



# “A STUDY ON PROBLEMS AND PRACTICES IN PROCUREMENT AND MARKETING OF MILK AND MILK PRODUCTS IN SALEM DISTRICT”

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## ABSTRACT

Dairy industry is one of the prime industries in India that provides lot of livelihood opportunities and meets nutritious demand of a large part of society. Tamil Nadu represents the fourth largest dairy market in India. The dairy market of Tamil Nadu is expected to grow further in near future significantly. At this juncture, it is important to address the various issues and problems being faced by the dairy marketers to help them to reap the benefits of ever growing dairy market to fullest extent. Among the many issues, Milk procurement and marketing of milk and milk products are the two major issues faced by the dairy marketers. And, this study aims at analyzing the current practices in the milk procurement and dairy marketing and also at identifying the various problems and challenges associated with procurement and marketing. The outcome of the study will be beneficial to all the stakeholders in formulating appropriate milk procurement and milk products marketing strategies.

Key Words: Milk, Dairy products, Procurement, Marketing

## INTRODUCTION AND DESIGN OF THE STUDY

In the Mid- 20<sup>th</sup> century many management philosophers believed that the purpose of a business is to create a satisfied customer. In the globalised era, the Indian dairy is in the stage of transition. The country has moved from milk scarcity to an era of abundance. To sustain and enhance dairy business, the dairy industries need to focus its efforts on marketing and also procurement. The market place has been undergoing changes under the converging pressures of demographics, global politics, economic upheavals, scientific advancements and social evolutions. Business organizations are not left apart from this change process. As the organizations undergo change, the role of marketing within the dairy sector has undergone a transformation. It is very well understood that every business organization should be organized around the least information and knowledge oriented systems for its survival in the modern age. Besides they should also be customer-focused, market-driven and flexible in its ability to deliver superior value to customers who are continuously modifying their definition of value.

In recent times the Indian dairy marketers understand the importance drafting strategies that are customer oriented. Much of this strategic shift has been ascribed to the converging pressures of geo-political realignment and to the emergence of the internet technology. Even though such a shift would involve heavy resource commitments, monetary any otherwise, the Indian corporate have taken up this challenge as a part of their survival in a fast moving market driven economy.

The changing income demographics, age profile and macro environment are visible in the growth in consumption of products. Higher business risk owing to dynamism in customer's expectation, innovative strategies by the competitors and other macro level changes demand the contemporary managers to be strategic with regard to maintaining good relationship with customers through product, pricing, distribution and promotional strategies. . It becomes very important for the marketing managers to study the behaviour of the target customers in a systematic way.

## IMPORTANCE OF THE STUDY

In consumable market like fluid milk market where the market is stable and where there is high switching and low involvement and low risk, consumer behavioral measures are appropriate for predicting future brand loyalty. Consumers are highly complex individuals, subject to a variety of physiological, psychological and sociological needs. Needs and priorities of different consumer segments differ drastically. In this competitive era, a large number of fluid milk is available under various brand names to consumers and the study examines the consumers' order of preference and selection of the brand from the quantum. Consumers are extremely aware of the various brands in the market and are conscious of the products they use or consume. They pick and choose carefully according to their needs, economic conditions and preferences, etc.

The consumers believe that consumption of milk or milk products are only for affluent layers of the society and they are not aware that the milk possesses all the nutrition like calcium, fat, protein etc which are very much essential for hale and healthy body irrespective of age group.

Based on the above issues the researcher probed the following questions.

1. What are the problems existing in the milk procurement?
2. To what extent the farmers are taking steps in increasing the production of the milk?
3. What steps the dairy industries taken in increasing the production and procurement of milk?
4. To what extent the dairy industries taken steps to increase milk consumption among the public in the study area?
5. What strategies are adopted to increase the consumption volume of milk in the study area?
6. What steps are initiated by the Government and the dairy industries to create awareness on various facts of milk among public?
7. What are the steps taken by the dairy industries to satisfy the milk consumers?
8. What are the strategies adopted by the companies to sustain the brand loyalty of the consumers?

## STATEMENT OF THE PROBLEM

Milk is one of the most important nutritious foods which and is normally consumed by all age group irrespective of rich and poor. The consumption of milk by consumers has been taken in various forms, such as raw milk, pasteurized milk and in the form of hot condition. In order to provide a good quality of milk without bacteria, the government itself can come forward to launch carious dairies in the industry to supply high quality of milk to consumers in a highly hygiene conditions. Hence, a number of dairy industries were established in major cities and towns of Tamilnadu state. But a few group of public have not shown keen interest to purchase and consume branded milk like Aavin, Arokya, and Komatha etc. rather they prefer to buy the fluid milk directly from the unorganized milk vendors. This style of purchasing milk directly from the unorganized vendors is popular because of a belief of fresh milk rather than milk stored in cold storage in dairy industry.

Further it is disheartening to note that, even the literate consumers do not prefer the standard brands of milk available in the study area. This is due to lack in knowledge of milk requirement for every human being to maintain good health and also the availability of standardized milk processed to meet the consumer demands in various categories such as fat free milk, toned milk and full cream milk. It is learned from the observation study that 70% of the population in Salem district are not hale and healthy due to ignorance of consuming milk or milk products directly like North Indians. While analyzing the marketing strategies practiced by the branded milk producers, it is obvious that

they are not reaching properly to the consumers living in various geographical segments of study area. Moreover the present pricing policy practiced by the select dairy units are too exorbitant and the consumers of low income category and middle income category find somewhat difficult to consume a cup of milk for each member in a family. This policy may be changed in order to create more demand among the consumers.

Another important factor that affects the success of the branded milk marketers is the distribution and supplier behavior. Though the consumers are willing to buy branded milk, poor distribution system prevents them to do so. The milk packets are sold at select points only, that too at early hours both in morning and evening. Thus, many consumers find it difficult to buy at that time; consequently the consumers are suffering with non-availability of the Milk packets. Further, high demand and low supply of the branded milk packets make the vendors more lethargic and unfriendly behavior with the consumers. In turn, the attitude and perception about the branded milks are worsening.

In order to find solutions, a study is needed on the following two dimensions

- a) To study the **PROBLEMS & PRACTICES IN MILK PROCUREMENT**
- b) To study the **PROBLEMS & PRACTICES IN MILK MARKETING**

Hence the study titled “**A study on problems and practices in procurement and marketing of milk and milk products in Salem district**” is proposed for the major research project.

## OBJECTIVES OF THE STUDY

1. To analyze the existing practices in Milk procurement.
2. To assess the problems faced by the dairy industries in procuring the milk
3. To analyze the brand awareness, brand consciousness and brand loyalty level of the consumers.
4. To identify the factors influencing the brand preference and the level of satisfaction among fluid milk consumers.
5. To ascertain the consumer’s opinion about the services of milk vendors of both organized and un-organized sectors.
6. To suggest appropriate marketing mix strategies to influence the consumption pattern and buying behavior of the branded fluid milk consumers.

## RESEARCH METHODOLOGY

The validity of any research depends on the systematic method of collecting the data and analyzing the same in a logical and sequential order. In the present study extensive use of both primary and secondary were made.

## RESEARCH AREA OF THE STUDY

The study was carried out in Salem District. The geographical area chosen for the study is shown below both in pictorial and table form.



## SAMPLING FRAME

**Universe** : Milk Producers & Milk Consumers of Salem District  
**Sampling Unit** : The sampling units were selected by covering all the nine Taluks of Salem District.  
**Sample Size** : 2500 milk producers & milk consumer.

## AREA WISE SAMPLE DISTRIBUTION

Sl.No	Taluk	Sample Distribution
1.	Salem	500
2.	Omalur	250
3.	Mettur	250
4.	Edappadi	250
5.	Sankari	250
6.	Yercadu	250
7.	Vazhappadi	250
8.	Attur	250
9.	Gangavalli	250
<b>Total</b>		<b>2500</b>

## SAMPLE DESIGN

- The validity of any research is based on the systematic methods of data collection and analysis. The present study uses both primary and secondary data. The primary data were collected from selected sample of procurement & consumers. Field survey technique was employed to collect the data. The data were collected from 2500 procurement & consumers in Salem District. The respondents were selected by using simple random sampling method.
- Questionnaire is the main tool for collecting the data. Hence, great care was taken to construct the questionnaire in a systematic way by covering adequate relevant questions to ensure achieving the research objectives. The questionnaire was prepared with the help of research guide after several rounds of discussions. The data collected from the primary sources were arranged sequentially and tabulated in a systematic order.

## DATA COLLECTION

### PRIMARY DATA & SECONDARY DATA

Besides the primary data, secondary data were collected for the study. Books from NDDDB, NDRI, Dairy India Year Book, leading journals and magazines, were referred for this purpose to facilitate the proper undertaking of the study and to get the relevant information about the procurement, milk & milk products.

### PRE PILOT STUDY/ PILOT STUDY

After the formulation of the questionnaire, pilot study was conducted. In a sample of 500, from the population was selected. Based on the answering of the questionnaires and also based on the suggestions of the respondents, relevant modifications were done to the instrument. Then the questionnaire instrument was finalized.

## DATA ANALYSIS

Statistical tools used in analysis are Descriptive Analysis /Percentage Analysis, Ranking, Chi Square, Friedman Test, ANOVA and Factor Analysis

## LIMITATIONS OF THE STUDY

The study takes into account certain factors influencing the problems practices procurement of dairy and dairy product industry and milk organization.

- The Universe for the study is Salem District; therefore findings are applicable for the district. However, some of the findings may be applicable to other areas, by taking into account the local conditions. The methodology is replicable.
- This limitations are not applicable any other district or any other state, or dairy industry of any other nation.
- The sample is small but it is selected by Multi Stage sampling method and it is sufficient to meet the requirements of statistical analysis. Therefore, results are valid in terms of precision of estimates and allowed their generalization to the universe for the study.
- The study is based on primary data collected from samples of consumer who have using or Procuring or buying the selected milk and milk products. The data included are also qualitative information i.e. satisfaction of the consumer or respondents. Personal interview method of data collection helped to minimize the response errors. The limitations of tools of analysis were kept in mind while evaluating the estimated parameters and their implications.
- The study focuses mainly on the factors influencing the consumer behavior consumption, procurement problems of consumer in buying the milk and milk products and their level of satisfaction.

Hence, the generalization of the findings of the study is subject to these limitations.

## MAJOR FINDINGS

### *FINDINGS RELATED TO MILK PROCUREMENT PROBLEMS*

1. It is found that the milk producers get very low yield from the cow. This is mainly due to the less nutritious fodders to the cow.
2. There is a substantial lose in milk produced and also the quality of the milk due to the non availability of chilling facilities in the study area.
3. Due to poor chilling facilities and long distance transportation and adulteration the quality of milk is very poor.
4. Another major problem faced by the milk producers is the increased transportation cost, since they have to travel considerably long distance to the collection centers.
5. Now a days the milk production cost become too high due to high maintenance and operating cost
6. Irregular electricity supply is another major problem faced by the milk producers. The maintenance of milk quality is becoming difficult due to this reason.
7. It is also found in the study that, the collection center personnel find it very difficult to detect the adulteration in t he milk that is being collected from the milk producers.
8. It is also a huge problem for the collection centers to determine the price of the milk that has to be paid at the time of collecting milk.
9. Maintaining hygiene is another big challenge in the milk procurement process.
10. It is found in the study that the milk producers are very dissatisfied regarding the price fixed for the milk per litre.

### *FINDINGS RELATED TO MARKETING PROBLEMS*

1. The people buy milk and milk products mainly for the nutrition value.
2. The study shows that the demand for the milk and milk products are always constant irrespective of the price changes.
3. Brand image and brand loyalty plays a crucial place in preferring a particular brand of milk.

4. It is interesting to note that the people prefer the packet milk over the unpacked milk for the reasons like freshness and taste of the fresh cow milk.
5. The cooperative brands are having more brand value and preference among the consumers. The consumers believe that government product is much safer than private brands.
6. Marketing efforts are much minimal for the Aavin brand when compared to the private brands. The main reason is that the demand for the aavin products are much higher than the supply.
7. It is found in the study that consumption pattern is limited only with raw milk and basic milk products like butter, butter milk, ghee etc.....
8. Only during the festival season the demand for the milk products are high where as in other seasons the demand is minimal.
9. It is found in the study that the market players carry out marketing activities only in the urban and semi urban areas and less coverage in the rural areas.
10. The presence of the unorganized cycle vendors is the major threat to the branded milk and milk product marketers.

### ***MANAGERIAL IMPLICATIONS***

1. The milk companies should facilitate the effective milk collection system also along with milk processing system.
2. The companies can adopt the latest technology and techniques in milk collection and preservation process.
3. The companies should think of some ways to minimize the traveling time of the milk producers to the milk collection center. For this purpose establishing milk collection and chilling center at each and every village will be an ideal strategy.
4. Effective milk collection system and proper chilling facility will minimize the loss of quality of the milk procured.
5. Primary demand has to be increased so as to increase the demand for the milk and milk products. For this purpose, awareness programmes can be conducted among the general public.
6. Product varieties and innovation can play a major role in attracting the new customers and expansion of customer base.
7. Brand building strategies will help the market players to build the brand trust and brand loyalty among the consumers.
8. Pricing can be much more innovative though that doesn't have much impact on the demand for the products.
9. Frequent training programme to the channel members who take care of the milk and milk distribution system will enhance the quality of the distribution function.
10. Companies should manage not only the customer satisfaction with the intrinsic brand attributes but also should give more importance to the abstract attributes also.
11. The market players also can think of strategic alliance among them to take the cost advantages in procurement, operations and marketing elements.

### ***POLICY IMPLICATIONS***

1. A comprehensive live stock development policy and proper implementation in the rural villages through government and non governmental agencies.
2. Government should take adequate steps to implement schemes so as to improve the socio economic status by promoting dairy entrepreneurship.
3. Arrangement of chilling and collection center facilities in all rural areas with advance technology and proper maintenance system.
4. Conducting awareness programmes among the milk producers to increase the milk production and maintaining milk quality.
5. Milk containing health promoting properties shall be introduced in the people welfare programmes, particularly in the children and women welfare programmes.
6. Drafting appropriate price fixing mechanism to encourage the milk producers to produce more and earn profits.
7. Along with the cooperative organizations the private players should also take the responsibility of meeting the demand for the milk and milk products in the market.

8. Un organized vendors to be regulated and should be brought under the quality control system. Accurate data base can be created about the various stakeholders of dairy industry so as to formulate and implement policies and strategies effectively and efficiently.

## CONCLUSION

India is one of the largest agriculture countries. Dairy farming is the major agricultural activity perused here. Indian dairy sector has made remarkable progress over the last few decades the cooperative movement, specially operation flood, has been an important driver of this progress and has played an important role in facilitating the participation of small holders in this expanding sector. A study of this kind will facilitate in understanding the problems and practices in procurement and marketing milk and milk products. This study is confined to selected consumers in the Salem district. The study offers an extended scope for further research relevance to other areas of salem, other districts and other states also. Further, the study has given many insights on the milk procurement and marketing of milk products. The researcher would feel amply rewarded if the research work is found to be useful to the dairy industry stakeholders in one way or the other.

It can be concluded that an appropriate policy development and implementation will be the right approach in enhancing the effectiveness and efficiency of the milk procurement system. And again as for as the marketing concerned primary demand has to be increased by way of increased consumption pattern of the consumers. This can be achieved through creating awareness and introducing innovative product mix. It is necessary to create a market regulation system to prevent unfair trade practices, undue monopoly, unfair pricing, artificial demand, demand and supply mismatch etc... It is further hoped that dairies would understand the problems and try to bridge these issues to improve the dairy supply system further and help the nation to retain its status.

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