REACHING THE STRATEGIC EDGE THROUGH FUNCTIONAL EFFECTIVENESS - A CASE STUDY OF MOTHER DAIRY AND ITS STRATEGIC INSIGHTS

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Abstract

From chronic shortages of milk, India has emerged today as the largest producer of milk in the world nearing 190 million tonnes. It offers opportunities galore to entrepreneurs worldwide, who wish to capitalize on one of the world's largest and fastest growing markets for milk and milk products. The effective milk market is largely confined to urban areas, inhabited by over 35 per cent of the country's population. An estimated 50 per cent of the total milk produced is consumed here. By the end of 2015, the urban population is expected to reach 1.32 billion. The expected rise in urban population would be a boon to Indian dairy industry. Presently, the organized sector both cooperative, private and the traditional sector cater to this market.

In this booming period Mother Dairy is looking to take advantage of the opportunities which are in galore available for all milk manufacturers. Mother Dairy was set up in 1974 under the Operation Flood Programme. It is now a subsidiary company of National Dairy Development Board (NDDB). Mother Dairy sources its entire requirement of liquid milk from dairy cooperatives. Similarly, Mother Dairy sources fruits and vegetables from farmers/ growers associations. Mother Dairy also contributes to the cause of oilseeds grower cooperatives that manufacture/ pack the Dhara range of edible oils by undertaking to nationally market all Dhara products. Of the three A's of marketing -availability, acceptability and affordability, Mother Dairy is already endowed with the first two. Hence no efforts are needed to make it acceptable.

Its availability is not a limitation either, because of the ample scope for increasing milk production, given the prevailing low yields from dairy cattle. It leaves the third vital marketing factor affordability. How to make milk affordable for the large majority with limited purchasing power? That is the essence of the challenge.

Current theories of strategy and organization suggest that Mother Dairy benefits from related diversification and tight coordination of the multidivisional structure. This case study aims to probe into this issue by using the theoretical framework of "strategy, structure and performance". Three issues will be addressed in the paper:

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a) What strategies and structure does Mother Dairy adopt in a constantly changing and turbulent developing economy?

b) Do the influences of Mother Dairy have interaction effects with environmental conditions?

c) How does Mother Dairy make milk affordable for the large majority with limited purchasing power?

Keywords: *Urban population, strategy, Structure and performance, affordable.*

Introduction

From chronic shortages of milk, India has emerged today as the largest producer of milk in the world crossing 127.9 million tonnes. It is 'The Oyster' of the global dairy industry. It offers opportunities galore to entrepreneurs worldwide, who wish to capitalize on one of the world's largest and fastest growing markets for milk and milk products. A bagful of 'pearls' awaits the international dairy processor in India. The Indian dairy industry is rapidly growing, trying to keep pace with the galloping progress around the world.

The effective milk market is largely confined to urban areas, inhabited by over 25 per cent of the country's population. An estimated 50 per cent of the total milk produced is consumed here. By the end of 2015, the urban population is expected to reach 1.32 billion. The expected rise in urban population would be a boon to Indian dairying.

Presently, the organized sector both cooperative and private and the traditional sector cater to this market.

Indian Dairy Industry -A Profile

India's dairy sector is expected to triple its production in the next 10 years in view of expanding potential for export to Europe and the West. Moreover with WTO regulations expected to come into force in coming years all the developed countries which are among big exporters today would have to withdraw the support and subsidy to their domestic milk products sector. Also India today is the lowest cost producer of per litre of milk in the world, at 35 cents, compared with the U.S' 65 cent. Also to take advantage of this low cost of milk production and increasing production in the country multinational companies are planning to expand their activities here. Some of these milk producers have already obtained quality standard certificates from the authorities. This will help them in marketing their products in foreign countries in processed form.

The urban market for milk products is expected to grow at an accelerated pace of around 33% per annum to around Rs.1, 23,500 crores by year 2015. This growth is going to come from the greater emphasis on the processed foods sector and also by increase in the conversion of milk into milk products. By 2015, the value of Indian dairy produce is expected to be Rs 5 Lakh Crore. Presently the market is valued at around Rs 2.5 Lakh crore.

Background of Dairy Industry

India with 280 million cows and 224 million buffaloes and has the largest population of cattle

in the world. Total cattle population in the country as on October' 12 stood at 504 million. More than fifty percent of the buffaloes and twenty percent of the cattle in the world are found in India and most of these are milch cows and milch buffaloes.

Indian dairy sector contributes a large share in the agricultural gross domestic products. Presently there are around 85,000 village dairy cooperatives across the country. The co-operative societies are federated into 170 district milk producers unions, which is turn has 22 state cooperative dairy federations. Milk production gives employment to more than 94 million dairy farmers. In terms of total production, India is the leading producer of milk in the world followed by USA. The milk production in 2011-12 was 127.9mn MT as compared to 121.8mn MT in the previous year.

This production is expected to increase to 133 mn MT by 2012-13. While world milk production declined by 2 per cent in the last three years, according to FAO estimates, India's 4.11 percent annual growth of milk production between 2004-05 and 2011-12 surpasses the 2.9 per cent growth in population; the net increase in availability is around 2 per cent per year. The milk production in India accounts for more than 18% of the total world output and 57% of total Asia's production. The top five milk producing nations in the world are India, USA, Russia, Germany and France.

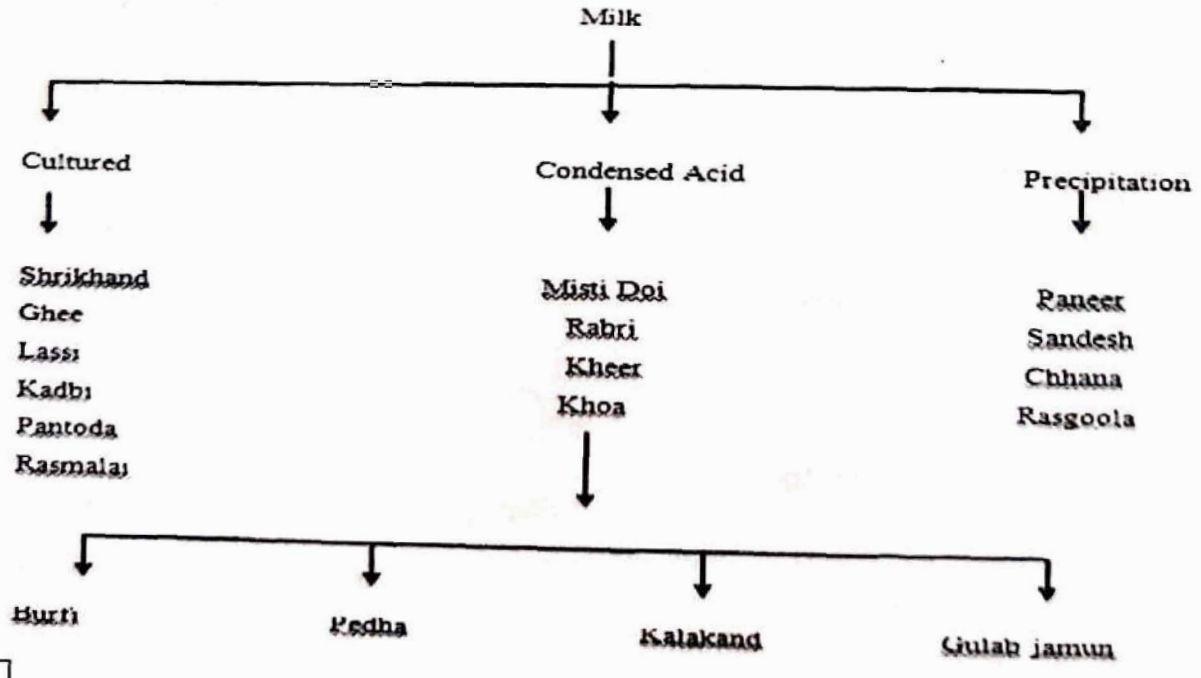
Although milk production has grown at a fast pace during the last three decades (courtesy: Operation Flood), milk yield per animal is very low. The main reasons for the low yield are:

- Lack of use of scientific practices in milching.
- Inadequate availability of fodder in all seasons.
- Unavailability of veterinary health services.

Indian Dairy Products

The term Indian Dairy Products refers to those milk products, which originated in undivided India.

FLOW CHART OF CONVERSION OF MILK INTO TRADITIONAL INDIAN DAIRY PRODUCTS



Major Players
There are virtually 15 major Dairy Cooperative Federations in India, namely:
• Andhra Pradesh Dairy Development Cooperative Federation Ltd (APDDCF)
• Bihar State Cooperative Milk Producers' Federation Ltd (COMPFED)
• Gujarat Cooperative Milk Marketing Federation Ltd (GCMMF)
• Haryana Dairy Development Cooperative Federation Ltd. (HDDCF)
• Himachal Pradesh State Cooperative Milk Producers' Federation Ltd (HPSCMPF)
• Karnataka Cooperative Milk Producers' Federation Ltd (KMF)
• Kerala State Cooperative Milk Marketing Federation Ltd (KCMMF)
• Madhya Pradesh State Cooperative Dairy Federation Ltd (MPCDF)
• Maharashtra Rajya Sahakari Maryadit Dugdh Mahasangh (Mahasangh)
• Orissa State Cooperative Milk Producers' Federation Ltd (OMFED)
• Pradeshik Cooperative Dairy Federation Ltd (UP) (PCDF)
• Punjab State Cooperative Milk Producers' Federation Ltd (MILKFED)
• Rajasthan Cooperative Dairy Federation Ltd (RCDF)
• Tamilnadu Cooperative Milk Producers' Federation Ltd (TCMPF)
• West Bengal Cooperative Milk Producers' Federation Ltd. (WBCMPF)

National Dairy Development Board (NDDB) is the central cooperative board of the country and was created to promote, finance and support producer-owned and controlled organizations mentioned above.

Two main players – Amul of GCMMF and Mother Dairy of NDDB – are the leading brand in India. Our main focus is to analyze the strategic move of NDDB for mother Dairy from top to bottom. Thus we are going to concentrate on the progress of Mother Diary and NDDB for their future strategies.

Historical background of NDDB

The National Dairy and Development Board was founded in 1965, with the mission of organizing poor milk producers, thereby transforming dairying into an instrument for the economic development of India's rural people. The formation of the NDDB stemmed from the vision of the then Prime Minister of India, the late Lal Bahadur Shastri, to extend the success of the Kaira Cooperative Milk Producer's Union (in the state of Amul) to other parts of India.

NDDB began its operations with the mission of making dairying a vehicle to a better future for millions of grassroots milk producers. The mission achieved thrust and direction with the launching of "Operation Flood" in 1970, a programme extending over 26 years and which used World Bank loan to finance India's

emergence as the world's largest milk producing nation.

During this period, dairy commodity surpluses were building up in Europe. Imports from Europe had already adversely affected the dairy industry in India. Imports by individual players in India would have resulted in a market glut and a fall in the prices throughout the country.

With the backing of government policy, and with the assistance of the World Food Program, NDDB imported food aid in the form of milk powder and butter oil, and marketed it under its own brand name. The surplus from these sales was invested in the expansion of the cooperative movement in the dairy industry. Operation Flood's third phase was completed in 1996 and has to its credit a number of significant achievements.

As on March 2012, India's 3,15,570 village dairy cooperatives federated into 170 milk unions and 15 federations procured on an average 29.2 million litres of milk every day. 14.6 million farmers are presently members of village dairy cooperatives.

Since its inception, the Dairy Board has planned and spearheaded India's dairy programmes by placing dairy development in the hands of milk producers and the professionals they employ to manage their cooperatives. In addition, NDDB also promotes other commodity-based cooperatives, allied industries and veterinary biological on an intensive and nation-wide basis. NDDB's subsidiaries include Mother Dairy.

Historical Background of Mother Dairy

"Mother Dairy" is the single largest brand of milk in India as well as in Asia, marketing about 2.2 million litres of milk per day. Mother Dairy commands 40% market share in the organized sector in and around Delhi, primarily because of consistent quality and service – whatever be the crisis -floods, transport strike, curfew etc. Mother Dairy markets approximately 3.2 million litres of milk daily in the markets of Delhi, Mumbai, Bangalore, Saurashtra and Hyderabad. Mother Dairy milk has a market share of 66% in the branded sector in Delhi where it sells 2.5 million litres of milk daily.

Mother Dairy is an IS/ISO -9001:2000 and Hazard Analysis Critical Control Points (HACCP) and IS-14001:1996 Environment Management System (EMS) Certified organisation.

Mother Dairy was the first Dairy in the country to implement ISO-14031 (Environment Performance Evaluation) project. The ecomany's Quality Assurance Laboratory is ISO/IEC17025:1999 certified by NABL (National Accreditation Board for Testing and Calibration Laboratory), Department of Science & Technology, India. This provides assurance to the consumer in respect of Quality and Safety of products manufactured and marketed by Mother Dairy.

The National Dairy Development Board (NDDB) commissioned Mother Dairy in the first phase of Operation Flood in 1974. Considering the success of Dairy industry NDDB established Fruit & Vegetable Project in Delhi in 1988 with "SAFAL" as its umbrella brand.

With a view to separating the commercial activities from developmental activities, the NDDB merged Mother Dairy and the Fruit & Vegetable project into a wholly owned

company named Mother Dairy Fruit & Vegetable Ltd (MDFVL) in April 2000. This becomes the holding company of Mother Dairy India Ltd (MDIL) – a marketing company and Mother Dairy Foods Processing Ltd (MDFPL) – a processing company. MDFPL is a multi unit company, with units at various locations in India.

The company is a highly trusted house hold name for its wide range of milk products like Milk, Flavoured Milk, Ice-Cream, Dahi, Lassi, Table Butter, Dairy Whitner, Ghee etc. Mother dairy has taken up the concept of Total Productive Maintenance (TPM) wholeheartedly.

The number of employees involved in KAIZENS and the no. of KAIZENS per employee are very encouraging. Mother Dairy is a member of CII-TPM Club and the KAIZENS done by Mother Dairy employees have been selected and presented in 2nd, 3rd, 4th and 5th National Kaizen Conferences held from time to time during the last three years. Our TPM efforts have resulted in increase in MTBF and decrease in MTTR, quality improvement, Cost reduction and reduction in accidents.

Mother Dairy has received

- 3rd Best Employer of India - World HRD Congress (Apr-2010)
- SAP Ace Award 2010 - Best Run Award in Consumer Products. SAP ACE

Awards have recognized the efforts of the company and their business excellence achieved through the implementation of SAP, for its customers across India. Adding to this, Mother Dairy was also the first company in large-scale SAP software implementation in the Indian dairy and fresh foods sector.

- Dhara - Winner of National Quality Excellence Award.
- Best Maintained Plant Award :2007
- National Energy Conservation Award - 2004, Oil and Gas Conservation Award – 2004, Indian Innovation Award -2004 and Safety Initiative Award -2005.

Over the years, Mother Dairy has not only served the daily need of milk of the consumers of Delhi, it has also extended its milk to other States like Haryana, Uttar Pradesh, Karnataka, Maharashtra, Andhra Pradesh & Gujarat and is expanding its wings rapidly to serve the masses in Tier II States such as Faridabad, Jabalpur, Nagpur Raipur and so on.

Strategically located Mother Dairy booths across the country make it convenient for you to pick up your daily requirement of Milk, Flavored milk, Butter, Dahi, Lassi, Cheese, Chaas, mouthwatering Ice Creams.

The focus is on key markets for each of the categories. They hold a 60 per cent market share in Delhi, but it has an average market share of around 25 to 30 percent in other markets.

Objectives and Business Philosophy of Mother Dairy

The main stakeholder of Mother Dairy was the farmer member for whose welfare it existed.

Unlike other organizations, their objective is not to maximize the profit. They are more interested in giving the best price for the farmers for their milk than in making a large profit. Thus they

look at the price given to their suppliers as not a cost but as an objective.

Mother Dairy had, as its main objective, "carrying out activities for the economic development of agriculturists by efficiently organizing marketing of milk and dairy produce, agricultural produce in raw and/or processed form and other allied produce". This was to be done through:

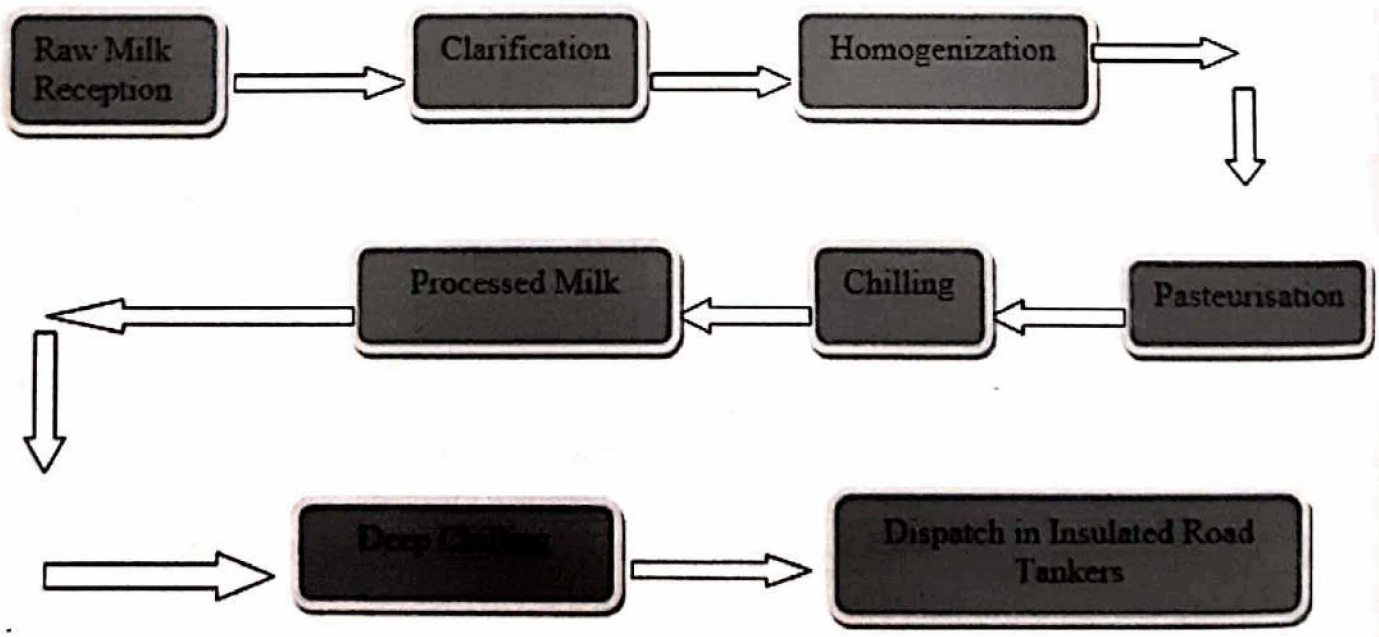
- Common branding
- Centralized marketing
- Centralized quality control
- Centralized purchases and
- Pooling of milk efficiently

Mother Dairy had declared, as its business philosophy, the following:

- *Ensure that milk producers and farmers regularly and continually receive market prices by offering quality milk, milk products and other food products to consumers at competitive prices* and;
- *Uphold institutional structures that empower milk producers and farmers through processes that are equitable.*

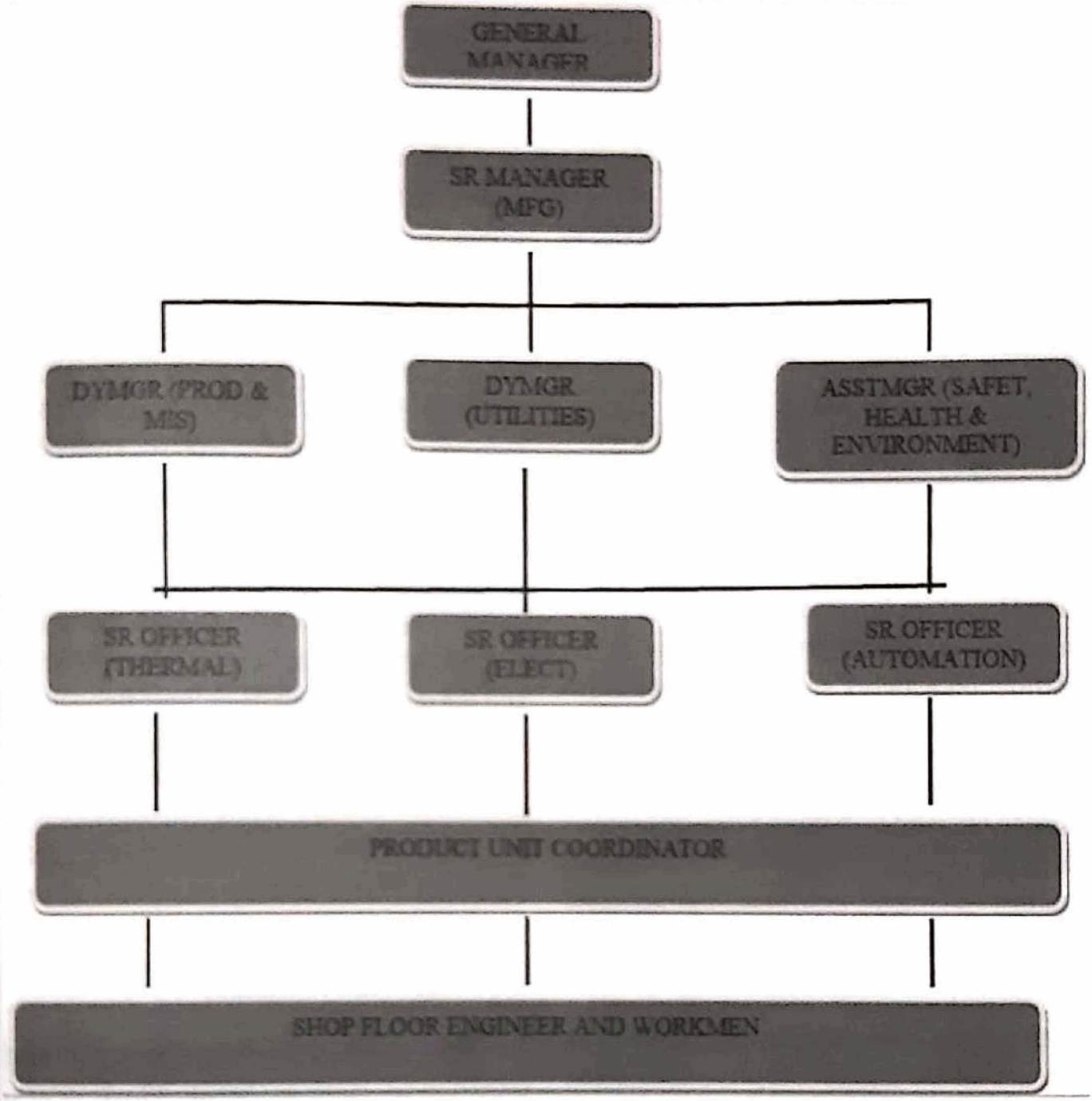
The biggest strength of Mother Dairy was the trust it had created in the minds of its consumers regarding the quality of its products. NDDB, and its brand Mother Dairy, stood for guaranteed purity of whatever products it had produced. Adulteration was simply not done in any of its products. In India, where such trust was hard to come by, this could provide a central anchor for Mother Dairy's future business plans. For more than 40 years' Mother Dairy has helped to create a national network which has been adapted and extended to other commodities and areas. Their constant effort to learn and to enrich experience is central to their approach and capacities. In times to come, Mother Dairy shall strive to become a leading player in the food industry in India.

The Process Flow of the Mother Dairy



Organizational Structure in Mother Dairy Manufacturing Plant

ECON CELL STRUCTURE



Strategies Implemented

1. Focused Approach

Mother Dairy wants to get into bigger markets and have bigger shares in those markets. The cooperative is also expanding its product portfolio further to match rival offerings - particularly those of Amul. For the first 22 years of its existence, liquid milk was the only dairy product that Mother Dairy offered.

It was in 1996 that it came up with ice-creams. But the real spurt came in 2006, when it

introduced curd, flavoured milk, lassi and mishti doi. It introduced butter in 2006; ghee and UTH milk in 2007; and cheese in 2008. And under its frozen foods and vegetables brand Safal, besides the introduction of corn and mixed vegetables, it has plans to come out with frozen potato-based snacks in a few months. So while the product portfolio has been growing, Mother Dairy has plans for reach out to newer markets but the strategy here is more product-specific. In liquid milk, it will initially concentrate only on these markets - Delhi, its home ground; the Junagarh region and Ahmedabad in Gujarat; Mumbai, which in 2007; and Hyderabad, where it moved in 2008; And Bangalore in 2008. They have no plans to go everywhere with liquid milk. What's the need to get into those markets that already have strong co-operative brands? Their objective of getting into newer locations is not to make Mother Dairy larger, but to ensure that there is a large viable distribution network and consumer brand to take care of surplus milk.

In Mumbai, where the liquid milk market is close to 60 to 62 lakh litres a day, only about 35-38 lakh litres a day is in the organised market -and that too is highly fragmented with a number of smaller players with shares of about 10,000-20,000 litres a day.

Mother Dairy claims a share of 170,000 litres a day, with the biggest player, Mahananda, selling about 800,000 litres a day and Aarey and Amul about 250,000-300,000 litres a day each.

In Hyderabad, Mother Dairy claims it has a 15 per cent market share of the approximate 10-11 lakh litres a day of the organised market. These are still early days in the two markets, but we are looking at 18-20 per cent growth in the overall fresh milk segment.

2. Wider Spread

However, as far as other dairy products are concerned, Mother Dairy plans to expand across the board. Other than milk, for most state federations, dairy products are still a small part of their operations. So they are taking their products to regions across India, where they see enough market potential.

In ice creams, it was in 2006 that Mother Dairy entered its first market outside Delhi UP and Punjab. Today, it's extended its operation to Haryana, Jaipur, Mumbai, Kolkata, Hyderabad and Bangalore as well. Soon, it plans to go to Tier II cities.

In the case of butter and cheese, it's present across north India, Mumbai and Kolkata, and Bangalore. In UTH milk, it has entered Mumbai and the milk-short areas of West Bengal and north-east. For ghee, although the current focus is the northern region, it has plans for a nationwide presence. As far as Mother Dairy's non-dairy products are concerned, it's edible-oil brand Dhara already has a nationwide presence.

3. Product Differentiation

While Mother Dairy still may not have a product portfolio as large as Amul, which is also expanding across the country in a big way and is a much bigger player, it's doing its bit. Mother Dairy says the idea is not just to enter new markets, but to do well in those markets -which mean bigger market shares in the different product categories in whichever market it is present.

The drivers will be value created through quality of the offerings as well as innovations in products. This will, of course, be backed by relevant marketing and promotion campaigns. Mother Dairy is bringing in mass Indian flavours which are building up in terms of absolute percentage of contribution. Their attempt is to make the taste experience in ice creams as familiar as possible so as to increase consumption.

Take the case of curd. It started off very slow but today, Mother Dairy claims it's growing at close to 60 per cent year-on-year in Delhi. Here again, the Indian flavor formula seems to have worked.

While curd from an MNC player is probably based on international formulation, they formulated it to taste as close to home-made curd as possible. If the offering fits well with the Indian consumer, the resistance is lower and acceptance more.

4. Smart Marketing

On the marketing front, Mother Dairy says it's trying to take its product campaigns and communications to a higher platform. For instance, in the case of milk, the campaigns do not talk about the obvious benefits -milk is good for health, it has calcium and so on -but rather it targets children and are created around ideas such as "The country needs you, grow faster".

As far as products such as butter, cheese and ice creams go, the campaigns have been created around "taste". For butter again, the focus is on children. Here, Mother Dairy has dared to go different. Since 60 per cent butter is consumed by kids, the company wants them to sit up and take notice of its butter. Makkhan Singh, a sturdy jovial cow (a cartoon character) has been made its brand ambassador. While Mother Dairy has been carrying out school programmes -games and activities -involving Makkhan Singh in Delhi, it has plans to take such activities to Mumbai and Kolkata as well. It also runs a gaming website on the character to attract children.

It's cheese for children again. A couple of months ago, Mother Dairy carried out a retail activity: "Cheese khao superhero ban jao", where kids buying cheese at a retail outlet were invited for a photo op -dressed as superheros -through Polaroid cameras; and the framed photograph was presented to them. The activity was carried out in about 150 outlets the country, with about 20,000-25,000 snaps being taken.

Cheese was also something that helped the company bond better with its retailers.

In another strategy retailer in Delhi displayed banners proclaiming, "Cheese ke saath bees ki cheez," a proposal that said if a consumer buys Mother Dairy cheese, the retailer can offer him anything worth Rs 20 from the shop -which worked better than offering something free with the product, which the consumer didn't even needs.

The exercise resulted in better ties with retailers. Clearly, Mother Dairy has aggressive plans. But, strong regional brands and other co-operatives will continue to give it tough competition.

Prospective Strategies applied by Mother Dairy

Mother Dairy maps the future of dairying in India, setting realistic goals for

- Strengthening Cooperative Business,
- Production Enhancement,

- Assuring Quality and
- Creating an Information and Development Research.

The plan was realized with the successful completion of the Operation Flood Programme and has been developed by the State Milk Marketing Federations and the Milk Producers' Cooperative Unions in consultation with the Dairy Board.

The goals and strategies to meet them have been drawn by its actual implementers - Federation and Unions and supported by NDDB.

1. Strategy for Strengthening Cooperative Business:

- Recruit, train and motivate increasing numbers of women to work for Mother Dairy to achieve significant improvements in dairy husbandry, as they primarily shoulder animal husbandry related responsibilities in rural India
- Consolidation and growth in milk and milk product marketing, promoting better equity for regional cooperative brands and developing qualified and skilled manpower
- Education of producer members, opinion leaders and trained professionals to be expanded and strengthened
- Empower local leaders, strengthen societies and equip their staff and members with the skills and information they need.
- Persuade the State and Central Governments to remove the shackles on cooperative laws so dairy can compete on equal terms with other forms of enterprise.

2. Strategy for Production Enhancement:

- Improve the production potential of indigenous breeds of cattle such as Sahiwal, Gir, Rathi and Kankrej and breeds of buffalo such as Murrah, Mehsana and Jaffarbadi through appropriate selection programme
- Cross non-descript cattle with Holestein Friesian in areas with adequate feed and fodder and with Jersey in resource-poor areas
- Increase the production and use of high quality feed appropriate to local conditions
- Increase production and availability of green and ensiled fodder
- Encourage unions, NGOs and cooperatives to put common property area under improved pasture and fodder tree
- Expand first-aid coverage through village level societies
- Increase vaccination of animals against HS, BQ and FMD
- Develop Mastitis and Brucellosis control strategies

3. Strategy for Assuring Quality:

- Identify and address quality related problems at every stage from the producer at the village cooperative, to the dairy plant and the process of final deliveryto the consumer
- Facilitate improvement of hygiene, sanitation, food safety and operating efficiency in the dairy plants and sensitize dairy personnel to product qualityaspects as per international standards

4. Strategy for Creating an Information and Development Research

- Link large cooperatives, Unions, Federations and NDDB in a national network that collects, adds value and disseminates information
- Ensure availability of analytical information for Policy Planning and Decision Support.

Product and Process Technology

As a part of its effort to add value to the business, Mother Dairy identifies, develops, tests and transfers product and process technologies.

Regional preferences are an important basis, for developing products and their manufacturing processes. In addition equipment has been designed and commercialised for manufacturing indigenous milk products like shrikhand, paneer, khoa, lassi, gulab jamun, mishti doi and curd as well as popular western products like ice-creams and cheeses.

In developing process, product and equipment technology, emphasis is placed on maintaining high quality standards. To check milk quality, test kits have been developed. NDDB also provides services for analysis of dairy product samples.

Diversification Moves by Mother Diary

After becoming a pan-India player recently, dairy chain Mother Dairy, a subsidiary of the

National Diary Development Board, is now eyeing a turnover of 1.8 billion dollars in the next two years.

Following expansion of their business in other cities and with the launch of new products, they are expecting to reach Rs 10,000 Crore turnover by the end of FY 2015. The dairy chain's topline has been growing at a rate of 29-35 per cent per annum and is expecting a turnover of Rs 7,000 crore this fiscal. Mother Dairy will be the second dairy chain in the country after Amul to cross the one and a half billion turnover milestone, if it achieves the target.

For over three decades, Mother Dairy restricted its presence mainly in the National Capital Region in the fresh milk and other milk products segment.

In the past few years it went for a market expansion across the country. They have a plan to capture all the top six markets in the milk and milk products segment in the country.

Mother Dairy markets dairy products such as fresh liquid milk, ice-creams, and other milk products. It also markets Dhara range of edible oils and the Safal range of fresh fruits and vegetables and fruit juices.

Mother Dairy is present by and large in most of the big categories; now it is more about foraying into niches and value-added versions in the same categories. For instance, they have been in the curd and 'lassi' categories for around five-six years, but they have now forayed into probiotic curd and 'lassi'.

Competition in Different Products

The nature of competition varied among the different products. In the case of liquid milk, competition was from private dairies and contractors. There was also competition from newly emerging private dairies that had started supplying milk to the consumers as well as sweet makers. There was intense competition

for the supply of milk, which was sought after, especially in the festival seasons, by the sweet makers who derived large profits from the sale of their sweets. Consumers were generally not very particular about the brand of liquid milk, so that the sales depended to a large extent on dealer push. However, there was scope to establish differentiation through appraising the customers of the quality not only of the initial milk itself, but also the quality of the supply chain, which ensured the stability of milk.

For butter and cheese, new entrants were making their mark. Britannia, a firm engaged in manufacture and sale of biscuits, had entered into foods business, and more particularly in milk and milk related products such as butter. Britannia had introduced new forms of cheese such as cheddar cheese slices, and supported its products with extensive advertising campaigns. It was believed that advertisements played a powerful role in the demand for particular brands of butter and cheese.

The sweet market was highly fragmented, with numerous small time local operators producing their own brands and unbranded forms of sweets. The sales of sweets soared in the festival seasons, drawing milk supply by offering higher prices.

Other food companies such as Hindustan Lever Ltd. (HLL), a subsidiary of Unilevers, and Nestlé had also entered into the business of readymade or near ready sweets (such as gulab jamun, which just needed to be deep fried to get it ready). Branded ready or near ready sweets were advertised and heavily promoted through campaigns such as through mail orders to housewives.

The ice creams market was an emerging market in India, witnessing the entry of numerous players. The national scene was dominated by Hindustan Lever with its Kwality and Walls brands, accounting for about 45 percent of the market. GCMMF was the other national player, with about 30 percent of the market.

There were, in addition, very powerful regional players such as Vadilal Ice Creams in the Western India who commanded substantial (in excess of 30 percent) of the regional market shares. Ice creams were largely promoted through local promotions, hoardings (billboards) and advertisements. It could be expected that these companies would also expand their operations in the coming years.

Mother Dairy and its Programme for Management of Change

Mother Dairy looked at all its operations, strengths and weaknesses as well as opportunities available, and came to the conclusion that it had to become more customer centred (rather than merely being farmer or supplier centred). This required paying close attention to the customer needs and quality. Mother Dairy realized that it was not enough that Mother Dairy itself was wedded to these ideas; the entire supply chain had to conform. Hence it launched a "Total Quality Management" or TQM to ensure the high quality of the products from the starting point (the village farmer who supplied milk) right through the value chain until it reached the consumer. This meant the need for the involvement of farmers, transporters, factory personnel, wholesalers and retailers, each of whom had a role to play.

What began as a TQM movement gradually became a movement for management of change in the entire value chain.

Mother Dairy's Management of Change (MOC) initiative was launched in six areas: cleanliness of the dairy co-operative societies, planning and budgeting of the dairy cooperative society, artificial insemination service, and quality testing and milk measurement by the dairy co-operatives, animal feeding and management practices and self leadership development.

Mother Dairy and its Innovative Venture

Mother Dairy is expanding its edible oil portfolio by venturing into olive and rice bran oil segment. The dairy major is already selling vegetable and mustard oils under Dhara brand. In line with the changing needs of consumers, they are venturing into the olive oil segment with a new brand -Daroliva.

The company aims to achieve 20-25 per cent market share in the olive oil segment within a year of the launch. The total market of olive oil in the country is around 4,800 tonnes per annum.

Daroliva -extra virgin olive oil-is imported from Spain and the packaging of the product is done at Dhara Vegetable Oil & Foods Company facility in Gujarat. The company has priced the oil at Rs 205 for the 200 ml pack and it would be available in four different sizes. Initially, they would be selling olive oil in top 25 markets of the country and gradually, they will move to smaller towns and remote markets.

About marketing strategy, the launch of Daroliva would be supported by print campaign in addition to attractive point-of-purchase material and the company also plans to hold sampling sessions at various retail outlets and malls.

The firm is also venturing into the rice bran oil with it new brand 'Dhara Rice Bran Oil' in Tamil Nadu and Andhra Pradesh market. With opportunities galore Mother Dairy is looking to capture those opportunities through their innovative strategies and plans.

In times to come the great challenge for Mother Dairy will be to be the best and capture a maximum portion of the Indian market.

Mother Dairy – Road Ahead and Future Strategies

Mother Dairy has different plans for its dairy business, which includes flavored milk, lassi, curd, butter and cheese besides its toned milks. Each of these products has a regional stronghold, with a shelf life of 10 days.

However, the company is looking at alternatives that would increase the shelf life and allow the products to be distributed in other parts of the country as well. In the ice cream segment, the company has been able to capture 32 per cent of the market, and hopes to increase it to 36 per cent by 2015.

On MDIL's marketing strategies while the company does a lot of innovative advertising and on field activities, it spends 3-4 per cent of the turnover on marketing.

All categories were experiencing a growth of 30-40 per cent per annum, and that the turnover was growing at 15-17 per cent every year. Mother Dairy has clocked a turnover of nearly Rs 7000 Crore in 2011-12 and is looking at clocking close to Rs 10,000 Crore in 2014-15.

Future Strategies

- Looking Beyond Delhi – Expand network to top 20 cities by 2015 and increase non-

NCR Revenues from 25% to 35%

- Selling at Kiranas – Increase presence in Kiranas and modern retail stores in addition to exclusive outlets.
- Focusing on Health Foods – Promote snacks like frozen hariyali kebabs, ready-to-eat corn and flavoured yoghurt.
- Hiring Fresh Talent – Build a younger leadership team and conduct training programmes at various levels
- Becoming Hi-Tech – SAP enabled operations and a new four week forecasting tool to improve stocking in outlets.
- Seeking Expert Help – Consultants to help trim operational costs and boost energy efficiency by 8% -10% by year end.

Companies that have risen to global leadership over the recent decades invariably began with ambitions that were totally out of all proportion to their resources and capabilities. To reach such heights every company needs to bring in some policies that would help them strategically manage their activities.

Mother Dairy is one such company which has reached the strategic edge with its Strategic insights and precise strategic implementation.

Books

- Empowerment Case Studies: National Dairy Development Board
- Opportunities and Challenges in the Indian Dairy Industry – Dr. K. G. Karmakar and Dr. G. D. Banerjee

Websites

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- http://www.rediff.com/money/2013/apr/13spec1.htm
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www.indiadairy.com