (1986)** has made a study of marketing of milk. In this study, he observed that milk produced is marketed through both direct & indirect channels. But hardly 10% of the milk produced is marketed through the direct channel. Milk after process is packed in polythene bags and sold through booths and to the state federation. Both producers of milk and those engaged in the marketing process are benefitted to more or less extent. It is suggested that to tap the potential market the policy of competitive pricing should be adopted.

**Katkar (2007)** has made a study of performance evaluation of dairy co-operatives in Kolhapur District. The study found that the profit margin across the district is very low. It is mainly because the majority of the PDCs attempt to give maximum benefits to the milk producers, in the nature of bonus, awards & prizes in order to increase the production and procurement of milk.

The number of PDCSs in Kolhapur District is increasing steadily. However, there is regional imbalance. Quantitative and Quantitative development of PDCSs depends upon the efficient and effective management.

As the dairying is main occupation, which improves income level of the rural people. In the light of this there is large scope for increase in the production and improvement in the quality of milk in the rural areas. It is suggested that the District unions should try to increase the collection of milk of PDCSs for which subsidised loan should be disbursed to the milk producers to enable them to purchase milk animals.

**Koli (1987)** in his study found that the dairy co-operatives in Kolhapur District have shown better performance than that in other districts of Maharashtra.
Mismanagement accompanying the increased number of dairy co-operative societies in the villages has reduced their profitability to a large extent. There is imbalance in the growth of dairy co-operative societies. He has suggested one dairy co-operative in each village in order to achieve success. In addition to this, the Unions in the district should provide cattle feed and veterinary services to the milk producers in order to improve the health and quality of health as well as milk.

Navalgund (1987) conducted a study of Marketing of Milk products. He found that in Karnataka Co-operative Milk Producer’s Federation Ltd; Dharwad (KMF), the marketing department in the product plant, on the one hand is handicapped on account of availability of required number and type of professional marketing executives and on the other hand, it is over loaded with a number of functions. Also marketing research is not satisfactorily effective. He suggested that the proper attention should be given to the customer requirements to produce good quality products. Marketing communication should be effective to create brand awareness and brand preference.

Pawar, Koli and Salunkhe (2003) in their major research project on dairy co-operatives and rural development in Kolhapur District found that the price of milk once fixed remains constant in force till the farmers start agitation and thus it shows that proper care has not been taken by the government. The dairies have to take care of the consumers. The prices charged to the consumers appear to be high and hence the poor consumers go for milk sold out by the traders. Hence the cheaper milk should be made available by reducing the margin of milk unions.

Trivedi (1988) in his study on milk marketing found that milk producers and private dairies have the tendency to sell their milk to the local customers and the milk vendors have the tendency to sell their milk to private dairies only. The co-operative dairies do not sell their milk directly from door to door. If
the co-operative dairies implement the measures to increase the supply of milk to the local customers, the local customers will be provided with a good quality of milk at a fair rate.

It is concluded that for the future development of the milk business, the relations among the milk producers, the local customers and the co-operative dairies should be strengthened in their joint interest. Milk marketing, purchasing and selling activities must be carried out on co-operative basis.

Warule (2004) reported that with increasing demand for milk in urban areas and concentration of milk production in the rural areas there has been a need to form intermediaries which can collect milk form milk producers usually in large quantities and process it to sell the same to the consumers in rural as well as urban areas. The governments, co-operative and private milk processing units have been established for meeting this need and they have been doing the business of procurement and processing of milk daily. Though the activity of milk production has been taken on commercial lines by a majority of cultivators in the area there exists strong competition among intermediaries for procurement of milk from the milk producers so far as marketing of milk is concerned relatively large bulk goes to Mumbai and Pune cities. As a result, price of raw milk and processed milk remain competitive and individual milk processing units are therefore unable to make undue profit out of this business through manipulation of prices.

4.2 Published Books –

Edwinraj and Navinkumar (2006) quoted that the Karaikal Co.op. Milk union marketing their milk through their venders by Cash, Coupon, Order and Credit. They found that, during the period of study the milk marketing gradually decreased due to less procurement of milk. After the introduction of new economic policies, the Karaikal Co-operative Milk producers and supply society facing huge competition in marketing of milk. The major challenges faced by the milk society in marketing area are –
a) Price fixation in Marketing  
b) Lack of timely marketing  
c) Poor transportation facilities  
d) Less procurement.  
e) High wastages of milk

The following are the main challenges faced by the society in marketing of milk products.  
a) High labor cost  
b) Shortage of raw material  
c) Updated machinery  
d) Poor product development  
e) Lack of storage facility.

**Rama** (1987) in his book on Management of Dairy Enterprises classified the marketing activities of Dairy industry into product strategy and Development channels of Distribution and Transportation, Pricing Policies, Advertising and Sales promotion. Product strategy includes decisions regarding product line, introduction of new product, planning obsolescence, packaging and branding. In dairy industry the products are full cream milk, standard milk, Toned milk, Ghee, Butter, Skim Milk Powder, Whole Milk Powder, Paneer, Yoghurt, ice-cream etc. A channel of distribution is the path along which goods move from producers to consumers. It consists of specialised marketing institutions between the producer and the consumer. Dairy industry can use direct channel with their own retail outlets, or with the help of distributors and retailers they can sell the milk. For milk one price policy is followed, for milk products competitive pricing is done. Dairy Industry can use advertising and sales promotion activities to promote the milk & milk products.

**Ravat** quoted, in the context of the present state of dairy industry, a pricing method has to be perfected which encourages both production as well as consumption. Serious efforts to reconcile these diagonally opposing forces can yield the desired
results if all round efforts are made to develop dairying at every related activity in an organised integrated way. According to the author following strategies can be adopted in dairy pricing.

[a] Pricing and market objectives –

Pricing has a strong effect on the timing of market objectives for example, a liquid milk plant may decide that it wishes to serve 90% of city’s population. But at the start of its operations, it may prove necessary to capture the upper income market first, because the price structure makes this necessary in order to cover overhead expenses. However, the same dairy’s management may also have in mind a progressive pricing policy which will enable it, over a period of time, to sell economically to both lower and upper income groups, this being a long term market objective.

[b] Shifting parts of the dairy market –

When the dairy aims at ‘Control over its market’ the type of controlling influence required can be achieved by suitable price / product strategies – especially those which shift different parts of the consumer market into purchasing products which give the consumer more satisfaction per rupees spent and a higher net realization per kilo handled.

[c] Price / Product mixes –

Clearly, the dairy’s use of pricing strategy requires that a way be found of appraising simultaneously the effect on the dairy’s economics of changes in the volume of milk handled, in milk purchase prices in products sold and in their prices. For this purpose the budget-type techniques of appraising the impact of different price / product mixes on the dairy’s economics can be useful.

[d] Pricing for increased milk production –

It is the progressive improvement of the dairy’s price / product mix that permits the dairy to build a price structure which will help to increase milk production.

[e] Pricing Policy on Surplus milk –

The dairies which are having surplus milk, they can self it to milk deficit dairies at market level price which improve both dairies’s price / product mix.
Sharma Vijay Paul & Sharma Preeti have written, until 1991, the Indian Dairy industry was highly regulated and licensed under the Industries Development and Regulation (IRD) Act, 1951. High import duties, restrictions on exports and imports and stringent licensing provisions provided incentives to Indian owned small enterprises & Co-operatives to expand production in a closed economy environment.

The dairy industry which was mainly restricted to the co-operative sector was delicensed in 1991. The delicensing opened up the industry to private entrepreneurs and multinationals. The basic goal of delicensing was to promote competition in the procurement, processing & marketing of milk, thus increasing its value for both Producers & Consumers.

The Government of India then promulgated the Milk and Milk Products Order (MMPO) in 1992 as a part of the Essential Commodities Act, 1955, to regulate production, supply and distribution of milk and milk products.

4.3 Research Articles –

A Report on Eleventh Five Year Plan –

On the marketing front, adequate efforts have not been made to understand the emerging needs and wants of domestic consumers. Similarly, there has been the absence of strategic plan in building the necessary infrastructure and putting in place relevant institutional mechanism for marketing and branching, export of milk & milk products.

There have been hardly any appreciable research & development (R & D) efforts in the processed and packaging technology especially for Indian milk products both in private & public sector. Also, there has not been any large scale effort in marketing branded Indian Milk products. The deployment of appropriate technology for improving the productivity and reducing the cost of milk production as also improving the quality of milk at the farm level, such as cooling, avoiding contamination, machine milking of higher yielder, have not been addressed on an appropriate required scale.
Alqaisi, Nadambi, Mohammad and Hemme (2010) in their study reported that the dairy industry in Middle Eastern countries is growing and there is evidence that it will continue to grow in spite the lack of fodder and water resources. Growth in milk yield is driven by some factors, especially, the national GDP and population growth. The dairy industry is more capital sensitive in Saudi Arabia than in Syria and Jordan. Only 5% of milk is delivered to dairy factories in Syria compared to 94% and 95% in Jordan and Saudi Arabia, respectively. Dairy exports and imports are growing faster in Saudi Arabia than in Jordan and Syria. Maintaining the growth in milk production in the middle east can accomplished by finding better production systems and alternative feeding programs which could reduce the cost of milk production. Direction to industrialize dairy production will be promising to improve milk quality, packaging, marketing system, and transportation tools.

Ansari & Datta (2004) in the research article concluded that aseptic processing and packaging technology is truly the way of the future. This chemical free process meets the health conscious consumer’s demand for natural foods that are convenient, environmentally friendly and shelf stable without refrigeration. With recent approval of aseptic processing techniques for milk, and research underway in the applications of aseptic technologies for foods with large particles, the use of this technology can be expected to continue to expand rapidly. Aseptic packaging systems have changed the handling of most perishable liquid food products. Distribution and storage no longer require refrigeration and the package can be kept for months without impairing the nutrients or the flavour of the contents. The high quality of the end product will make this technology more prevalent in the world conscious about the nutritive value of foods and leading a healthy life style.

Ansari & Datta (2007) have written in their research articles, packaging is an important operation to pack wide varieties of processed milk & milk conducts with minimal time delay to reduce the likelihood of post contamination and extend the shelf life under appropriate storage conditions. A longer shelf life improves the marketability of slower turning products such as milk beverages. The main purpose
of packaging a product is to protect the packed food product against any type of deterioration and maintain the nutritional properties and quality of the product during storage, transport and distribution to the consumer. Packaging serves as the vital link in the long line of production, storage, transportation, distribution & marketing.

Today Indian consumers are more aware, open to new ideas, more conscious towards health & balanced nutrition and have desire for better quality and convenient food products. Growth in population of these consumers and their purchasing power along with technological progress offer exciting prospects for marketing of packed food products.

Popular materials used for packaging milk & milk products are paper carton boards, paper, coated paper, coated paper wax, plastics, aluminum foil, glass, tinplate and laminates. Milk has been packed in different types of containers throughout the world and even today only 20-22 percent of milk is packaged. Out of total milk packed, the flexible pouch dominates the market with 92 percent share, glass bottles 7 percent and only 1 percent aseptic packed (Tetra Pack). The pouch remains as the most effective packing format due to its design, layout and cost.

Today, packaging is cost effective in the sense that the package is pivotal to the marketing philosophy of the urban markets offering a wide choice at a low cost. Thus, the model food package has to keep down marketing costs and offer the consumer tangible price benefit.

**Balakrishna** (2007) reported that India’s market for bottled drink is dominated by milk from a milk deficient country in the early 1960s, India has emerged as the world’s largest producer of milk.

The milk market has always been an unorganised one, with local milk vendors catering to household demand throughout the country. However, with the emergence of Amul as an all India milk provider, things changed. The market share of organised sector is increasing gradually. The branded fresh milk market has also seen the entry of MNCs like Britannia & Nestle.

With growing consumer awareness, the milk market is seeing a shift from loose to pouched milk. The main packaging used is polyethylene flexible pouches.
and cartons. Milk is responsible for two third of all bottled beverages in India. PET is not yet being used for milk & glass bottles have gone out of use for milk packaging.

**Chouhan, Kalra, Singh & Raina (2006)** have quoted that the increase in milk production and low cost advantage have attracted the multinationals and other private entrepreneurs to establish milk plants in India. India represents one of the largest and fastest growing world markets for milk & milk products due to the rising disposable income of 250 million middle class families. The demand for milk & milk products is income elastic as it is estimated that 10 per cent of the Indians with highest per capita income consume 30 per cent of the total milk production in India and 30 per cent of the lowest income people consume only 10 per cent of the total milk produced in India. India has attained the highest milk production status in the world. To maintain this level and further increase milk production, expansion in milk marketing structure is needed through a balanced development of the dairy industry.

In their study, they found that the comparison of unit manufacturing cost with unit price received by the plant for different products has shown that ice-cream manufacturing is the most profitable proposition. The standarized milk has been found most profitable among all types of milk pouches.

**Choudhery (2004)** found some challenges for the dairy industry. These are although, the price of milk at the time of farm purchase is one of the lowest in the world, and still the products are not price competitive. The following steps should be followed

a] Reduce transportation cost of milk from the collection centers to the dairy plant. Again, chilling of milk at village level would help us to do so, then once a day transport can be started.

b] Utilize all the by-product instead of throwing them away. Items like ghee residue, cheese whey, butter milk etc. can be utilized successfully with the available technologies.

c] Go for big capacities of specialized plants, and then it will be more cost effective.

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Further he quoted that brands should be developed at international level. This can be achieved by making the group of companies under one brand name.

Also he quoted that the domestic market is expanding. The dairy industry’s future depends upon expanding and meeting the domestic demand of milk & milk products. More innovative ideas will be required to produce new products meeting with the aspirations of consumers for products meeting with their demand for better nutritious food with proper body, texture, flavour, taste and quality.

Desai (2009) mentioned in his article that in rural parts of India, dairy is the second important occupation after farming. Maharashtra is ranked seventh in milk collection. In the Western parts of the state, three-tier system exists – at village, Tehsil & District level.

Dairying in India has emerged as an important sub-sector accounting for nearly two third of the total livestock contribution to GNP with an encouraging growth rate of 5 per cent. Over the years, through improved breeding, feeding and management programmes there has been market improvement in the country’s milk production and productivity of milk animals and Today India is the largest milk producer.

Gautam, Dalal and Pathak (2010) mentioned in their study, the marketing of milk is constrained by its perishability, seasonal production variation, inadequate processing facility, production and consumption inequalities, and absence of competitive market, small marketable surplus and missing value addition at farm levels. An efficient milk collection and distribution system to bring milk from the farmer to consumer is a critical factor in dairy development. Success of low cost market access has been reasonably demonstrated by operation flood. However, organized industry comprising of cooperative, government and private players procure less than 20 % of the milk produced in the country. Further they quoted that it is often argued that opening of market to private players can favorably improve the capacity and performance of organized dairy sector in the country. But the success effect of Amul is a barrier to adoption of market oriented policies in this sector. Complete liberalization of this sector is thus going to invite severe criticism and sustained resistance making it a lengthy process.
Also they reported that changing market structures and growth of modern retail are likely to shape the future of dairy products. In urban areas, the modern food retail sector is also growing rapidly, and imposing specific requirements in terms of quality assurance and homogeneity of the products. With the majority of dairy processors having limited capacity to comply with required quality standards, there is every likelihood that such corporations will turn to preferred supplier systems who meet specific quality standards and lower transaction costs. The emergence of multinational food chains and dramatic rise in the share of supermarkets and modern retail sector is certain. If the current trends in expanding urban populations continue, the share of supermarkets in the urban food retail sector in the developing world will increase. In such markets there is demand for niche products meeting high standards of quality and safety. In order to meet these requirements modernization of supply chains starting from producer to end consumer is required. Such modernization would require systematic investment through appropriate dairy development programmes.

**Gokhale** (2005) in his article stated that the time has come for the Indian dairy fraternity to recognize that new and better ways of marketing and delivering good milk are available, and the consumers are ready. Consumers are consequently looking for more ‘for me’ products, more information on packages, better sturdier, convenient packages, more choices, size & so on.

The same trend holds true for flavoured milk, which is experiencing strong growth. Emergence of more brands, more flavours will offer consumers greater variety.

Consumer research reveals that in volume terms, 35% of milk is drunk most of this would be by the ‘under 14’ consumers. 48% of milk is used in tea / coffee; the balance is converted into products such as ghee, dahi, butter, cheese etc.

The opportunities for dairy players are clearly in adding value to white milk & other milk. This will surely lead to adding millions of value added consumers.

**Haung, Wu, Yang, Rozelle, Jacinto Fabiosa and Dong** (2010) in their research paper on Marketing China’s Milk, has quoted that there are many different choices of marketing channels for dairy farmers to sell into- direct sales to consumers, sales
to small brokers, private milk collection stations. Many of the channel members are small in size; small brokers are typically individual or family business. Private milk collection stations are run by individual entrepreneurs. In the past, dairy marketing was dominated by direct consumer sales, sale to small brokers, marketing to state owned milk collection stations. By the mid 2000s, however, increasingly the market was dominated by private milk collection stations. This is evidence that China’s dairy marketing is becoming privatized and more formal. For paper author have used regression analysis and coefficient of correlation and from that they concluded that smaller farmers are the ones that are deciding to sell to private milk collection centers which is the increasingly dominant form of dairy marketing institution. In contrast, larger farmers tend to sell as direct consumer sale and to state owned milk collection stations. They also quoted that there are some special characteristics of China’s emerging dairy marketing, more than half of the sales transactions are not done on cash. Although the price is a current market price, in most of the cases farmers are paid at the end of the month.

Harza & Sirahi (2007) in their article on Export Potential of Indian Dairy Products has quoted that although, India is the largest producer of milk in the world, it is a very minor player in the world dairy market, accounting for a miniscule 0.08 per cent of the world dairy exports. Basically, the country was primarily an import dependent country till early seventies. With the onset of ‘Operation Flood’ the scenario of milk production changed rapidly in two decades and dairy products began to figure in the India’s export basket by the nineties. The exports of dairy products from India are increasing. The Asian Countries are the major exporters.

The share of India in individual markets is marginal and in most cases it is below one percent. As only 15-20 per cent of the milk production in the country flows through the organised sector. The production of value added dairy products is low and this poses a supply constraint on Indian dairy exports. India needs to diversify the product range to capture the new markets as the food habit pattern is changing rapidly.
**Janve and Dogra (2007)** quoted in their article that India has become the diabetes capital of the world with almost 35 million people suffering from the disorder. And their population will continue to grow at a fast pace, say experts, because of Indian dietary habits and a sedentary lifestyle. As a result, diabetics are slowly emerging as a distinct market segment for the country’s FMCG companies. Diabetics have their own distinct food consumption habits. It is a market that has been newly discovered. Despite being diabetic, may people love chocolates. Amul has introduced sugar free chocolates, in line with sugar free ice-cream. Nestle’s Nutren Balance cereal bars control blood glucose by slowing glucose absorption, an offering that could appeal as a healthy snack option to diabetics. There is enough evidence to suggest that Indian consumers are turning health conscious and are looking at healthier options. FMCG companies have seen the low calorie variants of their products doing well in the market place.

**Joshi (2007)** has written, presently, barely 1000 out of 5000 cities & towns are served by the milk distribution network of the organized sector. The effective milk market is largely confined to urban areas, inhabited by over 25 percent of the country’s population having a household income of Rs. 5000. This is a large target group for branded milk and milk products. An estimated 50 per cent of the total milk produced is consumed here. In the next five years the urban population is expected to touch 360 million a growth of about 2.5 percent. The projected age distribution of Indian consumers shows a steadily rising percentage in the 20-34 age groups which is most receptive to experiment new products. The emergence of organised food retail chains / super markets will also lead to growth in the sale of packaged dairy products.

Further he has quoted; India is a minor player in the world dairy market. Imports of dairy products is occasional and in small quantities. Considering the volume of international dairy business, export of dairy products from India is negligible. Export opportunities are available to Indian companies and they are getting ready to face the emerging challenge by meeting international standards and other non tariff barriers.
Martin (2010) in his study on Dairy Marketing in Sweden quoted that the spectacular marketing of dairy products, with propaganda for the consumption of milk, butter, cream and cheese came to be a well known phenomenon in Sweden from the early 1920s. In Sweden the dairy marketing project was managed by an association, ‘The milk propaganda’, which marketed milk with modern arguments and managed to load their marketing with intertwined references to public health, the farmers’ economy and the survival of the countryside. The association was initiated by a number of dairy producers. During the study period, 1923 to 1939, the Milk Propaganda was visible in urban and rural settings in the form of posters, school campaigns and milk bars. The many thousands of posters from milk Propaganda were the most conspicuous element in the milk marketing project. Posters for increased consumption of milk, cream, butter and cheese were distributed all over the country to be put up in milk shops, schools, and places of work. Other long remembered elements in the milk marketing project were the milk bars where milk and food were served at affordable prices. The first milk bars were mobile constructions at fairs or sports events, but latter fixed milk bars were established in a number of towns.

Further he reported that the initiative for an association for milk marketing seems to have come from a number of dairy producing estate owners who were anxious to encourage domestic demand. The campaign for better milk and increased consumption included two principal messages, one that urged farmers to work for improved milk quality, and another that tried to attract consumers by referring to quality and hygienic standards, nutritional values, taste and merit. Quality and hygiene were used as sales arguments for dairy products. The marketing campaign contributed to increased sales and thus helped the relative backwardness that was a threat to rural areas during the ongoing urbanization.

Mashelkar (2007) has quoted, a dairy producer can derive only limited returns from selling raw milk. It is only the concept of value addition that would help dairy producers capture a larger share of the consume dollar by involving them in the processing, distribution and marketing of their fluid milk. There is immense scope for value added products.
Mathur (2001) has written as not only increasing urbanisation means greater consumerism, but with the rapid spread of the modern communication systems like television in the rural areas and ever increasing emphasis on advertisements, the consumption pattern for dairy products is rapidly changing all over the country. Further he has quoted, packaged dairy products will have expanding markets. There is a need to search / develop biodegradable packaging material for dairy products, since changing life styles especially among urban population will necessitate production of large quantities of prepared or ready to use food products containing dairy ingredients. With the increasing purchasing power of the urban middle class, value added products will occupy a key position in the dairy products range.

In order to realize the full export potential, the dairy industry will have to meet the requirements of the new markets. Evaluation of the sensory preferences of the existing as well as new products in foreign markets would require a special emphasis in this regard.

The economy of the country has been thrown open to global market. In the light of recent developments, the dairy plants involved in the processing of milk & milk products would be required to exploit International markets which is possible by stringent control on the quality of dairy products so that the products become competitive in International market.

Mathur (2007), quoted in his articles, co-operatives have played an important role in the development of the dairy sector in India. They are engaged in milk production, procurement, processing and marketing.

Consumption of milk and milk products is growing at a faster rate than the growth in production. The estimated consumer demand for milk & milk products is Rs. 677 billion. Milk & Milk products include liquid milk, condensed milk, baby food, ghee, butter, ice-cream etc. Demand for these products has grown at 7.6 percent annually. The growth in market size is primarily driven by increase in per capita expenditure. This trend is evident as consumers are shifting towards value added products.
Michael (2007) mentioned, his studies explore the ability of different cooperative structures to support an important intangible market asset, namely brands. Cooperatives can develop innovative branding programmes that sustain long term customer relationships, deliver increased returns to members, and provide a strong point of difference in the market. Also he find that long term brand positioning requires a supportive governance structure that includes some of the characteristics of new generation cooperatives such as fixed term contracts, tradable shares, appreciable equity shares, defined membership, and minimum up front investments.

He suggested that traditional cooperatives are able to develop a market orientation but not support it in long term because of the inability to maintain ongoing member commitments to key marketing metrics such as investment in marketing programmes, brands, and customer relationships. Further he suggested that new generation cooperatives are more effective at sustaining a market orientation.

Nicholson and Kaiser (2008) reported in their study that generic dairy advertising is a highly profitable activity on the part of dairy farmers and milk processors. One of the major finding of their study is that the interaction between changes in demand caused by advertising, milk supply response and prices. Specifically, in the very short run, changes in advertising are positively associated with changes in prices. However over time, milk production responses significantly erode the price impacts of advertising. Further they quoted that the analysis of the optimal allocation of generic advertising between fluid milk and cheese indicates that dairy farmers could increase their net revenue by transferring all generic fluid milk advertising expenditures into generic cheese advertising assuming fluid milk processors continue generic fluid advertising. The broader implication is that generic advertising efforts for dairy will be more effective if they increase demand for all dairy components proportionate to the composition of raw milk.

Ntengua and Steve (1996) in their study conducted in Tanzania find six marketing channels for milk, these are as follows-

- Producer ——> Consumer
- Producer ——> Small milk trader ——> Consumer
Further they quoted that most of the households disposed of their milk through intermediaries for distribution to markets outside the dairy producing villages, especially in the urban areas. The largest volume of milk (60%) passed through small milk traders, with another 12% going to TDL, 5% to cooperatives, and the remaining 22% to direct sales. The three types of market intermediary all purchased fresh milk from dairy producers. Apart from TDL which produced reconstituted milk, butter, ghee and yoghurt in its processing plants, most of the milk passing through dairy cooperatives and small milk traders was disposed of as fresh milk.

Milk was transported by producers carrying milk, often head loaded, to collection points or local markets in dairy producing villages during market days; or by market intermediaries assembling milk at the milk collection points or local markets for transportation to urban markets using bicycles, pick-ups lorries and refrigerated lorries to plant, and then returning the packed milk to market for sale.

They reported that the milk system for milk appears to be efficient. Producers were receiving as much as 78% of the retail price in the nearby town, and could choose to sell their milk to three different sets of intermediaries as well as directly to the local consumers. The multiplicity of actors in marketing system seemed to make for a competition in prices.

Also they mentioned that much of the milk was passing through channels where it was not processed did not seem to create health problems, since most consumers were used to boiling their milk before drinking. The added value of pasteurization and hermetic packaging provided by TDL milk was of less interest to most consumers.

Patel (2007) has quoted, India must recognise that process through modern dairy plants results in milk & milk products being supplied at a higher cost than the traditional system because of the better practices required to be followed in the procurement, processing and marketing. The shift to modern milk processing and
marketing will depend on increasing consumer’s purchasing power and how effective we are in educating consumers on the benefits of hygienic high quality milk.

Co-operatives should have alliances for marketing the milk.

Powar (2006) in his research article quoted that the price of milk for consumer is the total of the following costs –
- Price of milk paid by milk union to producer.
- Cost of procurement includes commission for dairy co-operatives, cost of Instruments, transportation charges.
- Cost of processing – cost of chilling, Pasteurisation & refrigeration
- Cost of packaging, quality control
- Handling loss, fuel, electricity, water.
- Cost of distribution includes commission to distributor, transportation, and advertising.
- Essential & Development activities cost includes veterinary service expenses, training and development programmes, and office expenses.
- Cost of infrastructure
- Insurance and taxes.

He has focused on the challenges before co-operative dairies such as lack of professional management, increasing milk collection cost, competition, insufficient hygiene care and animal husbandry development.

Rangaswamy (2005) quoted that, milk, being a perishable commodity can not be kept for long under the hot humid conditions for fear of getting curd due to increase in acidity and therefore, it ought to be transported to the plant within a few hours of collection. This involves extra transportation cost resulting in increased procurement cost of milk, which leads to the increase in prices of the milk products manufactured by the plants. The average cost of transportation of milk depends on the total quantity of milk transported, as the payment is made to the transporter on the basis of distance travelled and not on the quantity of milk transported. The cost of
transportation can be calculated for three situations viz. [i] From collection centre to plant [ii] from collection centre to chilling centre [iii] chilling centre to plant.

The researcher concluded that installing bulk coolers could reduce the cost of transportation. By installing bulk coolers in the society, the transport vehicles transport the milk from collection centre to plant only once in a week. The milk tanker should utilize its full capacity. Under utilization of transport vehicles should be avoided. Efficient route planning should be done to reduce the distance covered by vehicle. To reduce transportation cost maximum milk should be available on a route or in other words it should match the capacity of the tempo / truck carrying the milk.

He has also quoted the challenges before private dairies such as procurement of raw material, marketing problems, big competitors.

Rathinam (2005) has written, in certain part of Punjab, Maharashtra, Karnataka and Tamil Nadu, farmers have already started producing and marketing the milk products at micro level. Big corporate are eyeing this emerging niche market. If constant and continuous efforts are made through quality production and marketing plan with the support of government and concerned bodies, further market can be created for milk products.

Among the dairymen’s involvement in the niche market of traditional milk products can also one of the decisions. Today many dairies are getting benefit out of such ventures, apart from supplying good quality products to the consumers. Lack of consumer awareness on the healthy dairy products are the major challenges as the dairy industry is still unable to meet the demand of milk and milk products of the present conventional products in certain areas. These new products are often unable to compete with the conventional product as most of consumers are unfamiliar with the hidden cost on production of these new products.

In addition to this the market segment for such product is small & scattered. Many a time’s middlemen play a vital role. Even if the market is developed there is a chance for the entry of developed country’s product in India. Competition is tough from unhealthy competitors. Non Co-operation amongst small scale operators are also one of the factors in today’s market scenario. With high cost and large scale
infrastructure, many local marketing organisations have to offer certified products competitively in the market. As the cost of production for these products are high, there is a little scope for mass market promotion and advertisement.

Marketing of new products is an educational process and it takes long hours to educate people and that too country like ours. Marketing efforts are related to both social and ecological aspects of the product. In doing so lot of effort is to be given on capacity building, production related issue, quality parameters and logistic in procuring products from remote areas. However in most cases products sold at big cities and competitive pricing is necessary.

Saxena (2007) has written, one major shift in the liquid milk sales by the organized sector in the urban areas is that low fat and skimmed milk are growing at the cost of whole milk. Presently, about 1000 cities and towns in urban areas are served by pasteurized milk in pouches. The total number of such towns is estimated to be over 5000. The number of liquid milk brands; marketed by the organized sector, is reported to be 300 with daily sales amounting to 25 million liters.

The liquid milk marketing focuses on the concept of market segmentation to identify the profile of distinct buyer group who may require separate quality of milk. An estimated 89 per cent of the households in the country consume loose milk through the informal market channel in the urban areas and captive consumption in the rural areas. Packaged liquid milk is used only by 9 percent of packaged milk is consumed in towns with a population of over 1 million.

Senthikumar, Selvakumar, Prabhu & Meganathan (2007) have written in their article, the upsurge in milk production has thrown up unprecedented challenger in the milk & milk products marketing. Changes in demographic pattern, education, income structure, lifestyle, changing aspirations, cultural orientation, increasing awareness about nutritive value, changes in consumer behaviour, introduction of new technologies, new expectations of consumers and other such factors influence the demand for milk & milk products. In India inequalities exist in the expenditure pattern of milk and milk products across various regions & also among different incomes and occupational groups. Hence, the Indian dairy manufacturers should
consider the factors that influence the consumer’s expenditure on milk and milk products.

The authors concluded that out of the total expenditure on milk & milk products, the expenditure on fluid milk formed a greater proportion. Factors such as family size, educational level of the head of the household, food habit and monthly expenditure on non food items had a significant influence on milk and milk products.

Shankar (2004) in his research article stated that India’s milk productions should be enabled to grow by at least by 4 percent to 2012. This will enable to increase per capita availability of milk which is currently at about 237 grams per day, to come closer to the world average consumption of around 235 grams per day. However per capita consumption cannot be increased by merely increasing milk production. There is also a need to ensure a commensurate demand for the milk so produced. Rural India has more than 70 percent of people and around 80 percent of the poor. The highest potential for the growth in milk products and consumption is in the villages. But around 26 percent Indian does live below the poverty line and the demand for milk is not just income elastic, in rural areas than in urban areas. It is more among lower income groups than higher income groups. Consequently, low income growth & unequal income distribution cloud lead to demand constraints. To accelerate domestic milk consumption, not only should incomes grow, it must grow in favor of rural households & low income groups.

Shetti, Ramappa & Basavraj, (2006) found that majority of the consumers use the branded paneer. These findings suggested that there is a vast scope for the suppliers in the organised sector to popularize the consumption of paneer in the urban conglomeration – With regards to curd, majority households consumed this product, but only few of them preferred branded product and majority preferred home preparation. The results also revealed that housewives were the decision makers in a majority of the households with regards to the consumption of milk and milk products. Thus, the suppliers of milk & milk products might find it useful to ascertain the opinions of housewives before launching any new product or initiating any changes in the market for milk and its products.
The results also revealed that the per capita expenditure incurred on liquid milk and the use of liquid milk for drinking purpose increased with increasing family incomes. Among the four attributes (price, colour, fat and brand) of liquid milk, price was of maximum relative importance and brand was of minimum relative importance in the overall decisions regarding the purchase of liquid milk. Thus the milk of any brand needs to be price competitive with good fat content.

Shiralshetti & Hugar (2007) stated that the people in India are traditionally milk conscious and they use milk to prepare a wide variety of dairy delicacies. The milk serves the purposes of consumers in satisfying dairy food requirements like tea, coffee, buttermilk, butter, curd, ghee and milk. Further, it also satisfies the requirements like pedha, burfi, kunda, galabjamun, shreekhand etc. Therefore, one can easily say that milk is a multiuse product for direct consumers and a multiuse input for industrial users in preparation of food and sweet items. Because of its multiple uses it fetches much export earnings to India. Moreover, the milk industry provides an opportunity for direct & indirect income to the Indian farmers and an employment opportunity to many unemployed youth.

Further, they concluded that marketing management of pasteurized milk suppliers must go for a regular consumer satisfaction survey to adopt an appropriate marketing strategy at the right time to enhance their effectiveness in satisfying the consumers of milk.

In their research work they found that the quality of milk of pasteurized milk is not as per the expectations of consumers as compared to the quality of unpasteurized milk. Hence, pasteurized milk suppliers should improve the quality of milk at the earliest possible. The suppliers of unpasteurized milk generally sell at a lower rate as compared to the pasteurized milk suppliers. Therefore, there is an urgent need to reduce the price by taking the advantage of economies of scale. Presently, half a liter is the lowest quantity of milk given by all suppliers of pasteurized milk in the study area. Therefore, it is suggested that introduce 250 ml & 750ml size pockets.

Soveer and Singh (2006) reported that with the increase in the demand for milk in urban areas development programme under Operation Flood scheme, the
organisation of milk marketing is undergoing significant change for the last about a
decade. Some traditional milk marketing agencies like rural milk processors, milk
man etc. are slowly losing their significance in the system. On the other hand, new
milk marketing agencies especially in co-operative sector are becoming popular.
Further they concluded that the introduction of co-operative marketing network
significantly influenced the milk marketing system as such. This has made dairyman
interest in increasing the supply of milk as the price they get at the time of survey
were higher as compared to the price they were receiving in the past. This network
has benefited not only producers but urban consumers too. Also they quoted that if
the better co-ordination between the co-operative marketing society and co-
operative can attract still higher marketed surplus of milk. Co-operative credit
societies may advance loan to dairyman when they required for which may be
recovered from the receipts from milk sale to co-operative milk marketing societies.

Thirunavakkarasu, Sudeepkumar (2006) concluded in their research article, with
the introduction of new economic policy under the guidelines of the World Bank
and other donor agencies the conventional / middlemen / vendor system and Anand
pattern dairy co-operatives in Tamil Nadu started facing competition from the
organised private dairies at the level of procurement of milk among dairy farmers.
The characteristics of members in organised system like procurement systems, co-
operative and integrated contract systems differ a great deal with the vendor system
in most of the socio-economic & psychological parameters. These two systems seek
more capital investment compared to the vendor system. The organised private
dairies are in the scene in the last nine years, so it may take time to completely
stabilise operations in the diverse socio-economic background and to establish
marked difference in this aspect.
The implications of the study are, the milk producers in the co-operative and
integrated contract system (organised dairy sector) had larger herd size, better dairy
income, higher educational level, better credit behaviour, larger land holdings and
better extension agency contact, mass media exposure and economic motivation.
Thus, efforts may be made to motivate farmers with these characteristics to enroll in
organised dairy sectors while the unorganised traditional sector vendor, which
handled more than 82 percent of urban milk supply in 1995 and was projected to supply 78 per cent in the year 2000 needs to be understood more specifically, the major milk production is sold out through this vendor system. The farmers under this system who were socio-economically & professionally weak need special care from the developmental agencies.

The studies conducted in the area of dairy marketing are related to the study of cooperative dairy marketing in which the primary dairy cooperatives are considered for the study. No study has been conducted on both the sectors viz. cooperative as well as private. The present study deals with the effectiveness of the marketing policies of the dairy industry in which a study is done on the period from 1991 to 2006 and assessed the change of marketing policies over a period of time and the impact of marketing strategies on the sales. For the study all the marketing related aspects such as marketing research, competition, segmentation, product, price, promotion, and physical distribution are considered. Further no study has been done in Kolhapur district by considering both private and cooperative dairy units. The study incorporates the manager’s opinion survey about their marketing policies from 1991 to 2006 and the customer’s survey regarding their changes in purchase decision for the same period.

4.4 Conceptual Background -

4.4.1 Introduction –

After the industrial Revolution, industry produced surpluses became a common place phenomenon. Selling of this surplus in a larger market was the biggest challenges the manufacturers had to face. A new class of people called Salesman emerged in the society who took the responsibility of selling these products among potential customers through canvassing & persuasion. It was after 1945 that advertising agencies began to define the discipline in a way which came close to the modern marketing concept. It was at the beginning of the 1960s that marketing in its modern form, based on customer focus & extensive use of marketing research to investigate consumer needs and wants, emerged in its current form. The discipline matured in 1970s & after that continuously the new trends are
coming into the existence. Today, marketing is a key function of management. It brings success to business organizations. A business organization performs two key functions i.e. producing goods & services and making them available the potential customers for use. An organization’s business success largely depends on how efficiently the products and services are delivered to the customers and how differently the customers perceive the difference in delivery in comparison to the competitors.

Quality production & efficient marketing are the key success factors in building sustainable competitive advantage for every business corporation.

4.4.2 Marketing Defined -

Marketing starts with customers and end with customers. Creation of superior customer value and delivering high levels of customer satisfaction are at the heart of present day marketing. Successful companies have one common trait. They are all very strongly customer-focused in their orientation. Companies are aware that it is much more expensive to attract new customers that to retain existing ones. Marketing oriented companies build relationships with their existing customers by providing satisfaction. They attract new customers by building expectations & promising to provide value.

The shortest definition of marketing is satisfying consumer needs in a socially responsible way at a profit.

The American Marketing Association offers the following formal definition, “Marketing is an organizational function & a set of processes for creating, communicating & delivering value to customers & for managing customer relationships in ways that benefits the organization & its stakeholders.”

According to Philip Kotler “Marketing is a societal process by which individuals & groups obtaining what they need & want through creating, offering & freely exchanging products & services and value with others.”

Peter Drucker defined marketing as “It is the whole business seen from the point of view of its final result, that is, from the customer’s point of view.”

According to William J. Satanton, Michael J. Etzel & Bruce J. Walker, “marketing is a total system of business activities designed to plan, price, promote &
distribute want satisfying products to target markets to achieve organizational objectives.”

Pride & Ferrel defines marketing as the process of creating, distributing, promoting & pricing goods, services and ideas to facilitate exchange relationships in a dynamic environment.

Keeping in view the definitions of marketing, some important aspects of marketing can be distinguished as -

i. Marketing is a societal process.
ii. Marketing deals with customer needs, wants, products, pricing, distribution and promotion
iii. Marketing focuses on delivering value and satisfaction to customers through products, services, ideas etc.
iv. Marketing facilitates satisfying exchange relationships.

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i. Marketing is a societal process.
ii. Marketing deals with customer needs, wants, products, pricing, distribution and promotion
iii. Marketing focuses on delivering value and satisfaction to customers through products, services, ideas etc.
iv. Marketing facilitates satisfying exchange relationships.
v. Marketing takes place in a dynamic environment.
vi. Marketing is used in both for profit & non-profit organizations.

Modern marketing involves transaction of ten entities - physical goods, services, events experiences, persons, places, properties, organizations, information & ideas.

4.4.3 Marketing Policies -

Marketing policies are guidelines for the marketing strategy implementation. Since implementation is all about action, policies are important to an effective implementation of marketing strategies. Marketing effectiveness is the quality of how marketers implement the various marketing policies with the goal of optimizing the spending to achieve good results for long term. Effectiveness of marketing policies can be judged by measuring the increase in sales turnover with implementation of the marketing policies over a period of time. Marketing policies have to be formulated and implemented on the basis of 4 P’s of marketing mix.

Marketing mix is a major concept in modern marketing and involves practically everything that a marketing company can use to influence consumer perceptions favourably towards its products or services so that consumer and
organizational objectives are attained. Marketing mix is a model of crafting and implementing marketing strategy. Prof. Neil H. Borden first used the term marketing mix in 1949 to include in the marketing process factors such as distribution, advertising, personnel selling and pricing. Prof. E. Jerome McCarthy classified the ‘Marketing Mix Variables’ in terms of 4 P’s – Product, Price, Place and Promotion. These 4 P’s represent the tactical controllable factors and vary in case of different products and target markets.

Table 4.4.1 Marketing Mix Elements

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>PRICE</th>
<th>PROMOTION</th>
<th>PLACE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variety</td>
<td>List price</td>
<td>Advertising</td>
<td>Distribution</td>
</tr>
<tr>
<td>Quality</td>
<td>Discounts</td>
<td>Personal selling</td>
<td>Channels</td>
</tr>
<tr>
<td>Design</td>
<td>Allowances</td>
<td>Sales Promotion</td>
<td>Coverage</td>
</tr>
<tr>
<td>Features</td>
<td>Payment period</td>
<td>Public Relation</td>
<td>Locations</td>
</tr>
<tr>
<td>Brand Name</td>
<td>Credit terms</td>
<td></td>
<td>Inventory</td>
</tr>
<tr>
<td>Packaging</td>
<td></td>
<td></td>
<td>Transportation</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
<td>Logistics</td>
</tr>
</tbody>
</table>

Assembling and managing the marketing mix is the crux of the marketing task, and it is through the marketing mix that the marketing manager achieves the marketing objectives.

4.4.3.1 Product Policy:

Product policy refers to the goods and services that an organization offers to its target markets. Policies related to the products need to be formulated on the basis of characteristics such as quality, features, brand name, packaging, etc.

According to Philip Kotler ‘A product is anything, tangible or intangible, which can be offered to a market for attention, acquisition, use or consumption that might satisfy a need or want.’ Thus, a product can be a physical entity, service, a retail store, a person, an organization, a place or idea.
Classification of Products:

Products can be classified on the basis of durability & tangibility, consumer goods and industrial goods. It can be shown as follows.

Table 4.4.2
CLASSIFICATION OF PRODUCT

<table>
<thead>
<tr>
<th>Durability and Tangibility</th>
<th>Consumer Goods</th>
<th>Industrial goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Non-durable goods</td>
<td>a) Convenience goods</td>
<td>a) Material &amp; parts</td>
</tr>
<tr>
<td>b) Durable Goods</td>
<td>b) Shopping goods</td>
<td>b) Capital items</td>
</tr>
<tr>
<td>c) Services</td>
<td>c) Specialty goods</td>
<td>c) Supplies &amp; business services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>c) Unsought goods</td>
<td></td>
</tr>
</tbody>
</table>

Product Mix Decision:

Most companies, whether large or small, whether in manufacturing or retailing generally handle a multitude of products and product varieties. It is necessary for them to understand the relationship among all their products to coordinate their marketing of total group of products. A product mix is the complete set of all products offered for sale by a company. The product mix is composed of several products constitutes a product line. The width of the product mix denotes the number of product lines it carries.

Length of a product line is decided by number of items/brands in the line.

Depth of the product line denotes the total number of items under each brand in the line, in terms of variants, shades, models pack sizes etc.

Many companies start as a single product item or product line business. After getting a taste of success & with availability of more resources, companies decide to expand their product line and/or introduce newer product lines in consonance with market opportunities or in response to competitors move. Companies make decision that concern either adding new items in existing product lines, deleting products from existing product lines, or adding new product lines.
4.4.3.2 Price Policy -

Price policy refers to the money that customers pay in exchange for goods and services. It is important to the marketer as it represents the returns on efforts. To a buyer, price is the value that is assigned to the satisfaction of requirements. Price policies can be designed on the basis of characteristics such as discounts, mode of payment, allowances, payment period, etc.

Price setting is a very crucial area in marketing mix decisions of a company. It is the only element that generates revenues for the company, and all other involve only costs. The aim of marketing is to facilitate satisfying exchanges between the marketer & consumers at a profit.

Price represents the value that is exchanged in a marketing transaction. Traditionally, price has been the major determinant of a buyer’s choice. And this is still the case with large segments of buyers across the globe. Although non price factors have become quite important in the last few decades, price still remains an important factor in determining sales & profitability. Pricing should never be seen as an isolated component of a company’s marketing decision making. Companies spend large amount of money on product development, promotion & distribution. Price is the only element that generates profit for the company. The following equation is significantly important for the entire company.

\[
\text{Profits} = (\text{Prices} \times \text{Quantities Sold}) - \text{Total Costs}
\]

**Price setting Procedure –**

A firm must set a price for the first time when it develops a new product, when it introduces its regular product into a new distribution channel or geographical area. The firm must decide where to position its product on quality & price.

The steps involved in price setting are -

1) Selecting the pricing objectives.
2) Determining demand
3) Estimating costs
4) Analyzing competitors costs, prices & offers.
5) Selecting a pricing method.
6) Selecting the final price.

Pricing Methods –

a. Going Rate Pricing
b. Mark-up Pricing
c. Target - Return Pricing
d. Demand Based Pricing
e. Perceived Value pricing
f. Value Pricing
g. Bid Pricing

4.4.3.3 Distribution Policy–

Distribution is the process by which goods or services are made available to the customers. Distribution policies address the issues such as the channel to be used, transportation, coverage of market, logistics, etc.

Management of distribution is called third ‘P’ (Place) in marketing. Every marketing activity starts with the customer & ends with the customer. The customer is the ultimate target for a marketer. The availability of the product in the market depends on the efficiency of distribution channel. Therefore, the distribution channel plays a significant role in the marketing activities. The success of a company’s marketing effort depends upon its command on the distribution network. Once the product is developed & priced, the marketing manager should now plan to develop distribution strategy & design distribution channel to reach customers. This involves process to place the finished goods from a manufacturer to a customer for final consumption & usage. This encompasses flow of goods & ownership from manufacuture to the customers. It is important in marketing to only in good numbers but also at the right time.

Most producers do not sell their goods directly to the final users; between them stands a set of intermediaries performing a variety of functions. These intermediaries firms & individual, such as wholesalers, retailers etc. facilitate the distribution of goods or services to ultimate customer. These
intermediaries constitute a marketing channel. Marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption. There are the set of pathways a product or service follows after production, culminating in purchase & use by the final end user.

Functions of marketing channels -

Most manufactures do not sell their products directly to end-users. Between the end-user & the producer, there are channel members performing a variety of functions. Some of these resellers such as wholesalers & retailers purchase from producers, take ownership title, & in turn resell the products to parties or consumers at the next level. They are called merchants. In contrast brokers, agents & producer’s sales persons search and negotiate with buyers on behalf of the producer & do not acquire ownership title to merchandise.

Marketing channel members perform many functions such as buying, carrying inventory, selling, transporting, financing, promoting, negotiating, conducting marketing research and serving.

- **Buying** - Channel members purchase a broad assortment of goods from the producer or her channel members.
- **Carrying Inventory** - Channel members assume the risks associated with purchasing & holding an inventory.
- **Selling** - It performs activates required for selling goods to consumers
- **Transporting** - It makes arrangement for the shipment of goods to the desired destination.
- **Financing** - Marketing channels provide funds required to cover the cost of channel activities.
- **Promoting** - It contributes to national & local advertising & engages in personal selling efforts.
- **Negotiating** - It attempts to determine the final price of goods & the terms of payment & delivery.
- **Marketing Research** - It provides information regarding the needs of customers.
- **Servicing** - It provides a variety of service, such as credit, delivery & returns.
Marketing channel for consumer product -

Companies producing consumer products may use several different types of channels. A zero-level channel (direct marketing channel) consists of a manufacturer selling directly to the final customer, door-to-door sales, mail order, telemarketing, TV selling, internet selling & manufacturer owned stores are the forms of zero level channel.

One level channel moves products from the manufacturer to retailer. Retailer makes these products available to consumers. Large retailers such as supermarkets & chain stores prefer to buy large quantities of goods from manufacturer and consumers there are two types of channel intermediaries - wholesalers & retailers. The goods pass from manufacturer to wholesalers, then to retailer and finally to consumers. This channel arrangement is a practical option to producers who sell to millions of consumers in several geographic areas through few thousand to lakhs of retail shops. Three-level channel arrangement involves intermediaries at three levels. The manufacture does not handle any distribution functions & appoints sole agents with substantial resources or carry & forward (C & F) agents. They have their own network of wholesalers & retailers. C & F agents handle only distribution functions. Sole selling agents may also handle personal selling on behalf of producer besides taking care of distribution.

Figure 4.4.1 Marketing Channel for consumer Products
4.4.3.4 Promotion Policy –

Promotion policy deals with marketing communication intended to convey the company and product or service image to potential customers. Promotion policy deals with advertising, personal selling, sales promotion and publicity.

Marketing communications are the means by which firms attempt to inform, persuade, & remind consumers - directly or indirectly - about the products & brands they sell. Integrated marketing communication process is the management and control of all the marketing communications. Integrated marketing communication is the planning & execution of all types of marketing communication needed for a product, brand, idea, company or place in order to satisfy a common set of communication objectives and support the positioning proposition. IMC involves planning & delivering consistent message to the identified target audience. Integrated marketing communication is defined as a process of managing all sources of information about a product or service to which a customer or prospect is exposed, which behaviorally moves the consumer towards a purchase & maintains customer loyalty.

The major elements of marketing communication mix i.e. promotion mix include

- Advertising
- Sales Promotion
- Personal selling
- Public relations & publicity.

Each element of communication mix has its own unique attributes & associated costs.

Advertising –

An advertisement is an announcement to the public of a product, service or idea through a medium to which the public has access. An advertisement is a form of persuasive communication with the public. According to American Marketing Association “advertising is any paid form of non personal presentation and promotion of ideas, goods and services by an identified sponsor.”
Advertising is psychological process of drawing attention, creating interest, arousing desire, giving convincing reasons so as to lead a consumer to action of buying or make him inclined to buy. Advertising is essentially a communication process. Here the advertiser transmits his message. The message passes through an appropriate media. The message is coded and received by the target audience for whom the product or service is meant. By making purchase decision or by enquiring the customer gives feedback.

**Personal selling -**

Personal selling carries a bulk of promotional load when the company is small or has sufficient funds to carry on an adequate advertising program. It is also used when the market is concentrated or rapport is needed to create confidence. Personal selling is also needed when the product has a higher unit value, requires demonstration & is to be fitted to the individual customer’s needs. The products which are purchased infrequently or which are involved in trade are sold generally on personal selling; Personal selling has become the most effective tool of promotion particulars in building up buyer’s preference, conviction and action. Personal confrontation is removed. The response & personal relationship are cultivated by the personal communication.

Effective sales people have more than instinct; they are trained in methods of analysis & customer management. Sales training approaches try to transform a salesperson from a passive order taker into an active order getter who engages in customer problem solving. An active order getter learns how to listen & question in order to identify customer needs and come up with sound product solutions.

**Sales promotion -**

Sales promotion, a key ingredients in marketing campaigns, consist of a collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade. AMA defines sales promotion as Sales Promotion includes thus sales activities that supplements both personal selling & advertising & coordinate them & make them effective, such as displays, shows, demonstration & other non recurrent selling efforts not in the ordinary routine.
Whereas advertising offers a reason to buy, sales promotion offers an incentive to buy. Sales promotion includes tools for consumer promotion (Samples, coupons, cash, refund offer, price off, premium, prizes, free trails, warranties, demonstration) trade promotion (Price off, advertising & display allowances & free goods) & business & sales force promotion (Trade shows & conventions, contest for sales reps. & specialty advertising.)

Public Relations -

Managing a campaign to create positive goodwill among identified audience is an important task for communication mangers. The biggest asset that any organization can have is public goodwill. An organizations survival depends on well informed public opinion and corresponding positive attitude of the public towards the firm. Public relations is the broadest of the marketing communication disciplines, involving a wide range of activities & specializations & is used to deliver corporate & brand messages. Public relations are defined as the management functions that evaluate public attitudes, identify the policies & procedures of an individual organization and execute a program to learn public understating and acceptance. As per the definition of public relations help an organization and its public to adapt mutually to each other. Public relations focus on an organizations relationship with its public. The universe of public includes employees, media, community people, government, industry association members, shareholders & large stakeholders.
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