

A STUDY ON COMPETITIVE MARKETING ENVIRONMENT OF MILK AND MILK PRODUCTS IN BELGAUM CITY

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ABSTRACT

BACKGROUND

Milk and milk products form an integral part of diet and cooking in every Indian household. With the sustained growth of the Indian economy and a consequent rise in the purchasing power during the last two decades, more and more people today are able to afford milk and various other dairy products. This trend is expected to continue with the sector experiencing a robust growth in demand in the short and medium run. Transformations in the sector are being induced by factors like newfound interest on the part of the organised sector, new markets, easy credit facilities, dairy friendly policies by the government, etc. Dairy farming is now evolving from just an agrarian way of life to a professionally managed industry – The Indian dairy industry. With the above-mentioned developments, happening both on the demand side and supply side, the Dairy industry of India is expected to undergo radical changes in its competitive marketing environment and Belgaum market is not an exception. An effort has been made to analyse competitive marketing environment of a sample district place of India to know the underlying forces which will guide the competition in the days to come. Dominant brands that enjoy significant market share in Belgaum milk market are Nandini, Adityaa, Shrikrishna, Arokya, Warana, and Gokul in their respective order. The major market share is captured by the market leader, i.e., Nandini which has the production capacity of 1,00,000 litres/day at its Belgaum Dairy plant. The consumption of packaged milk in Belgaum city stands at around 17,000 litres/day. On an average, the distributors of packaged milk were given the margin ranging from Rs. 0.70 to Rs. 1.30/litre. Arokya, Warana and Gokul enjoy a tiny share of the Belgaum milk market. Each major player is striving very hard and has deployed unique marketing strategies to grab a significant market share in the city of Belgaum, a sample district place of India which is all set to become a smart city, represent as best in India at large.

KEYWORDS

Competitive Marketing Environment, Milk and Milk Products, Belgaum.

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BACKGROUND

About Indian Dairy Industry¹

Dairy activities have traditionally been integral to India's rural economy. The country is the world's largest producer of dairy products and also the largest consumer. Almost its entire produce is consumed in the domestic market and the country is neither an importer nor an exporter, except in a marginal sense.

Despite being the world's largest producer, the dairy sector is by and large in the primitive stage of development and modernisation. Though India may boast of a 200 million cattle population, the average output of an Indian cow is only one seventh of its American counterpart. Indian breeds of cows are considered inferior in terms of productivity. Moreover, the sector is plagued with various other impediments like shortage of fodder, its poor quality, dismal transportation facilities, and a poorly developed cold chain infrastructure. As a result, the supply side lacks in elasticity that is expected of it. On the demand side, the situation is buoyant. With the sustained growth of the Indian economy and a consequent rise in the purchasing power during the last

two decades, more and more people today are able to afford milk and various other dairy products. This trend is expected to continue with the sector experiencing a robust growth in demand in the short and medium run. If the impediments in the way of growth and development are left unaddressed, India is likely to face a serious supply-demand mismatch and it may gradually turn into a substantial importer of milk and milk products.

Fortunately, the government and other stakeholders seem to be alive to the situation and efforts to increase milk production have been intensified. Transformations in the sector are being induced by factors like newfound interest on the part of the organised sector, new markets, easy credit facilities, dairy friendly policies by the government, etc. Dairy farming is now evolving from just an agrarian way of life to a professionally managed industry—the Indian dairy industry. With these positive signals, there is hope that the sector may eventually march towards another white revolution. (Source: <http://www.imarcgroup.com/dairy-industry-in-india/>)²

About three quarters of the milk produced is consumed at the household level. Of the milk supplied to the market, about 9-11 percent is processed in over 275 dairy plants and Dairying has become an important secondary source of income for millions of rural families. Milk channelled through Operation Flood cooperatives is generally processed in dairy plants located in the rural areas and then transported into cities and towns. Operation Flood Milk productions account for about 10% of total milk production or 40% of the marketed output. The balance (About 90% of total production) is handled by the households, private traders and processors.

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About 45% of milk production is consumed as fluid milk. About 35% is processed into butter or ghee; about 7% is processed into Paneer (Cottage cheese) and other cheeses, about 4% is converted into milk powder; and the balance is used for other products such as Dahi (Yoghurt) and sweet products. In recent years, there has been an increasing ice cream production as foreign companies have invested in India.

The packaged milk segment is dominated by the dairy cooperatives. Gujarat Co-operative Milk Marketing Federation (GCMMF) is the largest player. All other local dairy cooperatives have their local brands (For e.g. Gokul, Warana in Maharashtra, Saras in Rajasthan, Verka in Punjab, Vijaya in Andhra Pradesh, Aavin in Tamil Nadu, Nandini in Karnataka, etc). Other big private players include J K Dairy, Heritage Foods, Indiana Dairy, Dairy Specialties, etc.

Research Plan

Exploratory research is carried out using the secondary information available coupled with primary survey (50 households, 10 institutional buyers and 10 retailers from each cluster) using structured interview schedule and Focus Group Discussion with the households, retailers and institutional buyers to study the competitive marketing environment for milk and milk products in Belgaum.

Secondary data was collected from all competitors (through websites, personal interaction with the executives, annual reports, etc.) and from various authenticated and reliable sources including reports prepared by government bodies on the dairy industry and population related data.

About Belgaum City Market³

The city of Belgaum is spread over an area of 94 Sq. Km. The city can be divided into two broad areas namely; Belgaum North (Towards Mumbai) and Belgaum South (Towards Bangalore). The population of Belgaum city is 4,90,045 (2011) with a population density of 5200/km².

The district shares its border with Maharashtra and Goa and hence has a good mix of different cultures, i.e. Kannadigas, Maratha, Muslim, Christian, Konkan, etc. Further because of the establishment of LIMR–Light Infantry Maratha Regiment—a military establishment, in the city, there are many people across all religions, geographies and ethnic origins who reside in Belgaum, a divisional headquarter for close to seven districts of North Karnataka. Thus, Belgaum as a city has a cosmopolitan flare and hence represents an Indian market to a great extent.

Particulars	Total	Male	Female
Total No. of households	1,11,874	---	---
Population	4,90,045	2,46,537	2,43,508
Literacy level	3,92,877	2,05,702 (83%)	1,87,175 (76%)
Working Population	1,71,287	1,36,787	34,500
Demographic Structure of Belgaum Market is as Tabulated Below			

The city can be divided into 15 geographic clusters (C-1 to C-15) to ensure fair level of homogeneity in each geographic cluster which will help us in analysing the competitive marketing environment of milk and milk products in the city based on the secondary information. The characteristics of the different geographic clusters of Belgaum is as displayed here-in-under;

Cluster	Areas Covered	Population Details	Type of Houses/Buildings	Religion	Major languages	Economic Classes	Dominant Milk Brands
C-1	Kakati, Goundwad, Indal & kangrali Wards - part of 56 & 42	The total population is 8861 of which 4460 are males and 4401 are females	There are 1757 households and the houses are a mix of kaccha houses and buildings	There are 94% Hindus & 6% Christians	The major languages spoken are Kannada and Marathi	The people predominantly belong to Middle and Lower income levels	Nandini-57% Adityaa-21% Warana-07% Amul-07%
C-2	Kanbargi, Ramtirthnagar, Anjaneyanagar, Mahantesnagar, Rukmininagar Wards- Part of 56 & 54	The total population is 12,339 of which 6172 are males and 6167 are females	There are 2919 households and the houses are a mix of kaccha houses and buildings	There are 86% Hindus & 14% Muslims	The major languages spoken are Kannada and Marathi	The people predominantly belong to Middle and Lower income levels	Nandini-92% Shrikrishna-03% Gokul-03% Mayur-03%
C-3	Shivbasavnagar, Nehrunagar, Shaunagar, Shivajinagar, Wards- 44,43,48	The total population is 29,373 of which 14,897 are males and 14,476 are females	There are 2919 households and the houses are a mix of kaccha houses Bungalows and Apartments	There are 88% Hindus, 04% Muslims, 02% Christians, 02% Sikhs and 04% others	The major languages spoken are Kannada and Marathi	The people predominantly belong to Upper and Middle income levels	Nandini-71% Adityaa-35% Arokya-18%
C-4	Kangrali, Hanuman Nagar, Market yard, Hindalga, Vijaynagar Ward - 42	The total population is 3733 of which 1866 are males and 1867 are females	There are 883 households and the houses are a mix of kaccha houses and big buildings	There are 92% Hindus & 8% Christians	The major languages spoken are Kannada, Marathi and Hindi	The people predominantly belong to Upper and Middle income levels	Nandini-37% Adityaa-52% Arokya-15% Mayur-15%
C-5	Gandhinagar, Fort, Shastrinagar, Shivaji garden, Wards- Part of 49 & 19	The total population is 14,597 of which 7327 are males and 7270 are females	There are 3359 households and the houses are a mix of kaccha houses and buildings	There are 86% Hindus & 14% Muslims	The major languages spoken are Kannada and Marathi	The people predominantly belong to Middle, Lower and Upper income levels	Nandini-55% Adityaa-40% Arokya-05% Gokul-05%

C-6	CBT, RTO, Chanamma circle, Bogarvez Wards- 38,47,30	The total population is 10,267 of which 5165 are males and 5102 are females	There are 1056 households and the houses are a mix of Bungalows and Apartments with few kaccha houses	There are 96% Hindus and 04% Muslims	The major languages spoken are Marathi and Kannada	The people predominantly belong to Middle and upper income levels	Nandini-71% Adityaa-19% Arokya-06% Gokul-10%
C- 7	St Mary's Road, Shani Mandir Ward - 30, 38 & 47	The total population is 9357 of which 4621 are males and 4736 are females	There are 1152 households and the houses are a mix of kaccha houses and buildings	There are 94% Hindus, 04% Muslims & 2% Christians	The major languages spoken are Marathi and Kannada	The people predominantly belong to Middle and lower income levels	Nandini-48% Adityaa-33% Arokya-25% Gokul-24%
C-8	Club road, BUDA layout, Camp, Ganeshpur, Globe Wards- 48 & 18	The total population is 10,334 of which 5183 are males and 5151 are females	There are 2523 households and the houses are a mix of kaccha houses and big buildings	There are 60% Hindus, 26% Muslims & 14% Christians	The major languages spoken are Marathi, Urdu and Hindi	The people predominantly belong to Middle & Lower income levels	Nandini-63% Adityaa-21% Arokya-13% Gokul-16%
C-9	Desai building, Congress road, Vaccine depot, Lele ground, First gate Wards- 2,17 & 19	The total population is 10,313 of which 4706 are males and 5607 are females	There are 2783 households and the houses are a mix of Bungalows and Apartments	There are 96% Hindus 02% Muslims and 02% others	The major languages spoken are Marathi and Kannada	The people predominantly belong to Middle and upper income levels	Nandini-85% Adityaa-07% Gokul-04% Others-15%
C- 10	Second gate, RC Nagar, Guruprasad Colony, Mandoli Road Ward - 3, 8 and part of 2 & 17	The total population is 14,793 of which 7474 are males and 7319 are females	There are 3627 households and the houses are a mix of kaccha houses , buildings & flats	100% Hindus	The major languages spoken are Hindi, Marathi and Kannada	The people predominantly belong to Middle and lower income levels	Nandini-81% Adityaa-23% Gokul-23%
C- 11	Udyambag, Machhe, Tipu sultan nagar, Piranwadi, Jhad shahpur. Wards - part of 2 & 3	The total population is 7986 of which 4070 are males and 3916 are females	There are 1932 households and the houses are a mix of kaccha houses and small buildings	There are 84% Hindus & 16% Muslims	The major languages spoken are Marathi, Urdu and Kannada	The people predominantly belong to Lower income levels	Nandini-40% Adityaa-10% Arokya-40% Shrikrishna-13%
C-12	Basavan galli, Khasbag, Shahpur Wards- 10 & 21	The total population is 16,499 of which 8373 are males and 8126 are females	There are 3832 households and the houses are a mix of Kaccha houses, small apartments and small buildings	There are 98% Hindus & 02% Muslims	The major languages spoken are Marathi, Kannada & Hindi	The people predominantly belong to Middle and Low income levels	Nandini-71% Adityaa-18% Gokul-04% Shrikrishna-08%
C- 13	Complete Vadgaon and Adarsh Nagar Ward - 9 & 13	The total population is 14,233 of which 7144 are males and 7089 are females	There are 3440 households and the houses are a mix of kaccha houses , small buildings & flats	94 % Hindus, 02% Christians & 04% others	The major languages spoken are Marathi and Kannada	The people predominantly belong to Middle and lower income levels	Nandini-47% Shrikrishna-26% Gokul-22% Others-19%
C- 14	Hindwadi and Bhagyanagar Wards - 7 & small part of 8	The total population is 14,281 of which 7138 are males and 7143 are females	There are 3363 households and the houses are a mix of big bungalows and apartments	Predominantly Hindu	The major languages spoken are Kannada & Marathi	The people predominantly belong to Middle & Upper income levels	Nandini-58% Adityaa-21% Gokul-21% Arokya-16%
C-15	Tilakwadi Ward - 8	The total population is 3479 of which 1722 are males and 1747 are females	There are 885 households and the houses are a mix of big bungalows and apartments	There are 92% Hindus, 02% Muslims, 04% Christians and 02% Sikhs	The major languages spoken are Kannada & Marathi	The people predominantly belong to Middle & Upper income levels	Nandini-82% Adityaa-18% Gokul-06% Amul-04%

(Source: Field survey)

The Competitive Marketing Environment for Milk and Milk Products in Belgaum

Dominant brands that enjoy significant market share in Belgaum milk market are Nandini, Adityaa, Shrikrishna, Arokya, Warana, and Gokul in their respective order. The major market share is captured by the market leader, i.e., Nandini which has the production capacity of 1,00,000 litres/day at its Belgaum Dairy plant. The consumption of packaged milk in Belgaum city stands at around 17,000 liters

/day. On an average, the distributors of packaged milk were given the margin ranging from Rs. 0.70 to Rs. 1.30/litre. Arokya, Warana and Gokul enjoy a tiny share of the Belgaum milk market.

The brief description about the top three brands, i.e. Nandini, Adityaa and Srikrishna that enjoy significant market share in Belgaum along with their company profile, capacities, product range and pricing structure is narrated here-in-under.

Nandini (KMF)⁴

Karnataka Cooperative Milk Producers' Federation Limited (KMF) is the Apex Body in Karnataka representing Dairy Farmers' Co-operatives. It is the second largest dairy co-operative amongst the dairy cooperatives in the country. In South India, it stands first in terms of procurement as well as sales. One of the core functions of the Federation is marketing of Milk and Milk Products. The Brand "Nandini" is the household name for Pure and Fresh milk and milk products.

KMF has 13 Milk Unions throughout the State which procure milk from Dairy Cooperative Societies (DCS) and distribute milk to the consumers in various Towns/Cities/Rural markets in Karnataka.

About KMF Belgaum

Belgaum Unit has the production capacity of producing 1, 00,000 litres/day. Milk supplied by the farmers (DCS) is tested before actual procurement. The unit has 500 societies spread over the entire Belgaum District. For every society, KMF has appointed a secretary to take care of the transactions of milk from that area.

KMF, Belgaum dispatches milk throughout the city under six different routes on daily basis. KMF Belgaum has around 80 distributors. Highest sales in the entire Belgaum city is from Tilakwadi area. Distributors have to pay the entire amount on the day of Delivery of milk and milk products. No credit is extended to the distributors by KMF.

Products of Nandini

The product range of Nandini include Packaged Milk, Ghee, Curd, Paneer, Kunda, Pedha, Mango Lassi, Butter Milk, Rasagulla, Gulab Jamun, Badam Milk Powder, Mysorepak, Besan Ladu, and Dalda in the respective order (descending, based on the production). The pricing of milk is based upon the fat content/variety, i.e. the milk with 3.0% fat (Toned milk) is priced at Rs. 36.00 and milk with 6% fat (Full cream milk) is priced at Rs. 40.00.

Type of Milk	Fat Content (%)	SNF (%)	MRP (Rs)	Dealer Price (Rs)
Toned Milk	3.0	8.5	30	28.80
Shubham Milk	4.5	8.5	36	34.56
Double Toned Milk	1.5	9.0	35	32.00
Samrudhi Milk	6.0	9.0	38	--
Standard Milk (Cow Milk)	3.5	8.5	36	32.00
Good Life Slim Milk (Tetra)	0.5	9.0	40	38.00
Sampoorna Standard Milk (Tetra)	4.5	8.5	--	36.48
Smart Double Toned Homogenised Milk (Tetra)	1.5	9.0	--	--
Good Life UHT Processed Milk (Tetra)	3.5	8.5	41	38.3
Special Toned Milk	4.0	8.5	35	32
Variety of Milk Produced by Nandini				

Adityaa⁵

Vijaykant Dairy and Food Products Pvt Ltd (Adityaa Milk) is a privately owned dairy established in 2005 with an initial capacity to process 10,000 litres per day at Neginal village, Taluk Bailhongal, District Belgaum. Currently they are procuring 18000 litres per day with a peak procurement of 30,000 litres per day from nearly 300 surrounding villages (Societies).

Like Nandini they don't extend any credit to the retailers. The payment has to be made on the day of the sale itself. The total retailer base of Adityaa Milk is 300. The total number of company owned outlets in Belgaum is 23 as on date. Product range of Adityaa along with other details is as mentioned here-in under.

Variety of Milk	Fat Content (%)	SNF (%)	MRP (Rs)	Dealer price (Rs)	Avg Sales in Belgaum (litres)
Toned Milk	3.0	8.5	40	35	14000
Standard Milk	4.5	8.5	44.5	35.5	4000
Full Cream Milk.	6.0	9.0	46	39.5	2000
Variety of Milk					

Milk Products	Price per Litre/kg	Avg. Sales in Belgaum
Curd	65	2000 L
Butter Milk	40	1000 L
Lassi	60	1000 L
Ice Creams	90	2000 kg
Shrikhand	200	10 kg
Ghee	250	20 kg
Mysorepak	280	100 kg
Paneer	275	20 kg
Milk Products		

Shrikrishna⁶

Shrikrishna Milk Pvt Ltd. has emerged as first private dairy sector company in the state of Karnataka. Today, Shrikrishna has become a popular brand in its operational area with a wide variety of milk and milk products. Shrikrishna made a humble beginning with initial processing of 500 litres and has reached to the present turnover of Rs. 65 crores (2013-14). Processing plant with capacity of 60000 LPD is located at Kirvatti Village, Yellapur taluk, Uttar Kannada District.

Sl. No.	Product Range	Fat (%)	SNF (%)	Price per Lit. (Rs.)
1	Natural Rich Milk (1000 mL)	4.5	8.5	40
2	Standard Toned Milk (1000 mL)	3.0	8.0	36
3	Madhur Standard Milk (500 mL)	4.5	8.5	--
4	Madhur Toned Milk (500 mL)	3.0	8.0	--
Variety of Milk				

Sl. No.	Product Range	Qty	MRP (Rs)
1	Curd	200 mL	11
		1000 mL	55
2	Lassi	200 mL	10
3	Butter Milk	200 mL	7
4	Yellow Butter	500 grams	175
		200 grams	75
5	Khawa	1000 grams	225
6	Paneer	1 Kg	255
7	Mysorepak	250 grams	85
8	Besan Ladu	250 grams	80
9	Kesar Pedha	250 grams	110
10	Sada Pedha	100 grams	30
Milk Products			

CONCLUSION

Each major player is striving very hard and has deployed unique marketing strategies to grab a significant market share in the city of Belgaum, a sample district place of India which is all set to become a smart city, represent as best in India at large.

Nandini, the market leader is challenged by the emerging brand Adityaa which is following a very aggressive strategy. Adityaa is opening exclusive retail outlets in large numbers and launching innovative products including ice creams. Nandini, being a Government controlled co-operative society is relatively slow in responding to the challenges enforced by Adityaa.

Many other brands including; Srikrishna, Arokyia, Warana, Amul,⁷ and Gokul⁸ which are active in the Belgaum market are planning and deploying their strategies aimed at increasing their market share and strengthening their position in the market.

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