

NON DEMOGRAPHIC SEGMENTATION AND POSITIONING IN A COMMODITY MARKET – A CASE STUDY OF CREAM LINE DAIRY LIMITED

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It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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Abstract

Indian dairy industry comprises of both organised and unorganised sector. Organised sector is again categorised into dairy co-operatives promoted by State Governments and private sector dairies. Up to 70% of the milk market is unorganised where milk is sold loose in cans and measuring cup by vendors. After the milk revolution, India has become the largest milk producer in the world. However, the supply of milk is not able to cope up with the demand. Due to consumer awareness about health, hygiene and added factor of economic affluence packaged milk is expected to be the future of dairy industry. Milk consumers do not have a preference for any particular brand as milk is a commodity. The case study explores the possibility of non-demographic segmentation in the milk packaging attempted by Cream Line Dairy Products Limited (CDPL), a private dairy which would help the company in positioning itself as a unique brand. The case observes that the milk pouches package designing led to segmentation positioning of the brand Jersey from CDPL with respect to varying fat content in the milk.

Keywords: commodity, consumer preference, dairy co-operative, packaging, segmentation

INTRODUCTION

During one of the hottest summer months in the year 2009, Mr. S. Raghavan, Marketing Head of Cream Line Dairy Products Ltd (CDPL), was on his regular market visit early morning in the suburbs of Hyderabad, the capital city of the state of Andhra Pradesh, India. He was observing the behaviour pattern of consumers primarily women and middle aged men buying their milk pouches from the milk vendor on the road side.

Raghavan struck conversation with a few ladies in their native tongue Telugu¹ which he had picked up during his stint with CDPL since two years. During the course of his conversation, he enquired with them about their knowledge of the “fat content in the milk pouches” which they bought and he was surprised to learn that four out of the five ladies he spoke to were not aware of the fat content in the milk! He also found that the majority of the pouches which were being bought by the ladies were the Toned milk with 3% fat content which also happens to be the maximum selling variant. The revelation was that the average consumer does not

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¹ Language spoken by the people of the state of Andhra Pradesh

have the basic knowledge of the fat content in milk. Rather he/she identified the milk pouches with its graphics on the pack.

Out of his curiosity he enquired with the same consumers about their preference in buying Double Toned milk with 1.5% fat content. He found that they showed keen interest in buying the same looking into the health aspect due to the fat content. This conversation made Raghavan infer that the milk market of consumers which was segmented as per different fat content of the milk could also be positioned according to varying requirements. He inferred that he had to take up new positioning and segmentation with the company management at CDPL on an immediate basis. He felt that this was the right time as consumers were becoming economically affluent, well travelled and extremely health conscious.

ENVIRONMENT

Global Milk Market

According to FICCI² – Food 360 – “An overview of the Dairy Sector in India” PwC³ released in November 2012, milk represented 17.5% of global beverage consumption. Consumption of dairy products in developing countries had increased considerably since two decades whereas it had become stagnant or declined in developed countries in the same period (Annexure 1). In Asian region per capita dairy consumption has grown up to 3%. Whereas China alone has seen a per capita increase up to 9%. Despite increased production, prices of dairy products remained high due to higher cost of production and increasing demand. As very few players dominated the global market, price volatility was immense. In spite of this fact, developing countries like India have seen huge growth in dairy industry including export market.

Milk market in India

Indian dairy sector has evolved from ‘Rags to Riches’ since the time of independence. PwC report on Indian Dairy Sector says that white revolution has made dairy farming the largest self-sustainable rural employment generator. The country which had milk scarcity with per capita availability of 132 gms/day had become a net exporter with per capita milk availability of 281 gms/day by 2012. As a result of the milk revolution, co-operative dairying emerged with producers being linked with consumers in a countrywide milk grid.

² Federation of Indian Chamber of Commerce and Industry

³ PriceWaterhouseCoopers – A multinational professional services firm

By 2011, India had emerged as the largest milk producing country in the world. It accounted for almost 17 percent of the world's milk production and it managed to consume all of it. Milk production had increased from 55.7 million tonnes in 1991-92 to 121.8 million tonnes in 2010-11 (National Dairy Development Board – NDDB). Indian dairy market was estimated to be valued at INR 3.6 lakh crores in 2011. Though production has been steadily increasing around five percent every year, supply was not able to cope up with the demand.

According to Indian Dairy Association (IDA) India's milk consumption is set to rise to 150 million tonnes by the end of the 12th Five Year Plan (2012-17). However, per capita availability of milk had only reached 281 gms/day in 2010-11. (Source: Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture, GoI).

Milk is the most important single item of human diet and is the most nearly perfect single food stuff. Due to its contribution of high quality protein, exceptional richness in calcium, milk plays an important role in one's well being. A 200 ml glass of milk provides power-pack of nutrients like protein and calcium. It also consists of Solid Not Fat (SNF) consisting of lactose, minerals and vitamins. Due to its high nutritive value, milk is considered to be beneficial at all stages of human growth – from 'Cradle to Grave'. A baby's first food is milk. A human being when it arrives on this earth experiences food in the form of mother's milk. As per Indian tradition, however modern one might be the newly married couple have the custom of consuming a glass of milk on the first night of marriage at least in South India.

Only 30% of India's dairy need was catered to by the organized sector whereas rest of the milk was sold in loose out of cans. In rural India, consumers traditionally purchased fresh milk in loose from the sellers which was NOT PASTEURISED⁴. The unpasteurised milk or loose milk got delivered to the consumer daily by the local milk man who carried bulk quantities in a metal container, usually on a bicycle or bike (Figure 1). He sold this milk to the consumer in different volumes with a measuring cup.

There were always apprehensions about the hygiene, quality (fat content) and volume of milk delivered by the milk man. This was due to the fact that he might have diluted the milk or left the milk can open.

⁴ Milk goes through a process of heating to a specific temperature and then immediately cooled after being removed from heat to lengthen its shelf life.

Over a period of time, bottled milk came into foray wherein the milk was delivered in bottles at the door step of the consumer. These bottles were to be returned to the vendor on a regular basis (Figure 2).

In the organised sector, pasteurised milk was delivered in branded pouches by vendors. Also due to health and safety concerns, the well-read consumer preferred branded milk products. Pouches were favoured by the consumers in the liquid milk market supply due to convenience, availability and storage factor. Milk is a commodity which requires high-cost storage and transportation to prevent it from getting spoilt quickly as the shelf life of milk is 2-3 days when it is pasteurised.

Over a period of two decades since 1990, per capita milk availability had steadily increased due to the presence of dairy co-operatives and private sector dairies (Annexure 2). One can also observe that the percentage of monthly expenditure for dairy products out of the total food expenditure had increased on a regular basis (Annexure 3).

Major share of processed liquid milk is been marketed by dairy cooperatives in India. There were 170 milk producers' cooperative unions, which federate into 15 state cooperative milk marketing federations. Few of the brands created by the dairy cooperatives of various states were AMUL (Gujarat), VIJAYA (Andhra Pradesh), VERKA (Punjab), SARAS (Rajasthan) NANDINI (Karnataka), MILMA (Kerala), GOKUL (Maharashtra), AAVIN (Tamil Nadu).

In the wake of liberalization policy, private dairies have also entered into the field of dairying. Few dairies in various states were Tirumala milk private limited (Andhra Pradesh), Heritage Foods India Limited (Andhra Pradesh), HATSUN Agro private limited (Tamil Nadu), PARAS Dairy Limited (Delhi), Nilgiri Dairy Farm Private Limited (Karnataka).

ORGANIZATION

About CDPL

Cream Line Dairy Products Ltd (CDPL), one of the private dairies in the state of Andhra Pradesh, has a modern plant which is headquartered in Hyderabad. It is one of the leading manufacturer and supplier of milk and milk products across the Indian states of Andhra Pradesh, Karnataka, Tamil Nadu and Maharashtra. Since its inception in the 1980s the company has been growing consistently. CDPL had achieved a turnover of 445 crores in the

financial year 2009-10 and is expected to achieve 1050 crores by the end of year 2013. The milk and milk products are sold under the brand name JERSEY.

A strong workforce of technical people, dairy engineers, quality enhancement specialists other than the qualified top management team which took care of strategic decisions like expansion, new product launch etc were the back bone of the company. CDPL invested in excellent infrastructure with 30 own and nine associate milk chilling centers, seven packing stations, six sales offices. It had a combined milk processing capacity of four lakh liters per day.

Distribution of the products of CDPL was done through a well laid distribution network comprising of company owned parlours, exclusive franchise outlets and product push carts. Besides, the company also sold its milk products like butter, ghee, doodhpeda⁴ through 5000 agents panning across four states. By the year 2002 CDPL had entered the market of cultured products like yoghurt, curd, lassi and buttermilk. And within a short span the company made its mark in the extremely competitive dairy market.

Jersey became a household name for dairy products due to the continued support and encouragement of customers. The customers of Jersey includes households, railways, educational institutions, IT Companies, star hotels, and hospitals in ever increasing numbers which stood testimony to the company's superior quality products. CDPL always adopted good manufacturing and hygiene practices. The company has been committed for continual improvement for food safety management system, aimed at customer satisfaction.

PROTAGONIST

Raghavan is the Head of Marketing at CDPL since the past two years. He brought with him about 15 years of experience in Fast Moving Consumer Goods (FMCG) industry in a multi national organisation. He had done a detailed study of the Indian dairy industry which was cluttered with numerous brands. In this cluttered dairy market with various brands selling the same commodity milk, Raghavan wanted to increase the market share of Jersey by becoming a 'preferred' brand of the consumers. And for this he was prepared to be on the field as long as it takes to identify the needs of the end consumer and satisfy them and in the process increase the market share of Jersey.

The rising economic prowess of India was expected to spur a huge change in how people consume milk in India, benefitting organised dairy companies. According to Tetra pack Dairy Index (an annual information source on the dairy industry) consumers were forecast to switch in huge numbers to packaged milk from loose milk by 2020. The conversion from loose to packaged milk was expected to accelerate in the years to come according to Sumit Khatter, Marketing Manager of Tetra Pack India. Raghavan's past experience of being in a FMCG industry, motivated him to explore the untapped potential to revamp the Jersey brand packaging to stand out in the commoditised milk market.

Constraints in dairy industry

Raghavan understood that private sector milk was more expensive than most of the cooperative dairies. Milk being a commodity the average consumer generally never had a preference for any brand. Major issue of milk distribution is that it had to happen at the right temperature. Most of the milk distribution happened on the foot path in temporary milk booths which were present from 5 a.m in the morning till 8 a.m. After the milk sales was over in the morning, the milk vendor stores the balance milk in freezers/refrigerators which are subject to voltage fluctuations and frequent power cuts in India. Majority of the milk vendors switch off the freezers in the night to save electricity. If the milk is kept in the open for a longer time (after 7 a.m.) temperature of milk would rise. Hence, probability of milk curdling was high while boiling.

With these constraints Raghavan wanted to work around a strategy which would boost the sales of Jersey and would revolutionize the dairy industry within a short period of time. One factor he thought was advantageous to him was that the middle class or affluent consumers were willing to pay more for quality products though their traditional preferences remain intact according to the report 'Milk and milk products: Focus on traditional/informal sector' by International Livestock Research Institute (ILRI). Raghavan was very much convinced that disposable income and affluence has led to increase in the consumption of dairy products and he thought that this was the ideal time for CDPL to cater to the latent needs of the Indian consumer.

SITUATION

As liquid milk has a lion's share in consumption as compared to its products (ghee, butter etc) it was necessary to create a prominent and significant branding for the liquid milk. The product portfolio will 'piggy back' on the branding created by the liquid milk.

The latent needs (energy, growth, nutritive value, weight/health/calorie conscious, product preparations) were classified with respect to liquid milk based on different fat content into Full cream milk with 6% fat, Standardised milk with 4.5% fat, Toned milk with 3% fat, Double Toned milk with 1.5% fat and Slim milk with 0.05% fat. The next challenge was to ensure that the consumer could choose variants of milk for a specific requirement.

A consumer who wanted to make sweets, kheer⁵ or any sweet which has milk as a major ingredient should prefer to go for 6 % fat milk. How can one ensure that the consumer identified 6% fat easily? Generally, the consumer identified the required pack with its price. Consumer behaviour indicated that **'Higher the fat content – Higher the price'**. Raghavan was convinced that in lieu of price visual identification would be much more effective for a consumer to identify the pack of milk which was in need in the long run. This in addition will be beneficial for illiterate consumers who could not read and would be more comfortable with identifying packs with colours.

In the cluttered liquid milk market, CDPL introduced new, modern, contemporary packaging. In this packaging, DESIGN was the same in all the milk pouches. Raghavan gave different colours to the milk pouch design to signify the variation in the fat content of milk. For Full Cream milk with 6% fat he gave Red symbolising 'Power', for Standardised milk with 4.5% fat he gave Gold symbolising 'Energy', for Toned milk with 3% fat he gave Green signifying 'Soothing experience' and for Double Toned milk with 1.5% he gave Orange symbolising 'Light body feeling' and for Slim milk with 0.05% Purple was given symbolising 'Femininity and Tenderness'.

One week prior to the launch of the new packs for different variants of milk, teaser ads were released in local FM⁶. The announcer advertised, "Milk is arriving in different colours."

⁵ Sweet in semi-solid form with milk as a major ingredient

⁶ Local radio station

This teaser advertisement perked up the consumer curiosity and expectations as this was radically different from the advertising done by other milk brands in the market and very few were using radio as a medium.

Subsequently when the new milk packs were launched two of the major variants that was toned milk (75% market share) and double toned milk (growing niche market) were advertised in separate spots in local radio stations. The usage of milk was highlighted in both the spots. For example, the Toned milk (Green pack) with 3% fat was advertised as being good for tea, coffee and for making thick curd. Double toned milk with 1.5% fat was advertised as good for weight conscious people. Outdoor media hoardings, bus panels were hired to emphasize the pack change on a mass scale.

When the new pack designs were introduced in the market, Raghavan with his marketing department ensured that each and every consumer of Jersey was given an information leaflet. These leaflets informed the consumer the change from old pack graphics to new standardised pack of graphics. The essence of the leaflet is given in tabular format below.

Variant	Colour of the pack	Segmentation	Fat content	Annexure
Full cream milk	Red	For growing children	6%	4
Pasteurised toned milk	Light Green	For butter preparation	3%	5
Homogenised toned milk	Dark green	For thick curd and tasty coffee/tea	3%	6
Cow milk	Yellow	Supplement for babies	3.5%	7
Double toned milk	Orange	For weight conscious people	1.5%	8
Slim milk	Purple	For calorie conscious and elderly people	0.05%	9

Sample leaflets are given in the Annexure as indicated in the table above.

Having brought the new standard design and inculcating different colours for different fat contents of milk, Raghavan introduced the information leaflets where he showed the different usage of different variants of milk. BMI chart was given along with the leaflet so that the consumers would preserve it for their future reference (Annexure 10).

It was the month of November, year 2010 and it was Diwali⁶ festival time. Raghavan was on his usual early morning visit this time in Chennai, capital of the state of Tamil Nadu. Oblivious of his presence, he being the person behind the milk pack design change, an old lady approached the milk vendor and demanded a Jersey red milk pouch with 6% fat for making sweets. On his second stop near the IT (Information Technology) corridor he observed that a young lady in her early 20's in track suit requested for two pouches of orange colour pack with 1.5% fat content. Raghavan smiled to himself with a feeling of contentment that his strategy has been fairly successful!

Having experienced success in his segmentation packaging, he embarked on his next project by January 2011. He wanted to position Jersey brand on the platform of *Health Vigour and Vitality* to emphasize the positive and health factors of milk as a wholesome human diet for a healthy happy life for all ages – from a child to a grand old person. This positioning was aimed at the youth who were consuming large volume of (colas, processed juices) other than milk. This platform would be different from the general positioning taken by the other milk brands in the market which was based on the nutrient value. When this proposal was given to the management, Raghavan to his dismay was advised to find suitable alternatives for the words *Vigour and Vitality* and finally Raghavan settled for *Health, Fun and Excitement* which was milder than the original proposal (Annexure 11).

⁷ A Hindu religious festival celebrated across India

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EXHIBITS

Figure 1



Milk man delivering loose milk in bicycle

Figure 2



Bottled milk

Annexure 1

Dairy consumption – kg/capital/year (milk excluding butter)

Location/Year	1991	2009	CAGR
North America	253.5	250.2	-0.1%
Europe	202.5	219.5	0.4%
India	51.4	72.2	1.9%
China	6.4	29.8	8.9%
World	75.9	87.3	0.8%

Source: Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture, Govt of India

Annexure 2**Per Capita Availability of Milk by States (gms/day)**

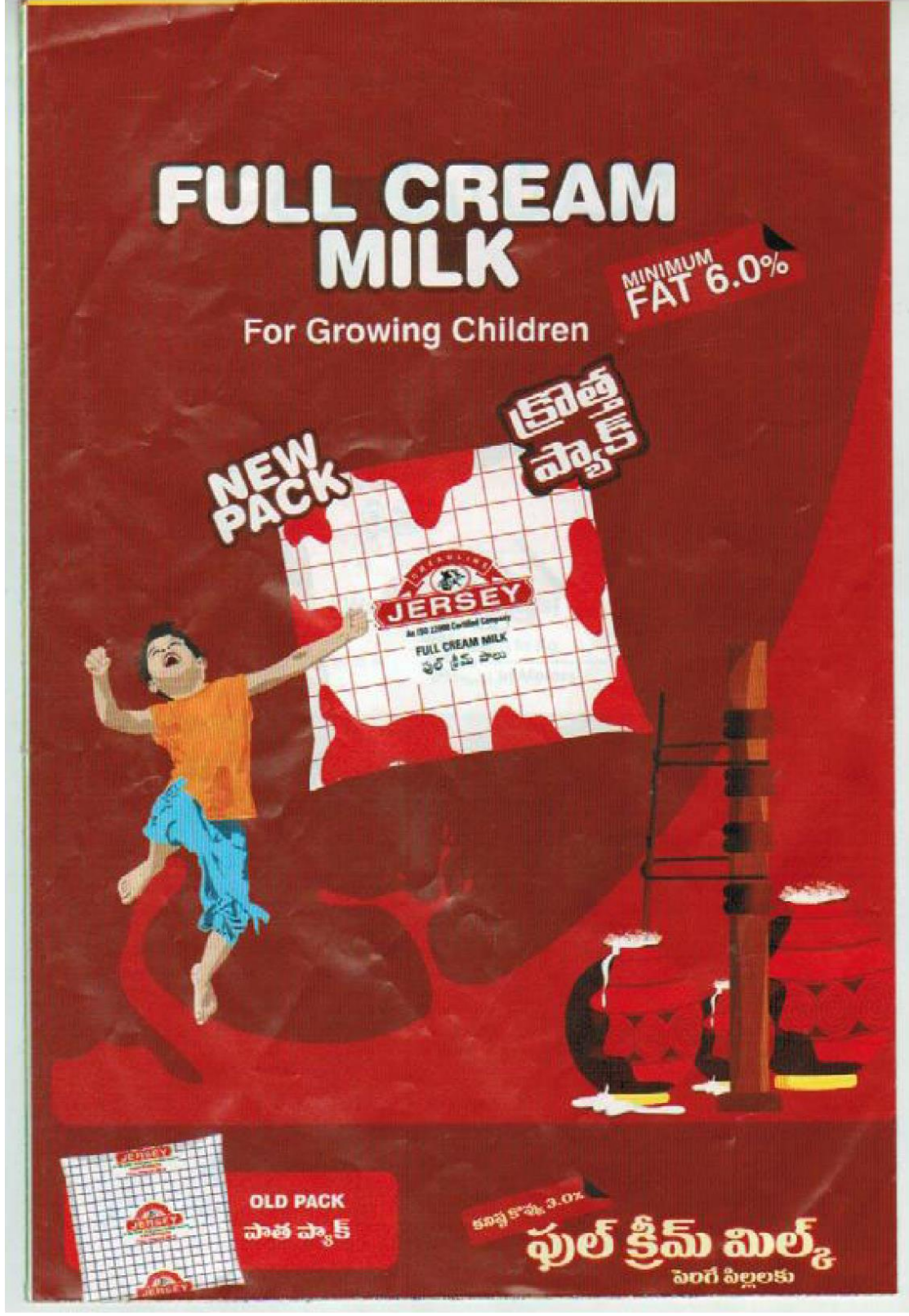
State	91-92	2000-01	2010-11
All India	178	220	281
Andhra Pradesh	120	194	364
Karnataka	149	233	237
Maharashtra	136	162	197
Tamil Nadu	164	211	278

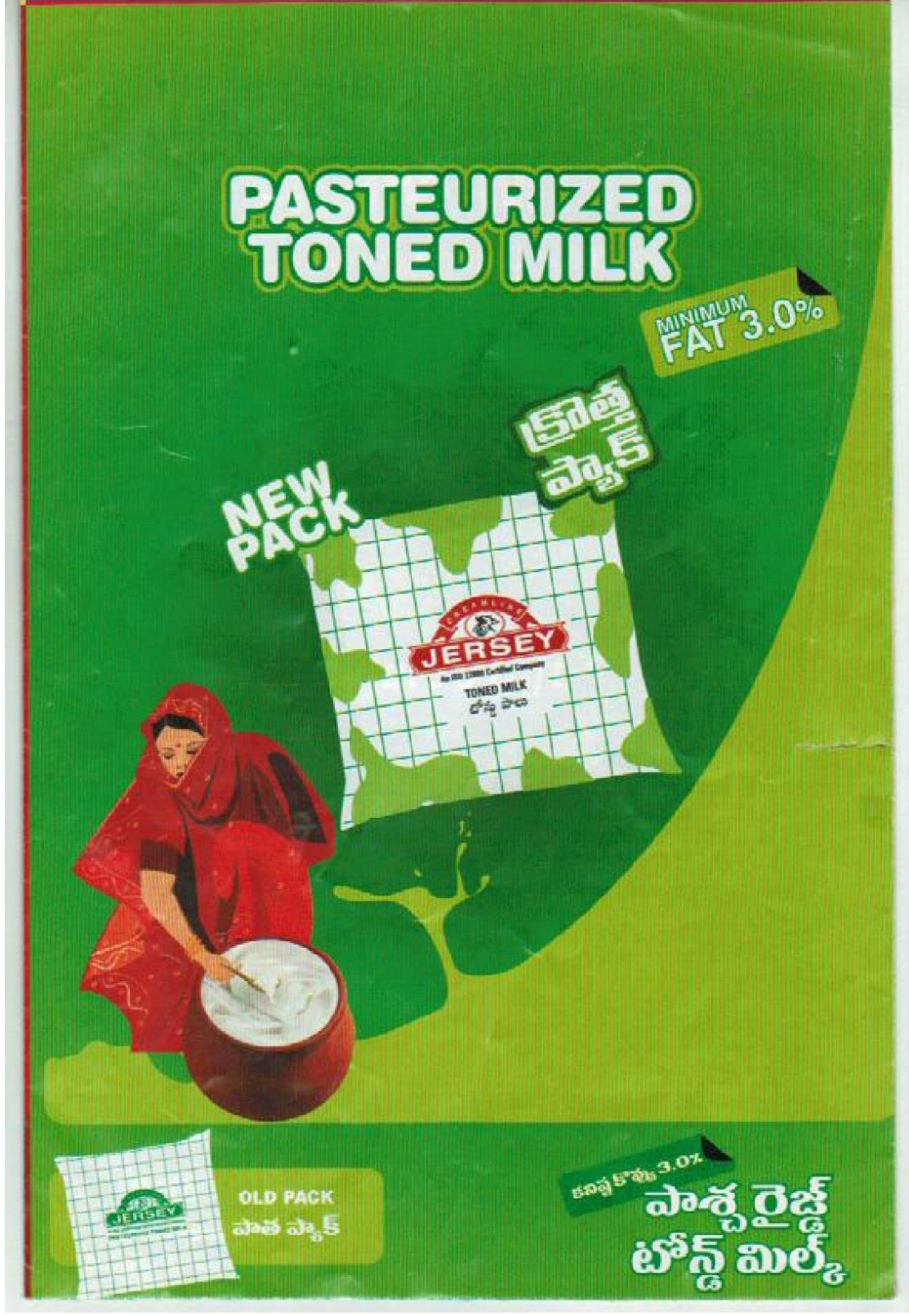
Source: Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture, GoI

Annexure 3**Per capita monthly consumption expenditure (INR)**

Year	Location	Milk & Milk Products	Total Food	Percentage of Milk & Milk Products to Total Food
1970 -71	Rural	3.03	25.98	11.6%
	Urban	5.01	34.04	14.71%
1986-87	Rural	13.48	92.55	14.56%
	Urban	23.32	128.99	18.07%
2000-01	Rural	42.97	278.57	15.4%
	Urban	75.9	400.57	18.9%
2004-05	Rural	47.31	307.6	15.38%
	Urban	83.3	447.41	18.62%

- *Source: Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture, GoI*

Annexure 4

Annexure 5

Annexure 6

HOMOGENIZED TONED MILK

For thick curd and tasty coffee/tea

MINIMUM FAT 3.0%

NEW PACK క్రొత్త ప్యాక్

JERSEY
An ISO 22000 Certified Company
TONED MILK
టోన్డ్ మిల్క్

OLD PACKS పాత ప్యాక్స్

హోమోజనైజ్డ్ టోన్డ్ మిల్క్
గట్టి పెరుగు మరియు రుచికరమైన కాఫీ, టీ కొరకు

Annexure 7

Annexure 8

DOUBLE TONED MILK

Ideal source of nutrition
for weight Conscious people.

MINIMUM
FAT 1.5%

NEW PACK

క్రియేటివ్ ప్యాక్

JERSEY
An ISO 22000 Certified Company
DOUBLE TONED MILK
డబుల్ టోన్డ్ పాలు

OLD PACK
పాత ప్యాక్

డబుల్ టోన్డ్ మిల్క్

బరువు తగ్గించుకోవాలనుకునే వారికి
సరిగ్గా సరిపోయే పోషకాలతో

Annexure 9

SLIM MILK

Good for Calorie conscious
and elderly people.

FAT 0.05%

NEW PACK

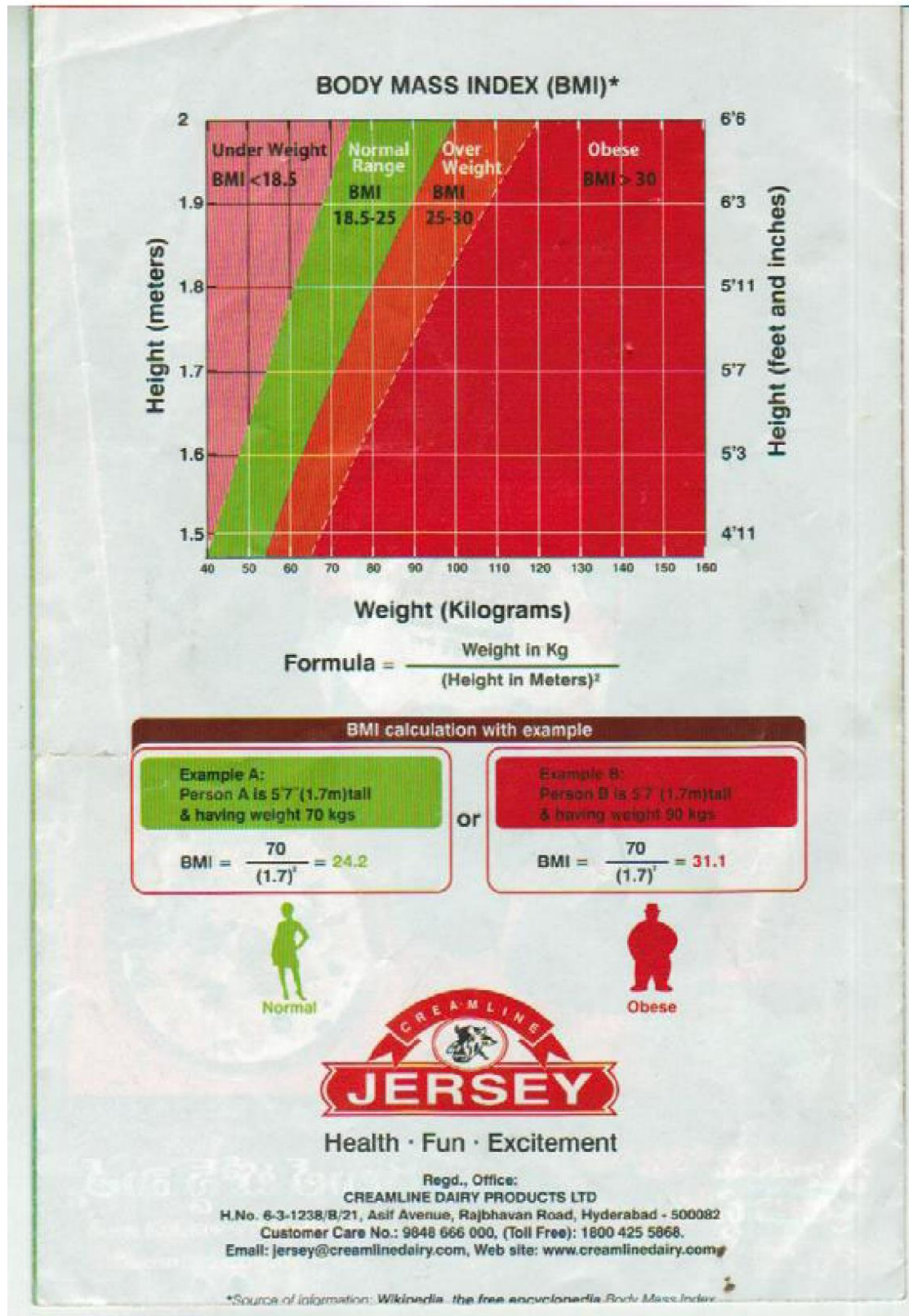
క్రొత్త ప్యాక్

JERSEY
An ISO 22000 Certified Company
Slim స్లిమ్
SKIMMED MILK
పెరుగు పాలు

OLD PACK

పాత ప్యాక్

స్లిమ్ మిల్క్
వ్యర్థాలకు మరియు
క్వాలిటీలను పొందించే వారికి

Annexure 10

Annexure 11

