

## UNDERSTANDING THE SUCCESS INGREDIENTS OF AMUL

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### **ABSTRACT**

*Dairy is a worldwide agricultural production. It is an important part of the global or any domestic food system. It plays an important role in the sustainability of rural areas in particular. It is a widely accepted fact that the dairy sector directly contributes to the economies of a number of communities, regions and countries.*

*Agricultural cooperatives have been a unique way of addressing the concerns of the producers and consumers regarding pricing, storage, marketing, and other such activities of bringing the commodity to the market. Gujarat Cooperative Milk Marketing Federation Ltd (GCMMF), is popularly known by its well known brand Amul that produces and sells a wide range of milk and dairy products both in domestic and international markets.*

*The purpose of this research paper is to know and understand various aspects that had shaped AMUL's success from its beginning. In this paper, we examine the effectiveness of Amul in achieving success by adopting several measures that pay attention to various aspects of manufacturing industry.*

**KEYWORDS** : India, Amul, Agricultural Cooperatives, Dairy, Milk Production, Business Growth, Distribution Network, Use of Information Technology, Cooperative Development, Productivity Enhancements.

### **DESCRIPTION OF RESEARCH PAPER (MAIN BODY)**

#### **Objective:**

The main objective of this paper is to know and understand various factors that spell out growth and various strategies adopted by Amul.

#### **Methodology:**

This paper mainly based on secondary data. The articles which are published on or about Amul about its plans and achievements have been collected for the study. Annual reports from website of Amul are also used to compile relevant data.

## Introduction

Agricultural cooperatives have been a unique way of addressing the concerns of the producers and consumers regarding pricing, storage, marketing, and other such activities of bringing the commodity to the market. Gujarat Cooperative Milk Marketing Federation Ltd (GCMMF), is popularly known by its well know brand Amul that produces and sells a wide range of milk and dairy products both in domestic and international markets.

There are various strategies deployed by Amul that has resulted in making it a leader in dairy products business. Various plans including marketing approaches covers various aspects of the business right from segmentation and targeting to the overall mission and vision of the company and the various parameters which the company executes to become the top brand in the market.

## Brief History of Amul [1] [2] [3]

The great visionaries and founders of Amul are Shri Sardar Vallabhai Patel, Shri Trbhuvandas Patel and Dr. V. Kurien who have contributed immensely in shaping of Amul. The Kaira District Union was later followed by milk collection centers and cooperatives set up in other villages and districts of Gujarat. In 1973, all the cooperatives were organized under an apex body the Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF).

Amul is the brand name of the milk and milk products that come out of GCMMF. It is a three-tiered system consisting of milk collection centers at the village level, a collection of village collection centers into a cooperative at the district level and the GCMMF at the top. Each district union such as Kaira District Co-operative Milk Producers' Union Ltd sets its own milk prices in the district each year.

Mission of Amul: "We the motivated and dedicated workforce at Amul are committed to produce wholesome and safe food of excellent quality to remain market leader through development of quality management system, state of art technology, innovation and eco-friendly operations to achieve delightment of customers and milk producers".

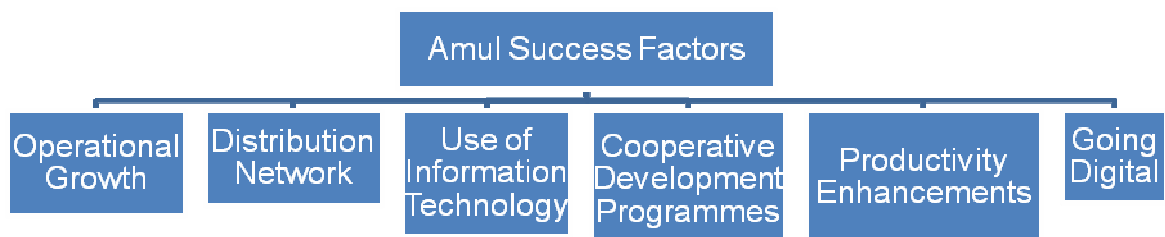
Vision of Amul: Amul has a vision to provide more and more satisfaction to the farmers, employees and distributors. There are two major competitive advantages of Amul over other brands. First and foremost is the supply chain. Because of the large numbers of dairy suppliers, Amul has a tremendous strength and reliability in its supply chain. Hence it is able to produce such high volumes. The second competitive advantage is the wide product portfolio due to which it can run Amul shops and also have its products present in retail. The product portfolio is such that products like Butter and Ice cream are cash cows for the company.

### Success Aspects of Amul [1] [4][5]

The success of Amul is result of combination of several aspects. These are listed below. (See Exhibit 1):

- Operational Growth
- Distribution Network
- Use of Information Technology
- Cooperative Development Programmes
- Productivity Enhancements
- Going Digital

Exhibit 1: Success Aspects



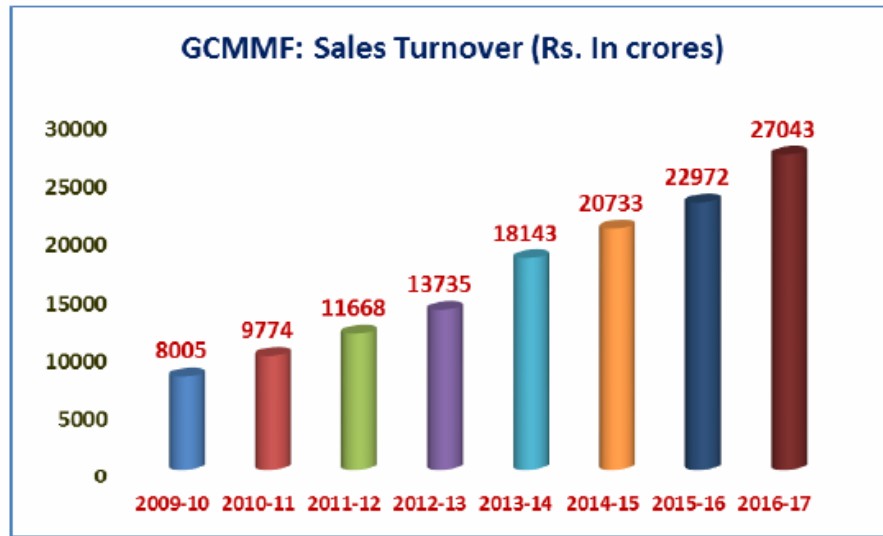
These are described subsequently.

- Operational Growth

Operational growth includes aspects such as sustaining the price variations, sales, milk procurement, exports and product launches. It was observed that due to its careful strategy Amul was successful in insulating their dairy farmers (who were part of the Amul Cooperative movement), from the considerable variations in the global dairy scenario. This is mainly due to its long-term emphasis on consumer marketing and brand building. The future presents a golden opportunity for dairy farmers with a rapidly improving dairy market scenario and an increase in demand expected for our entire basket of dairy products including fresh liquid milk.

During the period from 2009-10 to 2016-17, the Federation's sales turnover increasing 3.5 times in the last seven years, from Rs. 8,005 crores in 2009-10 to Rs. 27,043 crores in 2016-17. (See Exhibit 2):

Exhibit 2: Sales Turnover Growth



During the last seven years, Amul’s milk procurement prices to its farmer-members more than doubled from Rs. 24.30 per litre for buffalo milk (Rs. 337 per kg fat) in 2009-10 to Rs. 49 per litre (Rs. 680 per kg fat) in 2016-17. Since the cooperative’s total milk procurement also doubled during this period, from 90.9 lakh litres per day to 176.5 lakh litres per day, this effectively increased the income of its dairy farmers, four-fold in the last seven years.

Amul had always believed that product innovation is key component of its marketing approaches and resulted in launching of more than 50 new products in the market during the last three years. In the context of product launches, it was observed that introduction of new products and creation of spaces (Amul plaza) for their promotion has resulted into sales growth. (See Exhibit 3):

Exhibit 3: Creation of Spaces for product promotion (Amul Plaza)



- Distribution Network

It was observed that the company has given considerable importance to their customers by having a wide spread distribution network. Over the years Amul has continued its journey on the expansion path by expanding its distribution coverage across geographical areas, consumer segments, and age groups to ensure product availability to its consumers. It has added 15 new Branch Offices in recent years and expanding its network of distributors, super-stockists and sub-stockists so as to reach millions of retail shops across the country. Another 1,250 distributors were added during the year. The rural reach was also further strengthened with establishment of about 181 super-stockists that encompasses 3,600 interior markets. The expansion drive further strengthens the existing very unique and robust distribution model designed to service consumers through four distribution highways of fresh, ambient, refrigerated, and frozen.

- Use of Information Technology

Using information technology, in the form of its common distributor management software application seamlessly integrates all the distributors into its business, enabling the company to track and thereby enhance shop-wise sales, across the country. Amul strongly leverages on its technological capabilities and data analytics to enhance communication with its channel partners and expand the distribution reach. Amul has successfully completed six years of operations on SAP ERP, which was successfully upgraded from version EHP 4 to EHP 7 as part of making these systems GST compliant. The implementation of Amul DMS (Distribution Management System) is completed at all major distributor outlets and the frontline distributor salesmen are now booking retailers' orders using the software application installed on their mobile phones. Amul is effectively making the use of e-DSR (daily sales report) and e-DQR (daily quality report) for reporting daily market activities and product quality testing data using a mobile-based software.

- Cooperative Development Programmes

Cooperative Development Programmes includes activities such as increasing number of members (such as milk unions) and implementation of plans to enhance their capabilities. GCMMF now has 18 ordinary members.

GCMMF and Milk Unions are constantly making efforts to identify difficulties faced by their members that hinder their efforts of improving milk productivity. Hence they have chalked out a comprehensive integrated action plan SPEP - Strategic Productivity Enhancement Programme, to achieve objective of higher milk productivity and production.

The Fertility Improvement Programme (FIP) is being successfully implemented in selected villages covering a significant cattle population. To create a good replacement stock and include scientific calf

rearing practices by reducing Age at First Calving in animals, Amul has planned implementation of the Strategic Calf Rearing Programme for our farmers.

Activities of Strategic PEPs and FIPs are being monitored through a dedicated system on the web site [www.amul.org.in](http://www.amul.org.in).

Under the Entrepreneurship Development Programme the young and educated milk producers are being trained in the concept of commercial dairy farming and management.

**Mastitis Prevention Programme:** Mastitis is the most common disease in dairy cattle due to which many milk-producer farmers are experiencing loss of income owing to the reduction in milk production of cattle and buffaloes. Amul works in this area with an objective to identify the subclinical Mastitis and prevent its occurrence in cattle and buffaloes. This programme, besides helping in increasing milk producers' income will also contribute to improve animal health and milk production.

**DoodhSanjeevaniYojana (DSY):** Under DSY, Amul along with member unions have implemented distribution of milk in 81 talukas of 20 districts of Gujarat and have covered around 23.80 lakh beneficiaries.

Cooperative Development Programmes may also include social activities. In the context of social activities, it is observed that GCMMF have been conducting a mass tree plantation on every Independence Day, for the last 10 years. This has resulted in more than 619.7 lakh trees being planted, to date.

- **Productivity Enhancements**

Operational growth is driven by 3 E approaches. 3 E approaches means – rapid expansion in milk procurement, rapid expansion in manufacturing facilities and rapid expansion in marketing & distribution network. Amul has significantly enhanced its production capacities for major dairy products during the last three years. During this period, several new dairy factories were established at different locations such as new dairy plants at Faridabad, Rohtak, Lucknow, Kanpur, Amreli and Kutch.

- **Going Digital**

With the government push to digital economy, Amul has also responded to this by having the drive towards digital and cashless payments. This has received a huge boost thanks to Government of India's demonetization initiative, has brought about significant benefits to its farmers in rural Gujarat.

Amul has actively helped our farmer-members to open bank accounts and have linked an additional 13 lakh farmers' bank accounts to its system. Now, milk payments have become cashless and directly transferred into farmer's bank accounts.

Amul's digitalization drive has brought in complete transparency in payment to milk producer members. Farmer-members are aware of the exact amount due to them and the rationale behind the same. Payments going directly into their bank accounts also helps inculcate the savings habit in them. The need for an



active bankaccount has brought large number of the Amul family farmer households directly into the formalbanking network.

Automated Milk Collection Systems installed at village dairy cooperativesocietieshave now been linked through common online software applications. This helps to furtherenhance transparency among producer members using digital technology.

### **Conclusion [4] [5]**

Based on the above analysis it may be concluded that achieving success requires a multi-pronged strategy. It does not entirely dependent on single aspect such as business parameters. Other aspects such as management leadership, its vision, use of technology, methods of doing business and implementation of growth plans, and social concern are also important.

It is interesting to see Amul as one of the largest FMCG organization in India by 2020-21. It aims at establishing itself as number one largest dairy organization in the world. It is currently ranked as the thirteenth amongst the largest dairy organizations globally.

It is also observed that government support is necessary and plays a vital role is success of any industry. It may be said that with continuous support from the Government, the farmers may ensure that India continues to remain the largest milk producing nation in the world, safeguarding the food security of the nation, amidst volatile economic circumstances.

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