

## **Business Leadership through Product Strategy and Challenges Ahead: the Case of a Successful Dairy Federation**

In July 2001, Dr. Verghese Kurien the then Chairman of IRMA, the Gujarat Cooperative Milk Marketing Federation (GCMMF) , and the architect of the world renowned Amul model of cooperative dairy development, while addressing a batch of IRMA students and alumni, stated that GCMMF (alongwith its member cooperative milk producers' unions) would not have been successful had it not been market oriented. He added "Amul succeeded because we had a market in Mumbai. The cooperative structure linked the farmers to major markets across the country." He also emphasized and explained how GCMMF succeeded due to successful product strategies and conscious building of the Amul brand since the beginning.

### **Evolution of GCMMF**

GCMMF had its origin in the freedom movement of India. On the advice and guidance of eminent political leaders Sardar Vallabhbhai Patel and Morarji Desai, a young political leader and freedom fighter Tribuvandas Patel, in 1946, took the initiative to establish AMUL (Anand Milk Union Ltd) to prevent the exploitation of milk producers at the hands of middlemen, dependence on the private Polson dairy and insulate them from market fluctuations and provide market opportunities to milk producers. It was a cooperative form of enterprise with focus on member-control for producing, procuring, processing and marketing milk. AMUL started with just two



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The case writer(s) M. R. Suresh, Professor - Marketing, may be reached at [suresh@sdmimd.ac.in](mailto:suresh@sdmimd.ac.in) Author(s) have prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of the situation. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of SDMRCMS, SDMIMD, Mysore. For Teaching Notes please contact [sdmrcms@sdmimd.ac.in](mailto:sdmrcms@sdmimd.ac.in).

village societies and a procurement of 247 litres of milk in a day (GCMMF 2004). This grew to 12792 village societies (18536 in 2014-15) with a daily average of 65 lakh litres per day in 2006-07 (148.5 lakh litres per day in 2014-15 (GCMMF 2004). In 1946 under the leadership of Morarji Desai a resolution was passed stating that a cooperative union would be formed to ensure that farmers had control of procurement, processing and marketing of milk. In the initial years, AMUL identified Mumbai (earlier Bombay) as a major market for liquid milk. In 1954, a plant to manufacture powder and butter was established. In 1963, to meet the requirements of the Indian defence forces further expansion in capacities to manufacture cheese and milk powder was undertaken.

The evolution of GCMMF has at its core, a comprehensive model and lessons learnt from Anand pattern of cooperative (farmer owned) dairy development. The model involved among other things (GCMMF 2004).

- Creation of nation-wide marketing network.
- Emphasis on brand building.
- Milk processing through latest technology (including IT).
- Mobilization of financial resources.
- Milk collection systems at the village level.
- Farmer owned establishment at the grassroots with emphasis on member education and involvement.
- Milk production enhancement, animal health services.

As indicated earlier, Anand pattern of dairy development provided useful lessons that influenced GCMMF's strategies. These lessons in a nutshell were:

- Market as a necessity for post subsistence production in dairying. Earlier initiatives elsewhere were based on supply enhancement without market focus and did not yield much result.

- Marketing is a critical first step to build successful cooperative organizations, a point repeatedly emphasized by Dr. Kurien. Emphasis on product marketing right from the initial stages had its origins in this principle enunciated by Dr Kurien.
- Principle of pump priming.
- Member-control of organizations with professionals for management; this had a strong impact on GCMMF's HR strategy in later years.

To avoid predatory competition among successful milk unions in Gujarat, Dr. Kurien, in a sagacious and strategic move formed, in 1973, the Gujarat Cooperative Milk Marketing Federation (GCMMF) with headquarters at Anand. GCMMF is the apex marketing federation of 17 milk unions of Gujarat and owning brands AMUL and Sagar. (The popularly known AMUL brand was earlier owned by Anand Milk Union Limited, the precursor to the present Kaira District Cooperative Milk Producers' Union Ltd, and other constituent unions under the GCMMF umbrella. This is often confused with GCMMF and NDDB). The major objective of GCMMF is:

- To operate, own, marketing and distribution network across India and outside India.

With a view to achieving the above objective, GCMMF formulated the following mission statement (GCMMF 2001)

"We, at GCMMF, endeavor to satisfy the taste and nutritional requirements of the customers of the world, through excellence in marketing by our committed team.

Through cooperative networking, we are committed to offering quality products that provide best value for money."

### **Key Milestones Achieved**

The key milestones in the history of GCMMF are given in Table 1.

**Table 1**  
A Select List of Key Milestones Achieved

Formation of Amul	1946
Establishment of butter and milk powder plant	1954
Supply of dairy products to defence sector	1963
Forming GCMMF, federation of all milk unions in Gujarat	1973
Launch of malted food	1976
Launch of Indian ethnic milk sweets	1982
Introduction of IT based management applications	1992
Introduction of quality management initiatives	1994
Introduction of Amul cyber store	1999
Getting recognition for .coop suffix	2002
Setting up Amul Preferred outlets	2007
Setting up manufacturing facility in USA	2016

Source: GCMMF

### Industry Environment of GCMMF

An important aspect of the industry structure of GCMMF is that most customers, including the literate, do not realize the aspects of good quality milk. Hygienic sourcing, manufacturing, low bacterial count and high quality packaging are aspects not understood by consumers. On these quality aspects multinational companies in the dairy industry are strong. As it was pointed out “the Indian dairy industry will face severe attacks on quality, reliability and integrity.....Quality control should not be left out till the end product stage (Kurien 1994)”

Another aspect is the tight control of the Government on cooperatives, unlike enterprises registered under the Companies Act. As it was observed “most of our companies, registered under the Companies Act, a law that in spirit and practice respects the rights of the owners and observes due process. Our cooperatives operate under archaic, colonial cooperative legislation in which the rights of the owners- the members, are observed in the breach and in which due process finds scant place....We cannot even open a branch office without the approval of a petty bureaucrat. (Kurien 1995)”

NDDB, the apex body for dairy development in India, with its headquarters in Anand, had been strengthening the dairy sector of Gujarat state, the home base of NDDB. This led to increased production and availability of milk. Entrepreneurs found it attractive to tap the Ahmedabad market. In 1994, apart from the two cooperative dairies, there were nine private units marketing milk in Ahmedabad and there were 20 brands in the city (Sinha and Bhushan 1994). The state of affairs was similar in metros and many other Indian cities. The dairy business did not have high barriers to entry, had simple and easy access to technology and quick returns on moderate investments. Even businessmen who had no understanding of dairy business entered the sector after liberalization (Phansalkar 2005). That private sector would enter dairy business with increase in investment capabilities and access to technology was anticipated and predicted. After liberalization, and changes in MMPO, many leading private players have entered the dairy sector. Brands in the market such as Britannia, Nestle are owned by MNCs and many more are in the pipeline for market entry. At the same time, consumers do not bother about aspects such as low bacterial count, exact quantity packed versus quantity printed on the pouch, fat content etc.

The availability of milk was priority to the housewife, and, thus, brand preference was weak and hence brand switching was common in the event of non-availability of a given brand. In such a scenario “.....the federation (GCMMF) will have to shoulder the responsibilities of shaping the future of the Indian dairy industry, as indeed that of the entire food industry in India. (GCMMF 1997)”. Often GCMMF launched its products at the initial stages of market evolution and thus was vulnerable to failure as any pioneer.

Marketing of milk and milk products across the country is a big challenge. It involves investments in cold chain, an efficient logistics and distribution network, and reaching millions of consumers every day under climatic conditions that catalyze fermentation. Maintaining quality thus is not an easy task for GCMMF which has to market its products nationwide unlike other state cooperative federations.

Another emerging dimension in the context of dairy sector in India is globalization. Many global firms considered India as a big market for dairy products. In addition, changing consumer preferences and demand for value-added dairy products were also factors that attracted global brands. GCMMF, as a response to globalization, had to compete in global markets and had to formulate a marketing strategy for global markets as well. With NRIs forming an important market segment GCMMF had to formulate product strategies in this direction as well. Select achievements of GCMMF are given in Table 2.

**Table 2 :**  
Select Achievements of GCMMF (2014-15)

Members	17 district cooperative milk producers' unions (13 in 2007-08)
No. of Producer Members	3.37 million (2.7 million in 2007-08)
No. of Village Societies	18536 (13141 in 2007-08)
Total Milk handling capacity	240 lakh litres per day (102.1 lakh litres per day in 2007-08)
Milk Collection (Total 2014-15)	5.42 billion litres (2.69 billion litres in 2007-08)
Milk Collection (Daily Average 2014-15)	14.85 million litres (7.4 million litres in 2007-08)
Cattlefeed Manufacturing Capacity	6340 MT per day (3090 MT per day in 2007-08)

Source: [www.amul.com](http://www.amul.com) (website of GCMMF)

### **Products Manufactured, Product Strategy and Product Management**

One of the biggest challenges in product management of milk is the high cost of raw material. Almost 75 to 80% of the cost of the product is towards raw material. This is further aggravated by the fact that cooperatives are producer-owned in India and bulk of the sale price (an estimated 85%) is transferred to the farmer unlike western nations where the producer gets only around 40% of the same. In addition, Indian producer-owned cooperatives operate on the philosophy of

value for owners (farmers) and value for consumers. This has major implications for the product mix decisions. While a completely investor owned firm has the liberty to only manufacture, market value-added dairy products and can possibly refuse to purchase milk, cooperatives cannot do so in view of their social responsibility dimensions both on the procurement side as well as the marketing side. Expectations from the government to protect consumer interests also required cooperatives such as GCMMF to keep consumer interests in product strategy formulation. In view of short shelf life of the products, much of the focus had to be on liquid milk. Whenever there was surplus on the procurement it got converted into other commodities such as milk powder or ghee which could be recombined into products based on requirement. As GCMMF, being a producer owned dairy federation, could not refuse milk supplied by farmers, developing and expanding in new markets was part of its product strategy. Further, GCMMF realized that bulk of its products was marketed outside Gujarat. Hence it made sense to process and market products from locations outside the state. To cater to this product strategy the federation established around 50 manufacturing plants across India.

GCMMF's product management involved identifying potential market opportunities. As an enterprise it realized the importance and relevance of marketing research. Towards this end it involved many management students to undertake marketing research on various aspects of product opportunities, consumer satisfaction and various marketing dimensions. These initiatives helped the federation to sharply define its product-markets and come up with a variety of products. GCMMF at present has more than 50 product categories. After liberalization and with the entry of big multinational brands and private sector firms in the dairy business the frequency of new product launches by GCMMF has increased. Table 3 provides a select list of important product launches.

**Table 3 :**  
Important Product Launches

Category	Brand	Year Introduced
Whole Milk Powder	Amul	1955
Skim Milk Powder	Sagar/Amul	1955
Butter	Amul	1955
Ghee	Amul/Sagar	1955
Cheese	Amul	1959
Infant Milk Food	Amul	1966
Chocolate	Amul	1964
Malted Milk Food	Nutramul	1976
Ethnic sweet	Amul Shrikhand	1982
Cheese Spread	Amul	1983
UHT milk	Amul	1983
Milk in pouches	Amul	1986
Dairy whitener	Amulya	1983
Breadspread	Amullite	1994
Ice-cream	Amul	1996
Condensed milk	Amul mithai mate	1996
Ethnic sweet	Amul Gulabjamun	1998
Fresh curds	Masti Dahi	1999
Pizza	Amul	2001
Confectionary	Amul	2001
Kadi (an Indian ethnic dish)	Masti	2002
Flavoured milk	Amul Kool	2003
White Health beverage	Amul Shakti	2003
Sweetened Flavoured Dahi	Yogi	2003
Butter milk and Lassi	Amul	2002-03
Ready-to-serve Tomato soup	Masti	2003
Ready-to-serve Hot soup	Masti	2003
Probiotic dairy products	Amul	2007
Amul Brown ghee, premium ice-creams, herbal buttery spread etc	Amul	various years after 2008

Source: GCMMF presentation (undated). Revised by accessing its website.



In recent years GCMMF has made an endeavour to add value added dairy products such as whipping cream, zero fat milk, sports drink etc. GCMMF undertook various innovations in product marketing. For instance, in Ahmedabad milk market which was dominated by local brands in the 1980s, GCMMF became the market leader. This was achieved by launching more variations at different price points targeting different segments thus outsmarting private players. It further offered more variations than the statutory requirement in terms of fat and SNF composition thus giving more options to consumers. It realized the importance of the low income consumer and the consumer who purchased loose milk by marketing 200 ml sachets and double toned milk. It strengthened its distribution to reach emerging urban/ peripheral areas of Ahmedabad. Realizing the importance of the TV network GCMMF used the local cable TV network in Ahmedabad it promoted the Amul brand. The federation also used technology to print the brand logo prominently so as to convince the consumers. In the process, GCMMF emerged as a leader in the dairy business in Ahmedabad. This helped the federation develop a strategic approach towards marketing products in a 'commodity' category such as liquid milk and further, through this learning process, it developed a 'model' to penetrate and expand in other milk markets in smaller towns.

Another product strategy success for GCMMF is in the ice-cream category. GCMMF realized the significance of providing 'value' to consumers. Ice-creams were highly priced and were beyond the reach of lower middle class consumers. In the 1990s ice-creams consumption was primarily in parlours and was restricted to the rich and urban upper middle class consumers. Ice-cream was perceived as a luxury product category. It was in this scenario that GCMMF, in 1996, launched its ice-creams in fourteen flavours attractively priced at Rs 10 per tub and positioned its ice-creams as 'Real Milk, Real cream', in contrast to competing brands that were marketed as frozen desserts. In addition the federation also highlighted that its product was 100% vegetarian. The product was marketed across the country and was available even in small towns of tourist interest thanks to the distribution muscle of

GCMMF. In the successful launch and marketing of the Masti brand of curds, the federation was able to do so due to the excellent alignment between supply chain, processing, logistics and product marketing in the challenging fermented food product category. Thus GCMMF acquired a dominant position in all product categories it marketed through sagacious product management from opportunity identification to launch covering all major stages of product management.

Realizing the importance of distribution as part of overall product strategy, given the perishable nature of dairy products, GCMMF invested in building a strong distribution network right from the early years of its inception. It established depots across India and reached 10000 dealers and 10 lakh retailers daily. Currently there are 56 depots (branches) to ensure efficient distribution of its products. Not only did it pursue pragmatic distribution policies to keep costs low but also to create a consumer pull. In recent years it has expanded its marketing in interior markets. To facilitate smooth marketing of products the entire distribution has been organized in four distribution highways namely ambient, chilled, fresh and frozen. It forayed into interior markets in India as well by bolstering the stockist network. With a view to ensuring seamless marketing of products, integration with the supply chain and better control of sales management GCMMF has also invested in IT integration through a Distributor Management System across the country (GCMMF 2015). Distributors were also involved in the quality management initiatives undertaken by the federation.

### **Building a Brand Identity**

Unlike other cooperatives or public sector firms, GCMMF being a totally producer-owned enterprise, realized the importance of brand building and creating a brand identity right at the beginning. There were three reasons for pursuing this strategy a) close relationship between product strategy and brand building in a consumer context b) profitability enhancement was possible mainly through brand building and c) the origin of Amul itself was a response to marketing problems (unlike other cooperatives which originated as government development programs). The focus of Amul brand was well articulated

by Dr Kurien as follows: “I have, therefore, reflected on the long history of the brand to see if I could distil reasons (why) Amul is a name widely recognized and respected....Probably the easy, but nonetheless wrong, answer is that Amul has been advertised well...if Amul has become a successful brand-if, in the trade lingo, it enjoys brand equity-then it is because we have honoured our contract with consumers for close to fifty years...the tough part of the use of a brand as a contract is that every day is a renewal...If Amul’s sales continue to rise it is because that contract has been honoured, again and again... Amul, therefore, is a brand with a difference. That difference manifests itself in a larger than life purpose. The purpose – freedom to farmers by giving total control over procurement, production and marketing (Kurien 2001).”

GCMMF over the years moved from basic brand promotion towards building a brand identity through its ‘Amul-The Taste of India’ strategy.

### **Challenges Ahead**

GCMMF over the years through its producer-owned cooperative developed a seamless and integrated model for dairy business in India without much dependence on the government. Amul today is one of the most recognized brands in India. It is also India’s largest food product marketing organization. But there are many challenges in the emerging market scenario. Firstly, GCMMF through a well-conceived product strategy has managed to become a market leader in most of the product categories. It has continued to expand its market operations in India. Even with high product management competence in GCMMF, sustaining this leadership in various product categories and in the dairy business is a challenge. Secondly, in categories such as sports drinks, GCMMF has relaunched its brand Amul Stamina (as its earlier initiative was less impressive). Such value-added product categories are dominated by global brands and combating them is a major task. Thirdly, GCMMF has its origin as a producer-owned cooperative established in response to market imperfections and farmers exploitation in dairy business. In addition, it has to give value to (middle class and poor) consumers. Given the nature of dairy sector

in India where production is dominated by small farmers and coupled with low consumer awareness for high quality milk products with natural ingredients, can GCMMF continue to successfully blend its product marketing strategies with social responsibility? Fourthly, with globalization, as there is a possibility of many European countries (with favorable economics of dairying) trying to access the growing Indian market through Free Trade agreement, can GCMMF continue its market dominance? In addition, there are also non-tariff barriers imposed on dairy products of Indian origin in the export market. Combating the same is not easy. Fifthly, with other dairy cooperative federations such as KMF (brand name Nandini), Rajasthan (brand name Saras) emerging as powerful regional brands, GCMMF has to compete with them in various markets without violating the Rochdale principle of 'Cooperation among Cooperatives' and also play the role of a benevolent elder brother as a business leader. Finally, there is increasing demand for value-added dairy products among urban consumers. While GCMMF has identified product opportunities and has launched a few products in this category, with 'value for money to the consumer' part of Amul's brand identity, is there a need to explore develop another brand for high-end products? Current focus of GCMMF are, in the words of its CEO R S Sodhi "today, our strategy is 3E - first E stands for expansion in milk procurement, second E for expansion in processing and manufacturing capacity, and third E for marketing and distribution (Sodhi 2015)". GCMMF has grown from a small dairy cooperative initiative Amul which was a response, many decades back, to market exploitation of farmers to marketing India's most valued food product brand at present. As Dr Kurien articulated "Please consider your customer is smarter than you. Don't think that you can tinker with the ingredients or weight. If you employ short-term marketing strategies, your customer will lose faith in you. We are growing thanks to Amul's value system (Sodhi 2015)" Dr Kurien has highlighted the challenges faced by producer-owned dairy enterprises and the importance of building institutions for economic freedom of India (Kurien 2005). With a sales turnover of Rs 20733 crores in 2014-15, GCMMF has to retain its leadership in business in the years ahead both for the sake of Indian farmer and the Indian consumer.

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This case has been written using secondary data for academic purposes only

