GFJMR
July-December 2022
Vol 25 (1) pp. 1-8

The Banas dairy: tapping the untapped market potential through distribution

Dhara Jha*
Ganpat University- V. M. Patel Institute of Management, Gujarat, India
dbj01@ganpatuniversity.ac.in

Dipesh Dasani
Indus Institute of Management, Indus University

Amit Shukla
Research Scholar, Ganpat University-Faculty of Management Studies

Abstract

The case demonstrates the challenges faced by Banas-Dairy, one of the prominent co-operative dairy in North Gujarat region. The organization primarily faces the challenges from its competitors locally in a few district areas. The key concern is pertaining to establishing and managing an efficient distribution network and system in place. The sales & marketing division of dairy was continuously thinking on how to increase their category membership and therefore they have decided to use market research. Based on the results of the study, dairy implemented several innovative initiatives to cash-on the market potential. It developed innovative dealer-route network where efficiency was improved and attainment of target market share became possible with positive growth.

Keywords: Distribution System, Dairy Industry, Gujarat, Milk Co-operatives

Introduction:

Incepted in 1969 with headquarter at Palanpur (Gujarat, India), Banaskantha District Cooperative Milk Producers' Union Ltd. (hereafter referred as Banas Dairy) with currently collecting highest milk (5.7 million liters per day) put in the top position in Asia (banasdairy.coop). Banking on its pivotal philosophy of community development through empowering women has really carved into a niche with the dairy's continuous commitment in environment preservation. The dairy contributed to the next level of multitier Gujarat cooperative model enabling village cooperatives milk producers, under the GCMMF's active marketing control. As experienced, Banas dairy was responsible of distributing fresh division (included milk, butter milk and curd) to the district and nearby centers of Rajasthan. The main concern was to assess the market potential in this region and to adopt the tailor-made distribution channel that suiting product characteristics such as temp. Importantly, it was to see that how the dairy designate effective channel and manage the middlemen that offer high competitiveness in tapping both businesses and retail customers. Industry analysts wonder how long the Dairy maintain the market leader position in this territory against private players, how?

The Banas Dairy

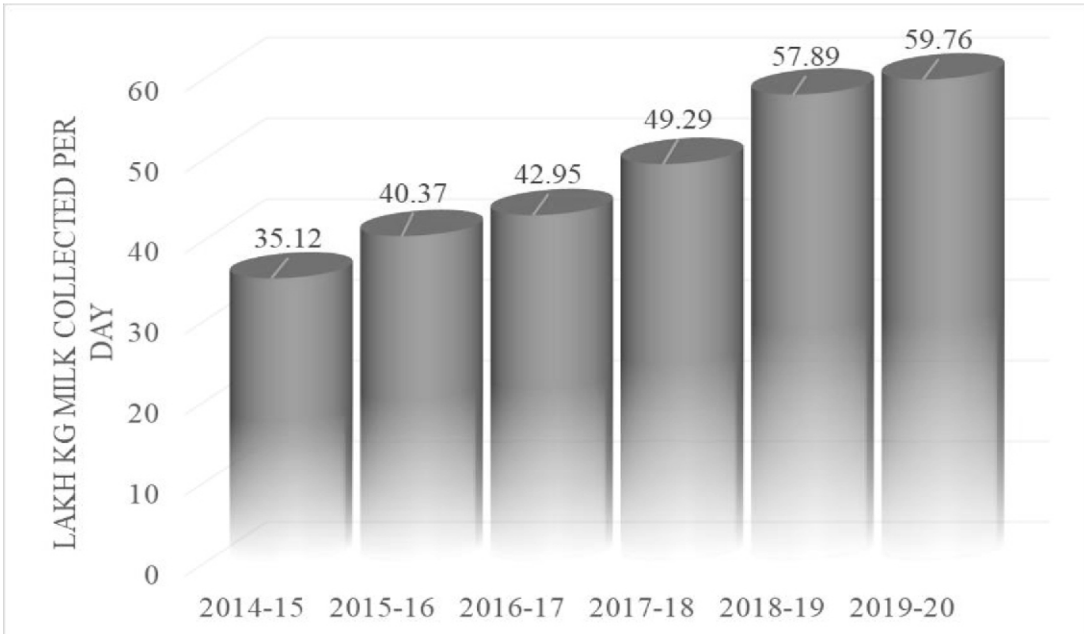
India has seen tremendous growth in last four to five decades. This has created a huge impact on the various

*Corresponding author

engines of economy. The White revolution or also known as “Operation-Flood” in 1970s has made India, a self-reliant model of milk procurement and distributor. India has become world largest milk producer, with 22% of the global production (retrieved from FOA), It has boosted its milk output through cooperative development. According to National Account Statistics 2019, the total value of output of milk in 2017-18 is Rs 7,01,530crore which surpass the value of two top grains Rs 27,22,21crore(paddy) and Rs 1,73,984crore (wheat). (Department of Statistics,2019).

In this growth engine, Banās dairy incepted by Mumbai based dairy owner Shri Galbabhai Nanjibhai Patel has played a significant role. Before five years, dairy collected 30-40 LKPD, which was considered very high. In 2019-20, the dairy has reached to 59.76 LKPD with a recorded highest milk collection of 73.72 lakh liters in a day(Figure 1). This simply put the dairy achieving highest milk collection rate in Asia. The dairy consciously working on the no-milk holiday policy and henceforth never said no to milk producer for collection has been the biggest achievement. The dairy has not only contributed to increase the milk production rate but also helped to achieve triple income of milk producers (52nd annual report, 2020).

Figure 1: Average milk collection (per day in lakh kilogram)



Source: 52nd Annual Report 2019-20, Banaskantha District Cooperative Milk Producers' Union Ltd.

Out of this collected milk, the dairy supplied the major milk proportion to GCMMF (Gujarat Cooperative Milk Marketing Federation). The Gujarat’s apex body of milk cooperatives further processed the collected milk from banas dairy and other dairies to produce different products under three divisions namely “frozen”, “chilled”, and “ambient” (Table 1). The milk which was considered as “fresh” division was a left for household needs of Banaskantha district and other nearby areas of Rajasthan. The “fresh” category consists Milk, Buttermilk and Curd with needed operating temperature 4° -8° which is the main responsibility of the dairy to make available to the end customers. As per the vision, the dairy was committed in creating a sustainable revenue stream for their milk producers. Therefore, on reflection, the dairy’s marketing division was keen to expand customer base for their “fresh” product categories in suburb geographies of the district. The most obvious plan of action was to capture the market in the area where dairy has never reached or allowed private players to do business.

Table 1: Dairy product category with characteristics

Parameter	Frozen	Chilled	Ambient	Fresh
Operating Temp.	-18°C	0° - 4° C	Ambient	4° - 8°
Vehicle Used	Frozen container with data logger	Chilled container with data logger	Covered vehicle or container	Insulated container, (Puff/ Thermocoal
Coverage area	High	High	High	150-250 km radius from Plant
Cost	Very High	High	Lower than Frozen & Chilled	Lowest
Unique feature	Temp to be maintained at all level to avoid quality issues	Temp to be maintained at all level to avoid quality issues	---	Less reaction time so effective management is required
Example	Ice Cream, Mozzarella Cheese	Butter, Cheese, Shrikhand	AmulKool, Amulya UHT Milk	Amul Milk Pouch, Butter milk, Curd

Source: Banas dairy

The untapped market potential–assessment

The sales & marketing division of dairy was continuously thinking on how to increase their category membership and therefore they have decided to use market research. The dairy usually hired interns from reputed B-schools of Gujarat and in discussion, it was decided to undergo the competitive analysis product wise. Firstly, package milk category was considered, and market survey was carried out through personal visits and interaction with the market intermediaries. On findings, the dairy came to know that there were two prime local private dairies Milky Milk and Umiya Dairy- Shivam. When evaluating the business model, the dairy found that Milky Milk has a sale of 4000-6000 liters per day of pouched milk by mixing powdered milk in the buffalo milk. The presence of Milky Milk was in Palanpur, Vadgam and Danta taluka, where Amul has no or low penetration as they owned vehicles for distribution set-up. While in an informal discussion, retailers of these interior villages clarified the higher margins on quantity sold as the incentive to sale more.

Apparently, dairy found Umiya Dairy-Shivam procures10000 liters per day from Rajasthan and sold to dairies located at and around Ahmedabad, Dhanera, Patan and Deesa after pasteurization of milk. On analyzing the packing of the milk pouch, the dairy found that Umiya dairy punch the expiry dates and not inked and the MRP was lower than Amul. Target market was bulk buyers from hotel and restaurant sector such as HoReCa (Hotel/Restaurants/Café) and roadside tea-stalls. Quality wise, there was negligent level of adulteration in the milk procured from Gujarat than other states. The dairy identified four strata based on high procurement (above 2500) and high population (above 2500) (Figure 2). Dairy found that HPLP and LPLP could serve a great potential market to increase the customer base (annexure I).

Figure 2: Strata identified

High Procurement, High Population	**High Procurement, Low Population**
Pro> 2500*	Pro> 2500
Pop> 2500	Pop<2500
181 Villages	181 Villages
61% HHs own milch animal	84% HHs own milch animal
Low Procurement, High Population	**Low Procurement, Low Population**
Pro> 2500	Pro> 2500
Pop<2500	Pop<2500
248 Villages	635 Villages
42% HHs own milch animal	60% HHs own milch animal

Considering geographical territories, the dairy was completely aware that the milk distribution in interior villages of the region present a challenge and therefore dairy decided to chart a well-though distribution strategy to penetrate into competitors' market and reach the unreached customer.

The distribution channel- making more intensive

Considering the intrinsic product characteristics, the dairy prominently developed distribution channel for all the segments. The primary demand for urban area was delivered through two-tier distribution channel (Dairy- Dealer-Agent- Retailer) and one-tier distributional channel comprising either Dock dealers or ADA (Alternative Distribution Alliances) for rural area. All villages of Palanpur and Vadgam were not covered by Dock dealers. The distribution partners were selected by keeping the criteria of time in center and the potent in villages with high population and low procurement, high population high procurement for pouch milk and milk products.

The route coverage was also modified using the hub and spoke model to meet the requirement of 2 hours lead time. For contingencies, the routes were broken down in such a way, that it can be managed easily by providing next alternative fleet quickly. During market research, the dairy found that dock dealers of rural channel were not satisfied and promoting local private dairy milk pouches. They found that retailers in the villages were getting nearly zero margin transferred from dock dealers (Table 2). It was observed that the selling price was much higher than MRP in villages resulting in adverse effects to dairy's sales. Dealers were avoiding serving rural areas. The distant villages remained untapped as the dock dealers were not incentivized to cover distant villages, but how was the main concern.

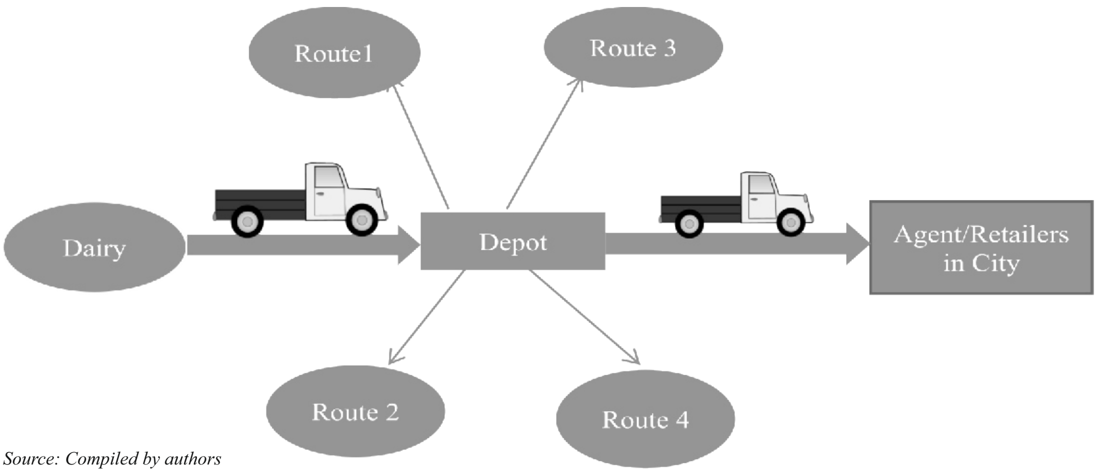
The dairy wanted to offer more margins, within the MRP unaffected. On evaluation, the dairy considered distribution through the government sponsored channel DoodhSanjeevaniYojana that was started for improving the health of children in tribal areas by the state Government of Gujarat (Tribal Development Department). This surely help dairy to bring the distribution cost down due to cost sharing, but what happened when schools were closed for holidays or vacation.

Table 2: Existing Distribution System

Distributor	Vehicle Used	Area Covered	Vehicles category	Margin given to retailers (Per crate)
Dock Dealer-Urban	Use own vehicle or transporter	Palanpur and Deesa	Heavy Duty vehicles	Rs. 8.40
Dock Dealer- Rural	Use Own Vehicle	Villages of Palanpur and Vadgam	Light duty Vehicles	Zero (Sold At MRP)

Next option was to Develop a New Route Dealers model specially to cater the rural areas with consistency in supply operations. In this channel, the depot of a particular route would act as hub for distribution of milk and milk products (Figure 3). The dealers would be incentivized by sharing transportation charges, which were decided to bear by dairy. The dairy management team was in dilemma to strategize the incentive to the route dealers. They performed three scenarios considering all the costs (diesel/driver/maintenance/depreciation) and found additional incentive by dairy support the model (Annexure II). However, this posed one more dilemma about selecting right incentive structure, without affecting MRP. Still, the problem persists about how to motivate them to travel in the distant village. upon discussion, the dairy came up with the brilliant idea of distance-based incentive system (Table 3). If the dock dealer covers more distance, get more incentives let dairy to capture 100% village reach. The mechanism was set for regular field visit of sales team and feedback were received from channel partners.

Figure 3: Distribution by new route dealer



Source: Compiled by authors

Table 3: Variable transportation Charge for Dock dealers

Distance covered in Km	Rs. per Crate	Rs. per Litre
0-50	3.6	0.3
51-100	4.2	0.35
101-150	4.8	0.4
150-200	5.4	0.45

Challenges ahead

Driving high on sustainable community development, the Banas dairy put great emphasis on the inclusive growth. The dairy succeeded in identifying the market potential which was untapped and reached the distant consumers using modified distribution channel. Dairy's efforts in incentivize Dock dealers on a variable distance based motivate them to travel more. While the strategy really paid off well for the Banas dairy, continuing this strategy is full of challenges. the smaller competitors and cooperatives are planning on the same tactics. Further, at the times of Covid, the dairy lost few customers due to closure of hotel and restaurant and returned to the normalcy at present. Considering the background, it needs to be seen that how Banas dairy maintain the existing customer base for fresh milk category in suburb geographies.

Discussion Questions

1. How has Banas Dairy identified their Market Potential?
2. Critically analyse the channels of distribution used by Banas dairy to achieve the goal?
3. "Effective channel managing is now critical success for the diary industry". Comment on the statement in lights with dairy's efforts in increasing channel efficiency.

Note:

1 lakh = 100 thousands1 crore = 10 million

LKPD = Lakh Kilogram per Day

Annexure I: Category wise strata potential

Category	**HPHP** *High procurement, high population*	**HPLP** *High procurement, Low population*	**LPHP** *Low procurement, high population*	**LPLP** *Low procurement, Low population*	Total	Overall Potential
Home-made milk potential	289125	177449	215104	182471	864150	1069066
Loose and pouch milk potential	55446	8494	95977	45000	204917	
Home-made buttermilk potential	189065	79117	128098	94331	706356	706356
Loose and Pouch buttermilk potential	50707	9238	126986	28813	215744	

Annexure II: Scenario analysis

	Scenario 1 *No Margin No incentive*	**Scenario 2** *Margin shared, but no incentive*	**Scenario 3** *Margin shared, Incentive offered*
Route (KM)	60	60	60
Number of village covered	12	12	12
Milk sales	384	384	384
Buttermilk sales	372	372	372
Total sales Margin	871	493	493
Additional incentive by dairy	0	0	315
Mileage of Vehicle(kmpl)	15	15	15
Diesel expense	200	200	200
Driver & helper expense	333	333	333
Maintenance charge	34	34	34
Depreciation on vehicle	167	167	167
Net profits	**137.53**	**-240.46**	**74.5**

References

Websites:

https://www.banasdairy.coop/

Books:

- Marketing Research and SPSS 10.0 SE, Malhotra, N.; Prentice Hall Publication
- Sales and Distribution Management: An Indian Perspective, Venugopal, P. ;Response Books
- Sales and Distribution Management, 6th Edition, Still, R.R, Cundiff, E., Govoni, N and Puri, S., Picture Book