

Amul

Type : Cooperative
Founded: 1946
Headquarters: Anand, India
Industry: Dairy
Revenue: \$868 million USD (06-07)
Employees: 2.41 million milk producers.

HISTORY

Gujarat Cooperative Milk Marketing Federation (GCMMF) is India's largest food products marketing organisation. It is a state level apex body of milk cooperatives in Gujarat which aims to provide remunerative returns to the farmers and also serve the interest of consumers by providing quality products which are good value for money **Amul (Anand Milk-producers Union Limited)**, formed in 1946, is a dairy cooperative movement in India. The brand name **Amul**, sourced from the Sanskrit word *Amoolya*, means *priceless*. It was suggested by a quality control expert in Anand. It is a brand name managed by an apex cooperative organisation, Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF), which today is jointly owned by some 2.41 million milk producers in Gujarat, India^[1]. It is based in Anand town of Gujarat and has been a sterling example of a co-operative organization's success in the long term. The **Amul Pattern** has established itself as a uniquely appropriate model for rural development. Amul has spurred the White Revolution of India, which has made India the largest producer of milk and milk products in the world. It is also the world's biggest vegetarian cheese brand ^[2]. Amul's product range includes milk powders, milk, butter, ghee, cheese, curd, chocolate, ice cream, cream, shrikhand, paneer, gulab jamuns, basundi, Nutramul brand and others.

Situation of farmers

Over five decades ago, the life of an average farmer in Kheda District was very much like that of his/her counterpart anywhere else in India. His/her income was derived almost entirely from seasonal crops. The income from milk buffaloes was undependable. Milk producers had to travel long distances to deliver milk to the only dairy, the Polson Dairy in Anand – often milk went sour, especially in the summer season, as producers had to physically carry milk in individual containers. Private traders and middlemen controlled the marketing and distribution system for the milk. These middlemen decided the prices and the off-take from the farmers by the season. As milk is perishable, farmers were compelled to sell it for whatever they were offered. Often, they had to sell cream and ghee at throw-away prices. In this situation, the private trader made a killing. Moreover, the government at that time had given monopoly rights to Polson Dairy (around that time Polson was the most well known butter brand in the country) to collect milk from Anand and supply to Bombay city in turn (about 400 kilometers away). India ranked nowhere amongst milk producing countries in the world in 1946. Gradually, the realization dawned on the farmers with inspiration from then nationalist leaders Sardar Vallabhbhai Patel (who later became the first Home Minister of free India) and Morarji Desai (who later become the Prime Minister of India) and local farmer, freedom fighter and social worker Tribhovandas Patel, that the exploitation by the trader could be checked only if they marketed their milk themselves. Amul was the result of the realization that they could pool up their milk and work as a cooperative.

INDIAN DAIRY INDUSTRY:

Today, India 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. As he expands his overseas operations to India many profitable options await him. He may transfer technology, sign joint ventures or use India as a sourcing center for regional exports. The liberalization of the Indian economy beckons to MNC's and foreign investors alike.

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 27 cents, compared with the U.S' 63 cents, and Japan's \$2.8 dollars. Also to take advantage of this lowest 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.43,500 crores by year 2005. 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 2005, the value of Indian dairy produce is expected to be Rs 10,00,000 million. Presently the market is valued at around Rs7,00,000mn

India with 134mn cows and 125mn buffaloes, has the largest population of cattle in the world. Total cattle population in the country as on October'00 stood at 313mn. 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 the large share in agricultural gross domestic products. Presently there are around 70,000 village dairy cooperatives across the country. The co-operative societies are federated into 170 district milk producers unions, which in turn has 22-state cooperative dairy federation. Milk production gives employment to more than 72mn dairy farmers. In terms of total production, India is the leading producer of milk in the world followed by USA. The milk production in 1999-00 is estimated at 78mn MT as compared to 74.5mn MT in the previous year. This production is expected to increase to

81mn MT by 2000-01. Of this total produce of 78mn cows' milk constitute 36mn MT while rest is from other cattle.

While world milk production declined by 2 per cent in the last three years, according to FAO estimates, Indian production has increased by 4 per cent. The milk production in India accounts for more than 13% 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.

THREE-TIER “AMUL MODEL”:

The Amul Model is a three-tier cooperative structure. This structure consists of a Dairy Cooperative Society at the village level affiliated to a Milk Union at the District level which in turn is further federated into a Milk Federation at the State level. The above three-tier structure was set-up in order to delegate the various functions, milk collection is done at the Village Dairy Society, Milk Procurement & Processing at the District Milk Union and Milk & Milk Products Marketing at the State Milk Federation. This helps in eliminating not only internal competition but also ensuring that economies of scale is achieved. As the above structure was first evolved at Amul in Gujarat and thereafter replicated all over the country under the Operation Flood Programme, it is known as the ‘Amul Model’ or ‘Anand Pattern’ of Dairy Cooperatives.

Responsible for Marketing of Milk & Milk Products Responsible for Procurement & Processing of Milk Responsible for Collection of Milk Responsible for Milk Production

3.1 Village Dairy Cooperative Society (VDCS):

The milk producers of a village, having surplus milk after own consumption, come together and form a Village Dairy Cooperative Society (VDCS). The Village Dairy Cooperative is the primary society under the three-tier structure. It has membership of milk producers of the village and is governed by an elected Management Committee consisting of 9 to 12 elected representatives of the milk producers based on the principle

of one member, one vote. The village society further appoints a Secretary (a paid employee and member secretary of the Management Committee) for management of the day-to-day functions. It also employs various people for assisting the Secretary in accomplishing his / her daily duties. The main functions of the VDCS are as follows:

- Collection of surplus milk from the milk producers of the village & payment based on quality & quantity
- Providing support services to the members like Veterinary First Aid, Artificial Insemination services, cattle-feed sales, mineral mixture sales, fodder & fodder seed sales, conducting training on Animal Husbandry & Dairying, etc.
- Selling liquid milk for local consumers of the village
- Supplying milk to the District Milk Union

Thus, the VDCS is an independent entity managed locally by the milk producers and assisted by the District Milk Union.

3.2 District Cooperative Milk Producers' Union (Milk Union)

The Village Societies of a District (ranging from 75 to 1653 per Milk Union in Gujarat) having surplus milk after local sales come together and form a District Milk Union. The Milk Union is the second tier under the three-tier structure. It has membership of Village Dairy Societies of the District and is governed by a Board of Directors consisting of 9 to 18 elected representatives of the Village Societies. The Milk Union further appoints a professional Managing Director (paid employee and member secretary of the Board) for management of the day-to-day functions. It also employs various people for assisting the Managing Director in accomplishing his / her daily duties. The main functions of the Milk Union are as follows:

- Procurement of milk from the Village Dairy Societies of the District
- Arranging transportation of raw milk from the VDCS to the Milk Union.
- Providing input services to the producers like Veterinary Care, Artificial Insemination services, cattle-feed sales, mineral mixture sales, fodder & fodder seed sales, etc.

- Conducting training on Cooperative Development, Animal Husbandry & Dairying for milk producers and conducting specialised skill development & Leadership Development training for VDCS staff & Management Committee members.
- Providing management support to the VDCS along with regular supervision of its activities.

3.3 State Cooperative Milk Federation (Federation):

The Milk Unions of a State are federated into a State Cooperative Milk Federation. The Federation is the apex tier under the three-tier structure. It has membership of all the cooperative Milk Unions of the State and is governed by a Board of Directors consisting of one elected representative of each Milk Union. The State Federation further appoints a Managing Director (paid employee and member secretary of the Board) for management of the day-to-day functions. It also employs various people for assisting the Managing Director in accomplishing his daily duties. The main functions of the Federation are as follows:

- Marketing of milk & milk products processed / manufactured by Milk Unions.
- Establish distribution network for marketing of milk & milk products.
- Arranging transportation of milk & milk products from the Milk Unions to the market.
- Creating & maintaining a brand for marketing of milk & milk products (brand building).
- Providing support services to the Milk Unions & members like Technical Inputs, management support & advisory services.
- Pooling surplus milk from the Milk Unions and supplying it to deficit Milk Unions.

PRODUCT

AMUL BUTTER : 'UTTERLY BUTTERLY DELICIOUS'

AMUL BUTTER was the first product which was officially launched by AMUL in 1945. It has been a market leader during the last 4 decades.

AMUL BUTTER is made from Butter, Common Salt, permitted natural colour- Annatto

Composition:

Milk Fat 80%

Moisture 16%

Salt 2.5%

Curd 0.8%

Calorific Value:

720 kcal/100g

Special Features:

Made from fresh cream by modern continuous butter making machines. Marketed in India since 4 decades.

Product Specification:

Meets AGMARK standard and BIS specifications No.IS:13690:1992

Products Marketed:



Breadspreads:

- Amul Butter
- Amul Lite Low Fat Breadsread
- Amul Cooking Butter

Cheese Range:

- Amul Pasteurized Processed Cheddar Cheese
- Amul Processed Cheese Spread
- Amul Pizza (Mozarella) Cheese
- Amul Shredded Pizza Cheese
- Amul Emmental Cheese
- Amul Gouda Cheese
- Amul Malai Paneer (cottage cheese)
- Utterly Delicious Pizza

Mithae Range (Ethnic sweets):

- Amul Shrikhand (Mango, Saffron, Almond Pistachio, Cardamom)
- Amul Amrakhand
- Amul Mithae Gulabjamuns
- Amul Mithae Gulabjamun Mix
- Amul Mithae Kulfi Mix
- Avsar Ladoos

UHT Milk Range:

- Amul Shakti 3% fat Milk
- Amul Taaza 1.5% fat Milk
- Amul Gold 4.5% fat Milk
- Amul Lite Slim-n-Trim Milk 0% fat milk
- Amul Shakti Toned Milk
- Amul Fresh Cream
- Amul Snowcap Softy Mix

Pure Ghee:

- Amul Pure Ghee
- Sagar Pure Ghee
- Amul Cow Ghee

Infant Milk Range:

- Amul Infant Milk Formula 1 (0-6 months)
- Amul Infant Milk Formula 2 (6 months above)
- Amulspray Infant Milk Food

Milk Powders:

- Amul Full Cream Milk Powder
- Amulya Dairy Whitener
- Sagar Skimmed Milk Powder
- Sagar Tea and Coffee Whitener

Sweetened Condensed Milk:

- Amul Mithaimate Sweetened Condensed Milk

Fresh Milk:

- Amul Taaza Toned Milk 3% fat
- Amul Gold Full Cream Milk 6% fat
- Amul Shakti Standardised Milk 4.5% fat
- Amul Slim & Trim Double Toned Milk 1.5% fat
- Amul Saathi Skimmed Milk 0% fat
- Amul Cow Milk

Curd Products:

- Yogi Sweetened Flavoured Dahi (Dessert)
- Amul Masti Dahi (fresh curd)
- Amul Masti Spiced Butter Milk
- Amul Lasse

Amul Icecreams:

- Royal Treat Range (Butterscotch, Rajbhog, Malai Kulfi)
- Nut-o-Mania Range (Kaju Draksh, Kesar Pista Royale, Fruit Bonanza, Roasted Almond)

- **Nature's Treat** (Alphanso Mango, Fresh Litchi, Shahi Anjir, Fresh Strawberry, Black Currant, Santra Mantra, Fresh Pineapple)
- **Sundae Range** (Mango, Black Currant, Sundae Magic, Double Sundae)
- **Assorted Treat** (Chocobar, Dollies, Frostik, Ice Candies, Tricone, Chococrunch, Megabite, Cassatta)
- **Utterly Delicious** (Vanila, Strawberry, Chocolate, Chocochips, Cake Magic)

Chocolate & Confectionery:

- Amul Milk Chocolate
- Amul Fruit & Nut Chocolate

Brown Beverage:

- Nutramul Malted Milk Food

Milk Drink:

- Amul Kool Flavoured Milk (Mango, Strawberry, Saffron, Cardamom, Rose, Chocolate)
- Amul Kool Cafe
- Amul Kool Koko
- Amul Kool Milk Shaake (Mango, Strawberry, Badam, Banana)

Health Beverage:

- Amul Shakti White Milk Food

PRICE: Amul Pricing Strategies

At the time Amul was formed, consumers had limited purchasing power, and modest consumption levels of milk and other dairy products. Thus Amul adopted a low-cost price strategy to make its products affordable and attractive to consumers by guaranteeing them value for money.

Despite competition in the high value dairy product segments from firms such as Hindustan Lever, Nestle and Britannia, GCMMF ensures that the product mix and the sequence in which Amul introduces its products is consistent with the core philosophy of providing butter at a basic, affordable price to appeal the common masses. This helped AMUL BUTTER to create its brand image in the household sector of the society.



Rs.87



Rs.18

PLACE: A Global Distributor

GCMMF is India's largest exporter of Dairy Products. It has been accorded a "Trading House" status. GCMMF has received the APEDA Award from Government of India for Excellence in Dairy Product Exports for the last 9 years.

Currently Amul has 2.41 million producer members with milk collection average of 5.08 million litres/day. Besides India, Amul has entered overseas markets such as Mauritius, UAE, USA, Bangladesh, Australia, China, Singapore, Hong Kong and a few South African countries. Its bid to enter Japanese market in 1994 had not succeeded, but now it

has fresh plans of flooding the Japanese markets. Other potential markets being considered include Sri Lanka.

PROMOTION: Initial Promotional Strategy



The butter, which had been launched in 1945, had a staid, boring image, primarily because the earlier advertising agency which was in charge of the account preferred to stick to routine, corporate ads. They didn't help in creating a brand image of AMUL butter which was their then motive. The image they presented was, well, boring.

A brand - Amul – A Taste of India

However, in 1966, a man named Sylvester daCunha, from the ad agency of ASP, took over the Amul account. And in 1967 it began, innocently enough. In India, food was something one couldn't afford to fool around with. It had been taken too seriously, for too long. Sylvester daCunha decided it was time for a change of image.

Scott Bradbury, the marketing genius behind Nike and Starbucks, once said “ A great brand is a story that is never completely told. A brand is a metaphorical story that's

evolving all the time. Stories create the emotional context people need to locate themselves in the larger experience” He could easily have been talking about the Amul moppet.

The moppet who put Amul on India's breakfast table



The year Sylvester daCunha took over the account, the country saw the birth of a campaign whose charm has endured fickle public opinion, gimmickry and all else. The Amul moppet, the little girl who created a home in the hearts and minds of millions and millions of Indians. No easy task. And to be there for almost 34 years!

Call her the Friday to Friday star because Every Friday, since 1967, this little girl appears at billboards, strategically placed all over India, focusing on the item of the week – tongue in cheek, of course. Round eyed, chubby cheeked, winking at you, from strategically placed hoardings at many traffic lights. She is the Amul moppet everyone loves to love (including prickly votaries of the Shiv Sena and BJP). How often have we stopped, looked, chuckled at the Amul hoarding and product wrappers with the equally recognisable tagline *Utterly Butterly Delicious Amul* that casts her sometime as the coy, shy Madhuri, a bold sensuous Urmila or simply as herself, dressed in her little polka dotted dress and a red and white bow, holding out her favourite packet of butter.

There are no boundaries and nothing is off limits. From the political scene, to entertainment, from local news to international, from sports to stars, she has a line for everything. Often said to be playing the role of a “social observer with evocative humor”, the billboards became, and still are, a topic of conversation amongst millions. With their

“hing-lish” (a combination of Hindi and English) punch-lines, they have won the maximum number of awards in India for any ad campaign ever! This little thumalina, seems to have the masses, right where she wants them – wanting more of her and of Amul. No other brand comes close to what Amul has been able to accomplish.

ADVERTISING



Its advertising has also started using tongue-in-cheek sketches starring the Amul baby commenting jovially on the latest news or current events. This formed a large chunk of the collective memory of us Indians. We grew with them as the ads grew with us. They are quirky, poke fun at no one in particular and are pure eye-candy! We almost admire the speed with which the ad-people come up with copy and illustration for the ads, that change every few days!!

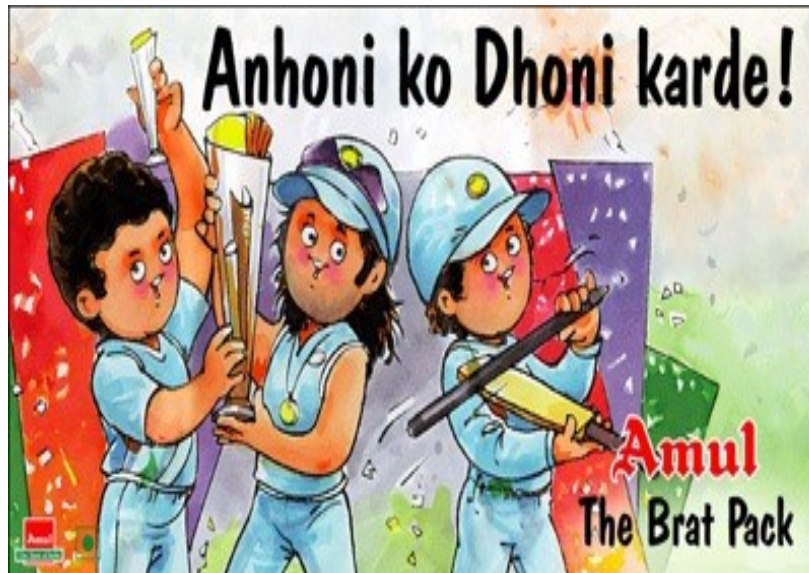
From the Sixties to the Nineties, the Amul ads have come a long way. While most people agree that the Amul ads were at their peak in the Eighties they still maintain that the Amul ads continue to tease a laughter out of them

The Amul ads are one of the longest running ads based on a theme, now vying for the Guinness records for being the longest running ad campaign ever.

Where does Amul's magic actually lie?

Many believe that the charm lies in the catchy lines. That we laugh because the humour is what anybody would enjoy. They don't pander to your nationality or certain sentiments. It is pure and simple, everyday fun.

BRANDING



The first products with the Amul brand name were launched in 1955. Since then, they have been in use in millions of homes in all parts of India, and beyond. There is something more, though, that makes the Amul brand special and that something is the reason for the commitment to quality and value for money. Amul is the brand name of 2 million farmers, members of 10,000 village dairy cooperative societies throughout Gujarat. This is the heart of Amul, it is what gives strength to Amul, and it is what is so special about the Amul saga.

The Amul Pattern has established itself as a uniquely appropriate model for rural development. Amul has made India one of the largest milk producers in the world.

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.

Our commitment to the producer and our contract with the consumer is the reasons we are confident that cooperative brands, like Amul, will have an even bigger role to play in the next fifty years.

Segmentation

- Wide range of product categories caters to consumers across all market segments. For example, Amul Kool is targeted at children, while teenagers prefer Kool Café, as it has a cool imagery associated with it.
- Segmentation is not as easy in curd and low fat products, due to mixed audiences, various culinary applications , eg. ghee, butter and cheese.
“In India, the most used spread is ghee, then butter, cheese, low fat butter, margarine, cheese spread and mozzarella cheese.

Targeting

- Changing retail environment
- Striking out on its own, with Amul Outlets or parlours to deliver consumers total brand experience
- Launched in 2002, there are now 400 Amul parlours across the country, which contributed 3% to the brand’s total turnover last year.
High profile locations: Amul parlours are today present on campuses of Infosys, Wipro, IIM-A, IIT-B, Temples, Metro rail and railway stations in Gujarat.

Positioning

- A mass market player, no premium offerings
- USP – Quality with affordability
- Up against niche players – value addition to customers
- Sheer size and scale of operation

- New offerings for health conscious and vibrant India –

Health and energy drinks

- Stamina, a health drink made from milk with added vitamin C against Red Bull and Gatorade, milk better than cola. Aimed at youngsters, priced at Rs 12

Ice-cream

- Probiotic and sugar-free variants

Chocolates

- sugar-free brand called Choco-Mini to target the diabetic

MARKETING STRATEGIES



4 MAIN STRATEGIES

What goes into the 'contract' that is a brand name?

First is quality. No brand survives long if its quality does not equal or exceed what the buyer expects. There simply can be no compromise. That's the essence of the contract. In the case of a food product, this means that the brand must always represent

the highest hygienic, bacteriological and organoleptic standards. It must taste good, and it must be good.

Second, value for money. If our customer buys an Amul product, she gets what she pays for, and more. We have always taken pride in the fact that while we earn a good income for our owners – the dairy farmers of Gujarat – we don't do it at the cost of exploiting the consumer. Even when adverse conditions have reduced supplies of products like butter, we have resisted the common practice of raising prices, charging what the market would bear. Rather, we have kept prices fair and done our best to ensure that retailers do not gain at the consumers' expense.

Third, availability. A brand should be available when and where the customer wants it. There is no benefit achieved in creating a positive brand image, and then being unable to supply the customer who wants to buy it. In our case, over the years we have built what is probably the nation's finest distribution network. We reach hundreds of cities and towns through a cold chain that not only ensures that our products are available, but they reach the customer at the farthest end of the country with the same quality as you would find in Ahmedabad or Vadodara.

Fourth, service. We have a commitment to total quality. But, occasionally, we may make a mistake – or, our customer may think we've made a mistake, and the customer, as they say, is always right. That is why, for Amul, every customer complaint must be heard – not just listened to. And, every customer complaint must be rectified to the extent humanly possible.

For close to fifty years now, Amul has honoured its contract with the consumer. The contract that is symbolised by the Amul brand means quality. It means value for money. It means availability. And it means service.

EXPANSION TO FOREIGN SHORES

- Gujarat Cooperative Milk Marketing Federation had signed an agreement with Wal-Mart to stock its shelves with products under its Amul brand name. Amul processed cheese, pure *ghee*, *Shrikhand*, Nutramul, Amul's *Mithaee Gulab Jamuns* are few of the products marketed in the US markets.
- 50 per cent of Americans being medically obese, and if Amul is really looking to capture the hearts of the second- and third-generation Indians, offering low-fat versions of its brands, would make a lot of commercial sense.
- Hence targeting the large Indian community in the US markets with its niche products like mithai, packaged ready to eat foods market it can definitely expand its market to a large extent.

COMPETITORS

Butter

- Britannia
- Nestle

Cheese

- Britannia

Baby Food

- Nestle
- Heinz

Dairy Whitener Segment

- Nestle
- Britannia

Ice creams

- HLL

Chocolates & Confectionaries

- Cadbury
- Nestle

Pizza

- Pizza Hut
- Dominos

- Nirulas Frozen pizza

Curd

- Nestle
- Mother Dairy

Ultra High Treated Milk

- Nestle
- Britannia

Sweet Condensed milk

- Nestle

Cottage Cheese(Paneer)

- Britannia

Milk Additives

- Cadbury
- Smithkline Beecham

Flavored Milk

- Britannia
- Nestle

UTTTERLY, BITTERLY, MALICIOUS - AMUL'S INTERNAL POWER TUSSE

Amul owner Gujrat Co-operative Milk Marketing Federation Limited (GCMMF) is in a grip of power tussle between its chairman and managing director who quit last week. After BN Vyas exit there is a confusion in Pathi Bhatol as continuance. It is smooth running food company biggest in the country having a value of Rs 8000 Crore which serves 27 lakhs families with bread and butter. It has Board of directors consisting of 13 members. It faced similar leadership crisis when Founder Verghese Kurien stepped down after three decades.

In 2008-2009 GCMMF had a turnover of 28% though the milk procurement rose only by 15%. Due to the entry of politicians into the board its operations are in danger. Its position in market could get hampered as it has lost its clout in Delhi after Kurien's Exit. Due to this MNC such as Nestle and Danone and Indian corporate power houses like reliance that have been kept away from the Indian dairy market during Mr. Kurien's tenure have burst into the market.

Pune based Parag Foods and Agri-Processor Anil group of gujrat are all looking to expand aggressively.

Mr Bhatol named RS Sodhi, chief general manager, as GCMMF's interim managing director. Mr Sodhi appeared unfazed by the bickerings plaguing GCMMF in his first interaction with ET after taking charge.

“The functioning of GCMMF has not been affected on account of recent developments. It is business as usual for Amul.”

There are others who share his optimism.

“Amul is a very strong brand. It is too premature to comment on the future of the brand since the present conflict is an internal matter of the federation,” said Chandan Nath, president of Mudra Ignite, the agency that once promoted Amul's Dhara edible oil.

MARKETING ASSIGNMENT ON
AMUL



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