CHAPTER 7
CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis of the data collected from the marketing managers, assistant marketing managers and customers, the conclusions are drawn and the recommendations are given for the better implementation of marketing policies.

7.1 General Conclusions –
The yearwise analysis of the data collected from marketing managers shows that dairy units have shifted their orientation from production to marketing from the period 1991 to 2006. They have become more customer centric than the previous years. Competition is also increasing in the industry so the dairy units are becoming more concerned about the customer preference for their brand and customer retention. The customer analysis shows that the customer’s preference for the milk and milk products has shifted towards branded products from 1991 to 2006. And the reason for change is the marketing related factors such as availability, advertisement, product quality and variety, and price of the product. From this it can be concluded that the marketing policies of the dairy organizations have proved effective over a period of time.

7.2 Conclusions about Managers opinion survey –
Marketing planning – At initial stages some of the dairy units used to prepare sales plan, after 2002-03 all dairy units started preparing sales plan. They pretest change in marketing plan. To achieve these sales targets, the activities of all the departments are well coordinated. Marketing department works with production department. All departments get together periodically to plan a response to changes in environment. Majority i.e. 78% of the dairy units are ready to implement a new marketing plan if it found beneficial for the organization. Maximum number (75%) of dairy units does not seek guidance from marketing experts. Majority dairy units (75%) adopt marketing cost analysis, integrated marketing control and financial control as marketing control methods.
**Marketing Research** – The dairy units do not conduct in-house market research. However, they conduct customer satisfaction surveys. Majority (75%) of the dairy units do not use Marketing Information System for effective decision making. The dairy units started assessing the customer requirements from 2002 – 03. At the initial stages, none of the dairy units were conducting market research, but after 2000 – 01, some of the dairy units started conducting market research. Market research mainly focuses on the customer survey. After 2004 – 05, the maximum number (80%) of dairy units started using MIS for better decision making.

**Competition** – Majority (80%) of the dairy units quoted that in the dairy industry, competition is intense. There is oligopoly competition. Even though the competition is more, there are no promotion wars. If the competitors launch a marketing campaign targeting the company’s customers, they respond immediately with the help of promotional activities. Even though the price competition is intense, the dairy firms do not respond immediately to the price change if competitors change the prices of the products. The dairy industry is growing, and the market share of the majority (75%) dairy units is also increasing.

**Technology** – Even though the technology is changing rapidly according to 60% respondents, it does not provide an opportunity to develop a new product. The cost of technology is high, therefore, the dairy units do not adopt new technology immediately.

**Product** – Dairy units give more emphasis on marketing of milk than the other milk products. However, some of the dairy units take some extra efforts like more advertisement, more incentives to distributors and retailers to market the milk products. The dairy units mainly manufacture standardised milk, shrikhand, ghee, butter, milk powder, curd, and paneer. The sale is concentrated in milk and it is followed by shrikhand. Some (80%) of the dairy units offer differentiated milk products than other dairy units. But if considered the overall product differentiation, it is very less. The dairy units do not offer different products as per customer demand. At the initial period, the dairy firms were not focusing on packaging. After 2002-03, majority dairy units (80%) started giving emphasis on packaging of the
product. Mainly the polythene bags and cups are used for packing. After 2000-01, one and after 2004-05, two dairy units started exporting milk products. These two dairy units export the milk products such as Skim Milk Powder, full cream milk powder; butter, ghee, cream and tetra pack milk to Gulf countries, African countries, Bangladesh and China.

**Price** – The product prices of the dairy units are competitive. Because of the changes in business environment prices for the products fluctuate frequently. They adopt one price policy; it offers the products to the customers at same prices. They fix the prices by considering the cost structure, competitor’s prices and prices suggested by the government. At initial stages none of the dairy unit was offering price discounts and cash discounts to the distributors. After 2000-01, two dairy units started giving price discounts and cash discounts to the distributors. Majority (66%) of the dairy units do not think that if they increase the price of the product, they will lose the customers because the customers are loyal and usually they prefer the same brand.

**Physical Distribution** – They sale the milk and milk products in the nearby places like in Kolhapur, Sangli, Satara, Pune, Mumbai, Kokan, Goa, Karnataka, Hyderabad etc. They have a distribution network to supply the products in these markets. The majority (60%) dairy organizations mentioned that they do not have a wide distribution network to distribute the milk and milk products in other locations of Maharashtra as well as neighboring states. Mainly they distribute the products with help of the distributors and retailers. They use 0 level (directly to the customers), 1 level (manufacturer to retailer or distributor to customer), 2 level (manufacturer to distributor to retailer to customer) channel depending upon the nature of market. They sale the products with the help of distribution channel members and the company sales executives. Some (40%) dairy units have the sole distributors who exclusively sale the products of that particular dairy units. Other distributors sale two or more brands. The dairy units do not offer any kind of incentives to the channel members. Few (20%) dairy units have retail outlets at various places in Maharashtra.
Promotion – The dairy units advertise the products at local and regional level. They advertise the products regularly in various Medias. The most preferred medias include radio, newspaper, local TV channels and point of purchase advertisements. The advertising budget is decided on the basis of affordability method. They increase the advertising frequency during the time of festival. The surveyed dairy units (80%) have developed the good brand image. The sales force is utilized to persuade the distributors and retailers to push the sales of specific dairy unit. Four dairy units started using sales promotion schemes for distributors and retailers from 2000-01. They adopt timely delivery and marketing assistance to the distributors and retailers to promote the sales. All the dairy units do not use sales promotion tools for customers. From 2002 onwards they use high quality, prompt delivery and attractive packaging to promote sales.

Organisation’s Sales and Promotional Expenditure Relationship –
It is observed that there is a positive correlation between year and sales; from 1991 to 2006 sales has shown increasing trend. Also a positive correlation is found between year and promotional expenditure. There is a positive correlation between promotional expenditure and sales over a period of time. This shows that increase in promotional expenditure leads to increase in sales.

Marketing Problems –
From the discussion with the managing directors and marketing managers it is found that the dairy units are facing the problems like -

Perishability - The major marketing problem faced by the dairy units is the perishability of the products. As the milk and milk products are perishable in nature it is difficult to sale the products at other places which are far away from the processing plant. It requires refrigerated vehicles which increases transportation cost.

Competition - Competition from existing and new dairy units which are entering in the dairy industry. This creates a competition from both supply and marketing side. For milk products the dairy units are facing competition from the dairy units located at other districts and states like Amul, Britannia, and Chitale etc.
Entry Barriers in new market - In new market areas the existing dairy organizations have created the entry barriers like unavailability of the distributors and retailers, price cuttings.

Increase in prices of raw milk - The prices of the raw milk are increasing continuously because of which it becomes difficult to control the prices of the pasteurised milk and other milk products.

Future Prospects for milk products –
The demand for milk and milk products is increasing because of its nutritional value, urbanization, increase in purchasing power and exposure to the promotion media. The customer taste and preferences are changing. The increasing number of customers prefers branded milk and milk products. The demand for curd, lassi, flavoured milk, shrikhand, butter, paneer, cheese is increasing in urban and semi urban areas. In future there will be a good demand for tetra pack milk in metro cities. The demand for shrikhand is increasing in rural areas which will provide a good opportunity for dairy units to enter in the rural areas. There are good opportunities in the global market for dairy industry especially for butter and milk powder.

7.3 Conclusions about Customers opinion survey –
Customer’s preference for the milk and milk products –
Customers preferred packaged branded milk over a period of time i.e. from 1991 to 2006. The number of respondents using homemade curd has decreased and the preference for branded as well as unbranded packaged curd has increased over a period of time. Also the respondents preferred branded as well as unbranded packaged ghee. The demand for branded khoa has been increased during the period 1991 to 2006. But still the majority of the respondents preferred unbranded khoa. The number of respondents using homemade shrikhand has been decreased and the preference for branded shrikhand has increased over a period of time. Demand for branded as well as unbranded paneer has shown increasing trend since 2000. All respondents preferred branded cheese from the year 2000. The majority (21% to 45%) respondents preferred unbranded lassi from 1995 to 2006. The demand for
branded lassi has also shown an increasing trend from 2000 to 2006. Preference for branded as well as unbranded chakka has been increased over a period of time.

**Reasons for change in purchase decision of milk and milk products –**
The customer preference for different milk and milk products like shrikhand, ghee, khoa, paneer, cheese, curd, cheese, lassi and chakka has been changed from the year 1991 to 2006. The respondent’s preference has been shifted from unbranded milk and milk products to branded milk and milk products. Majority (96.7%) respondents mentioned that the change in purchase decision is due to the marketing related factors such as availability, advertisement, product quality and variety, and price of the product.

**Place for product purchase –**
Majority (70%) of the respondents purchased the milk and milk products from grossary shop, bakery and sweet mart. Some (30%) customers prefer to purchase from company retail outlet and milk shoppee.

**Information Source –**
Majority (82%) of the respondents get information about various milk and milk products from advertisement. Some respondents get information from friends, family members and relatives. This shows that advertisement in various medias serve as a main source of information for the customers.

**Correlation between the demographic characters of the respondents and the reason for change –**
It is observed that there is no correlation between demographic characters of the respondents i.e. age, educational qualification, occupation, family income and reasons for change in purchases viz. availability, advertisement, product quality and variety, and price of the product.
7.4 Recommendations –

Marketing planning –
Dairy units prepare the monthly sales plan i.e. they prepare their sales target and plan to achieve these targets. In addition to this they should prepare marketing plan which deals with the various aspects like marketing objectives, study of marketing environment, marketing strategies, and plan for implementation of marketing strategies. Marketing research should be done regularly which includes customer, distributor, retailer’s survey, promotion research, and the study of other environmental factors such as socio- economic, legal and regulatory, political, etc. In addition to this it should be a formal marketing research.

Segmentation -
The selected dairy organisations have not clearly segmented the market which may create a problem to decide about the market targeting strategies. So now in this competitive market there is a need of segmentation and targeting so that all the marketing strategies can be framed to satisfy the target customers, to create the preference and to retain the customers.

Competition –
Because of the attractiveness of the dairy industry competition is increasing. So there is a need to study the competitor’s strategies to retain and increase market share. The existing competitors are mainly focusing on the advertisement for the promotion and distribute the products to the retailers directly. Also they have to look for the opportunities in the other market areas. They should try to differentiate the products from the competitor’s which will appeal to the customers.

Product –
Dairy units mainly market the pasteurized standardized milk. There is a good demand for toned milk and double toned milk from the calorie conscious customers. So the dairy units are required to manufacture and market the toned milk at lower prices. The demand for the toned milk will be high from the lower income group because they preferably use milk as whitener for tea. For them dairy units are required to use small packs i.e. 200 ml and 300 ml which will be most preferred by them. For the higher income group customers living in the urban areas and in metro cities the dairy units can launch tetra pack milk which can last for 3 months. In the tetra pack the nutritional value of milk can be preserved and it does not require
boiling which will appeal to the health conscious urban customers. The demand for milk products is also increasing. Multinational companies have created a brand preference for the milk products such as butter, paneer, cheese, milk powder. There is a need to concentrate on the milk products such as butter, curd, cheese, paneer, flavoured milk and milk powder. The proper market segmentation will help to manufacture these products as per their requirements. The products should be made available in different varieties, flavours, sizes, and packs. The demand for shrikhand is increasing in rural areas so the dairy units have good opportunity to enter into rural market. Considering the socio-economic conditions of the rural areas the product should be made available in small cups which will be affordable and convenient for the rural customers. Also there is a huge demand for milk products in Gulf countries and African countries. The dairy units have good export opportunities in these countries. The products should be manufactured as per the international standards.

**Price –**

The dairy units are adopting single pricing policy. The milk prices are increasing day by day, this may adversely affect on the consumption of milk. So the efforts should be made to offer the milk at affordable prices by implementing the value engineering. The dairy units should keep the prices of toned milk low to create more demand for the toned milk. Here they can use rapid penetration strategy. Toned milk contains 3% and 1.5% fat. The separated cream can be used to manufacture the milk products for which the demand is increasing. Here for traditional flavours of shrikhand they can go for penetration strategy by keeping the prices low. The products like chakka, khoa, curd, lassi can be priced at medium level to target the middle income group customers. The new flavours of shrikhand, flavoured milk, butter, cheese, paneer can be priced slightly at higher level to adopt skimming strategy. Here proper segmentation will help to decide the pricing strategy. For tetra pack milk skimming strategy can be used where prices can be kept slightly higher. As the target customers are the high income group customers which are less price sensitive they will prefer the high priced good quality milk.

**Physical Distribution –**

The dairy units have established a good distribution network to distribute the milk and milk products in Kolhapur, Sangli, Satara, Pune, Mumbai, some other parts of
Maharashtra and Karnataka. The study reveals that majority of the respondents purchased the milk and milk products from grossary shop, bakery and sweet mart. Some customers prefer to purchase from company retail outlet and milk shoppee. So the dairy units should strengthen the existing distribution channel along with the addition of the new channel members. Majority of the dairy units do not have their retail outlets. The dairy units can start the retail outlets in the urban areas where all the products of the company with different variety can be sold. This will help to improve the brand image of the company as well as the products. With the increasing competition the dairy units are required to enter in the new market areas in Maharashtra and in other neighbouring states. Currently the dairy units are more relying on the distributors and retailers to distribute the products. Along with the existing distribution channel they can develop the other channels of distribution like they can appoint franchisee in the different areas of the state and other neighbouring states to exclusively sale their milk and milk products. Here the entire products can made available to the customers and which will act as a customer feedback centre. Also they can open the company retail outlets where some additional milk products like traditional milk products can be sold. In metro cities they can distribute the milk and milk products in the malls and bazaars where the urban customers usually visit. The dairy units should employ and train the sales force to persuade the distributors, retailers and the bazaars to push the sale of their products. As the milk and milk products are perishable it requires refrigeration. So to distribute milk and milk products at the different places they should use refrigerated vans. Currently the number of refrigerated vans is less, it needs to be increased.

**Promotion**

There is a positive correlation between sales and promotional expenditure. Therefore the dairy units should continue with promotional expenditure. Now there is a need to promote the products to create the preference for the products. Dairy units should develop integrated marketing communication to deliver the intended message to target customers by incorporating advertising, sales promotion, personal selling in promotion mix. They should plan for promotional budget well in advance. This should be an integral part of the marketing plan. Majority of the respondents get the information from advertisement so as a main source of information they should spend more on advertising. Currently they are spending on advertising as they can
afford. They should decide the advertising budget on the basis of the budgeting methods like percentage of sales, regression analysis, and competitive parity. Once they decide about how much they are going to spend on advertising, they should determine the media plan. Media plan should be prepared by keeping the target group of customers, and the buying influences in mind. Media plan can be prepared by the marketing department or a full service advertising agency can prepare it for the dairy unit. Along with the local media such as radio, cable network, newspaper, they can use regional media like Marathi TV channels telecasted in the state or newspaper circulated in the state. This will help them to enter in the new markets. Message should be developed which will effectively communicate with the customers. They can use competitive advertising or comparative advertising to create the preference for the products. Dairy units can use celebrities to endorse their products. Currently they are going for very few sales promotion activities for distributors and retailers. They can use push strategy like bulk purchasing discounts, gifts, assistance for developing refrigeration system, sales contests etc. For sales force also they can use such kind of sales promotion activities. They are not going for customer sales promotion. It can be done by offering some price discounts at the time of introduction of the product, offers such as discounts on the purchase of more quantity of the products etc. Dairy units can sponsor the programmes like entertainment programmes or the programmes for the children to promote the products. Sales staff should be given proper training and the sales target to achieve. And the rewards should be given to them for achieving the targets.

**Brand Management -**

Though the dairy units have developed the brand awareness in the customer’s mind, they have not positioned their brands to stand apart in the competition. There is a need to think about the brand management. The selected dairy units are selling all the products under a same brand name like Gokul, Warana, Sphurti, Yalgud, Sahyadri. Here they are required to position all the product variants with these blanket family names to differentiate them from competitors. Brand positioning is the act of designing the company’s offering and image to occupy distinctive place in the minds of target market. Therefore brand positioning should be done by keeping in mind the target customers, their requirements, lifestyles, behavioural aspects and other influencing factors. They can develop the logo, mascot, or symbol to identify
the brand. They are required to build brand with the help of packaging, point of purchase advertising, delivery vehicles, retail outlets, marketing communication, and sponsorship.

### 7.5 Marketing System Model for Dairy Organisations –
As per the recommendations given the Marketing System Model for Dairy Organisation is given as follows.
7.6 Summary –

India has emerged as the world’s largest producer of milk. The market share of organized dairy sector is increasing, while the share of unorganized sector is decreasing. MNCs like Nestle, Britannia have entered in the branded milk and milk products. With growing consumer awareness the milk market is seeing a shift from loose to pouch milk. Consumption of milk products such as ghee, butter, cheese, paneer are also increasing. This trend is evident as consumers are shifting towards value added products. Dairy organizations in Kolhapur are mainly concentrating on the marketing of milk. They are marketing the milk and milk products in Kolhapur, other nearby districts and neighbouring states. The other dairy organizations from different regions are entering into the market which leads to the increased competition. The preference of customers in Kolhapur has changed to the branded milk products over a period of time. From the analysis it can be said that the marketing policies of dairy industry proved to be effective over a period of time. Now the dairy organizations need to concentrate more on marketing of milk products. To face the increased competition they are required to enter in the new markets. They can adopt penetration strategy to increase the market coverage. There is a need to use the different distribution channel for the different markets as per the market characteristics. Efforts should be made to position the brand in the customer’s mind to achieve the brand preference.