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Popular Article

Marketing Prospects and Opportunities for Value Creation in The Dairy Industry

Nandita Chandra^{*1}, Surya Kant¹, Ruma Devi², S. S. Senger³, K. D. Singh⁴ and Sonu Jaiswal⁵

^{*1}PGScholar, Department of Livestock Products Technology

¹PGScholar, Department of Livestock Production Management

²Assistant Professor, Department of Livestock Products Technology

³Assistant Professor, Department of Livestock Products Technology

⁴Assistant Professor, Department of Livestock Farm Complex

⁵Professor & Head, Veterinary Clinical Complex

College of Veterinary Science & Animal Husbandry, ANDUAT, Kumarganj,

Ayodhya, U.P.

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Introduction

India's dairy industry has historically been a significant component of the agriculture sector and the entire country's economy in general. India is the world's major milk producer. India's dairy industry has grown steadily over the years, and with 535.78 million livestock, our nation has the world's largest livestock population. India, the largest global supplier of milk, has an abundance of livestock, which contributes significantly to the country's economy as well as offering a reliable supply of nourishment. Millions of people in India largely rely on the livestock industry for their livelihoods, which is a major contributor to the nation's GDP. Dairy farming and livestock rearing constitute both of the main facets of animal husbandry in India. For millions of Indian farmers and their families, dairying is their only source of revenue. It stipulates opportunities across the on- and off-farm sectors, for example, in processing, marketing, and animal care, including milking. Small-scale landowners can improve their socio-economic standing by generating revenue through their dairy operations.

Parshottam Rupala, the minister of Union Animal Husbandry and Dairying, announced that the dairy industry is predicted to increase at a rate of more than 6% in 2023–2024. "Over the past 8 years, production of milk has expanded at a compound annual growth rate (CAGR) of 6.1%; in the months to come, this growth will likely go above 6%". Over 8 crore



farmers are directly employed by the dairy industry, which is India's largest agricultural product and accounts for 5% of the country's GDP. In June 2023, the country's average retail price of milk climbed by 10% year over year to ₹57.61 per litre.

Platforms for distributing milk in Indian markets:

The milk distribution system in India can be broadly categorized into two distinct categories: Organized platforms & unorganized platforms.

a) Organized platforms -

In India, the recognized and modern approaches to milk marketing are frequently referred to as organized platforms. Large-scale dairy corporations, cooperatives, and franchises define these avenues. The following constitute significant components of organized milk marketing efforts:

- ✓ **Dairy Industries and Trademarks:** Major dairy businesses and merchandise that are part of the organized sector are Amul, Mother Dairy, Parag, Nestle, and Britannia. They have inaugurated outlets for retail, distribution hubs, and processing factories in a number of different cities and territories.
- ✓ **Co-operatives Dairy Farms:** An integral component of the organized industry is cooperative dairies, for example, Gujarat Cooperative Milk Marketing Federation (GCMMF), which controls Amul. The milk producers who collectively handle the tasks of milk collection, processing, and marketing efforts manage these cooperatives.
- ✓ **Standardizing Processes and Control of Quality:** The establishment of standards and inspection of quality are the primary obligations of organized platforms. In accordance with sanitary circumstances, milk is processed, pasteurized, and packed. Manufacturers frequently supply branded, packaged milk products with labels that include essential information about the source, fat content, and other figures.
- ✓ **Stores for Retail and Contemporary Retail Markets:** Organized platforms have both collaborative arrangements and retail stores. They make milk more readily available for purchasers by distributing it through grocery stores, supermarkets, and their own boutiques.
- ✓ **Implementation of Innovation:** For the collecting, processing, and distribution of milk, organized platforms frequently employ innovative technologies. To ensure the freshness and quality of milk, they might utilize cold chain infrastructure, automated milk collection systems, and chilling amenities.



b) Unorganized platforms

The term "unorganized platforms" reflects the conventional and unauthorized manner in which milk is disseminated in India. Small dairy enterprises, milk sellers, and independent regional vendors constitute these distribution networks. Key characteristics of unorganized milk distribution include the following:

- ✓ **Local distributors:** In the surrounding rural regions, neighbourhood vendors usually procure milk directly from farmers or small dairy producers. They frequently gather milk, store it in cans or other containers, and distribute it throughout their local area.
- ✓ **Small-Scale Dairy Organizations:** A few of these organizations also conduct business in the unorganized sector. These organizations are neighbourhood-based enterprises that procure milk from nearby farmers and distribute it throughout the area of interest.
- ✓ **The milkmen:** Known in Hindi as "doodhwala", milkmen are those who distribute milk straight to residential buildings. They typically deliver milk to clients' doorsteps after purchasing it early in the morning from neighbourhood merchants or dairy farmers.
- ✓ **Insufficient Standardizing processes:** Unorganized platforms frequently neglect branding, packaging, or quality control procedures that are standardized. Milk can be offered unlabelled or in loose form, raising questions regarding contamination and cleanliness.

It's significant to take into consideration that in India, both unorganized and organized platforms intersect and serve distinct demographics according to their availability, affordability, and convenience. Unorganized platforms continue to be very important, particularly in areas that are semi-urban or rural, even though the organized sector has been expanding significantly over the past few decades. As reported by the Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture & Farmers Welfare, GOI, cooperatives, and private dairies' Annual Report for 2021, 40% of the milk sector is organized and 60% is unorganized.

Current innovations in the dairy marketing industry:

- **Customer Relationship Management (CRM) and personalization:** Dairy marketers implement CRM programs and personalization strategies in order to provide patrons with individualized experiences. Marketers can provide targeted promotions, loyalty programs, and tailored suggestions by gathering and evaluating consumer data.
- **Internet of Things (IoT):** Milk packaging can employ technologies such as IoT to monitor the product's condition and freshness. Through smartphone apps or other interfaces, smart packaging will inform consumers about things like nutritional content, storage conditions, and dates of expiration.



- **Electronic Transaction Facilities:** In India, payment methods without cash, including online payment gateways and mobile wallets, are becoming more and more common. These methods can be incorporated by dairy companies into their marketing plans to facilitate customer purchasing of goods.
- **Online purchasing and the day of delivery:** Convenient online ordering and home delivery of dairy products are made possible by mobile apps and online platforms. To give customers a smooth online shopping experience, dairy marketers can create their own online stores or collaborate with e-commerce platforms.
- **Smartphone advertising:** Due to the growing prevalence of smartphones, mobile advertising is essential for connecting with clients. Dairy marketers leverage location-based services, push notifications, SMS marketing, and mobile apps to interact with prospects, make offers, and carry out promotions.
- **Social Networking Advertisement:** Dairy marketers can target particular demographics, interests, and activities with the use of the sophisticated advertising choices provided by social media platforms such as Facebook, Instagram, Twitter, and YouTube. To increase brand awareness and loyalty, marketers can conduct targeted ad campaigns, produce interesting content, track the success of their campaigns, and distribute pertinent information.
- **User-Generated Content (UGC)** including videos, images, and reviews. Customers are urged by dairy marketers to post about their interactions with dairy products on websites and social media. UGC promotes social evidence, authenticity, and brand trust.
- **Blogger advertising:** Influencers having a substantial following and impact in the target market are partnered with for the purpose of influencer advertising. Dairy marketers collaborate with influencers to promote items, create sponsored content, and conduct reviews in order to spread knowledge about their brands and attract a wider range of people.
- **Virtual Reality (VR) and Augmented Reality (AR):** By offering immersive and interactive content, AR and VR technologies are used to improve the user experience. Dairy marketers have the ability to produce virtual tours of farms, show consumers how to use products, and involve them in virtual reality experiences that are connected to the processes of farming and producing dairy products.
- **Artificial Intelligence (AI) and Data Analytics for Human Resources:** These two fields of inquiry are employed for investigating sales data, market trends, and consumer habits. These insights assist dairy marketers in effectively targeting particular consumer segments, personalizing marketing strategies, and making data-driven decisions.



Marketing scenario with value additional features:

In India, liquid milk accounts for more than 80% of milk consumption, and selling liquid milk generates more than 55% of the income for major cooperatives like Amul and Nandini. Value-added dairy products, such as cheese, yogurts, and flavored milk, still have a tiny customer base, but today's action is mostly concentrated here due to the greater margins, potential for product differentiation, and capacity to launch innovative products. On the other hand, because the multinational corporations entered this market before the milk cooperatives did, the competition was fairly equal.

More value-added goods are being consumed by Indian consumers, particularly the wealthy urban customer, who generate higher revenues for dairy corporations than raw milk does. The trend of single men and women with large disposable incomes and working couples also gave rise to a new perspective on the category. Due to the Indian cooperatives' decades-long emphasis on basic milk, butter, processed cheese slices, and ice cream, there was a gap in the market that certain new businesses were able to fill with their innovative product offers.

Dairy value addition and promotional avenues:

Dairy farmers may increase their revenues and reach more potential customers by utilizing the many value-adding and marketing opportunities that the dairy industry offers. The following are some important dairying avenues for promotional efforts and value addition:

- **Dairy Processing:** By constructing a dairy processing facility, farmers can increase the value of their milk by manufacturing a range of dairy products, including flavoured milk, ice cream, yogurt, butter, and cheese. In addition to extending the milk's shelf life, processing it into these goods creates market space for more expensive goods that are tailored to particular customer desires.
- **Advertising & Promoting:** For advertising your dairy goods, use a variety of marketing platforms. This includes utilizing influencer relationships, social media marketing, conventional advertising techniques, taking part in regional culinary events, and utilizing public relations in order to establish a positive image of the company.
- **Packaging & Branding:** Investing in eye-catching and instructional packaging will help your dairy products stand out on the market. Convey the quality and distinctiveness of your items to customers with a powerful brand identity.
- **Item Diversification:** Continually innovate and enhance your range of products in response to consumer requests and market trends. This could entail creating brand-new desires, launching limited-edition items, or exploring out various package designs.



- **Partnering and Cooperation:** To procure your dairy goods, cooperate with nearby bakeries, cafes, restaurants, and other food enterprises. These collaborations may broaden the audience for your brand and give your products a unified place.
- **Exporting Alternatives:** observe the potential for dairy exports to foreign markets. To find possible export markets where there is a need for your products, conduct market research. Recognize the rules and specifications that must be followed in order to export dairy products to those nations, and obtain the required certifications and quality standards.
- **The value-added Resources:** In addition to dairy goods, think about providing value-added services like workshops on milk processing and dairy farming, educational programs, or farm tours. These services not only bring in more money, but they also assist spread awareness about your company and strengthen client bonds.
- **Online Marketing & Digital Commerce:** Dairy producers may join the digital marketplace by setting up an online presence on their own website or through online marketplaces. Online ordering permits customers to place direct orders, with things delivered right to their door. Additionally, online platforms offer prospects for customer feedback, marketing, and establishing a devoted clientele.
- **Organic and distinctive Products:** You can stand out from the competition and charge more for your brand by making organic dairy products or unusual products like A₂ or lactose-free milk. These goods frequently have a devoted following of customers prepared to pay a premium for them, and they satisfy the growing desire for healthier and more specialized solutions.

Farmers are able to sell their dairy products directly to consumers by setting up sales outlets like farmers' markets or on-farm stores. Greater control over branding, price, and client relations are made possible by this method.

Furthermore, farmers may consider investigating retail collaborations with nearby supermarkets or specialty food stores in order to broaden their consumer base. Creation of value and advertising in the dairy industry require an understanding of your target market, market research, and constant consumer preference analysis.

Independent enterprises that distribute milk in India:

The milk marketing industry in India is controlled by a number of private enterprises. Although cooperatives dominate the dairy sector in India, private businesses are also heavily involved in the purchasing processing, and retailing of milk. Leading private companies in the Indian milk marketing industry are as follows:



- ✓ **Amul:** One of the most well-known and prosperous dairy companies in India. Amul functions on a big scale despite being a cooperative in concept. The Gujarat Co-operative Milk Marketing Federation (GCMMF), a cooperative federation of milk producers, is in authority of supervising Amul. It has an extensive network of distribution routes, processing facilities, and locations for collecting milk.
- ✓ **Parag Milk Food:** This Indian business produces, distributes, and sells milk and milk-related goods. Under the Go brand, it is the nation's second-biggest manufacturer of cheese, and under the Govardhan brand, it is the largest producer of cow ghee. The company sells a variety of goods, such as butter, cheese, fresh milk, and ghee.
- ✓ **Mother Dairy:** A privately held enterprise, Mother Dairy is a division of the National Dairy Development Board (NDDB). It promotes a variety of dairy goods, such as milk, curd, ice cream, and butter, and it mainly serves the Delhi and National Capital Region (NCR) areas.
- ✓ **Britannia Enterprises:** A well-known Indian food firm, Britannia Industries has expanded into the dairy industry and provides a selection of milk and dairy products. It buys milk from producers and runs processing facilities to make goods including cheese, butter, and flavored milk.
- ✓ **Nestlé:** It is a global food and beverage corporation that holds a substantial market share in the dairy industry in India. Through a number of collection centres, it purchases milk from farmers and processes it to create a variety of dairy products sold under its brand, such as condensed milk, milk powder, and new born feeding items. Nestle, the world's biggest and most established private milk company, has introduced Nestle-a+ GREKYO, a Greek yogurt. Super concentrated yogurt, or Greek yogurt, is a swooping category in India that premium retailers carry. It costs a great deal more than other yogurts. Nestle is a player in every dairy product category, with a particular focus on value-added products.
- ✓ **Hatsun Agro Product Ltd:** Based in Chennai, Hatsun Agro Product Limited is a privately owned dairy firm. It distributes a variety of dairy products under the names ArunIcecreams and Arokya Milk. Hatsun operates state-of-the-art processing facilities and purchases milk from farmers via its enormous network.
- ✓ **ITC Foods:** Late last year featured the much anticipated premiere of "Aashirvaad Svasti Pure Cow Ghee," ITC Foods' venture into the dairy market, which also included value-added dairy products.
- ✓ Ultra-High Temperature (UHT) milk and milk-based beverages are produced at Prabhat Dairy and Parag Milk Foods' cheese production plants and facilities. Since they have already produced



cheese, they have also taken advantage of whey protein, a by-product of cheese that is receiving a lot of attention globally.

These are merely the majority of the private companies involved in the milk marketing industry in India. The expansion of the Indian dairy industry is being assisted by a number of other local and regional private businesses that operate throughout the nation.

New perspectives in the dairy advertising business:

An assortment of new opportunities has arisen up for the dairy marketing sector, transforming the market and bringing up new growth paths. Those that follow are some of the major exciting opportunities in the dairy advertising industry:

- ✓ **Dairy products with added benefits:** Consumers are becoming more and more interested in dairy products that provide more than just basic nourishment. Dairy products with added probiotics, prebiotics, vitamins, minerals, and other functional ingredients are becoming more and more popular. Consumers who are concerned about their health may be drawn in if these products are marketed as healthy choices.
- ✓ **Artisanal and prestige dairy commodities:** The market for these products is expanding and they place an emphasis on distinctive flavours, high quality, and skilled craftsmanship. Products like premium butter, artisan cheeses, and specialized yogurts might appeal to customers who are prepared to spend more for unique and decadent dairy goods.
- ✓ Sustainable development, animal welfare, and ethical sourcing techniques are becoming more and more important concerns for consumers. To leverage this opportunity, dairy companies should implement sustainable production practices, highlight their dedication to animal welfare, and openly share their sustainability endeavours. Promoting these methods can increase brand loyalty and strike a chord with environmentally sensitive consumers.
- ✓ **Electronic and e-commerce pathways:** Direct-to-consumer models and the trend toward online shopping present dairy marketers with new business prospects. Dairy brands may increase their consumer base, gain useful data for focused marketing campaigns, and directly connect consumers by creating an online presence, building e-commerce platforms, and offering direct delivery choices.
- ✓ **Customization and personalization:** Offering tailored experiences and products is one way dairy marketing can capitalize on the growing trend of personalization in a variety of industries. Providing customers with the ability to customize their dairy products with choices for flavour, packaging, and nutrition can increase customer engagement and loyalty.



- ✓ **Export and foreign markets:** Investigating export prospects and joining overseas markets can be a major growth path as the demand for dairy products rises globally. Dairy marketers can reach new markets and increase their client base internationally by leveraging their unique offerings, high-quality products, and brand reputation.
- ✓ **Influencer advertising and social networks:** Social media platforms offer dairy brands the chance to interact with customers, exchange content, and create communities. Influencer marketing alliances with people who share the brand's values and appeal to the target market can expand the consumer base and foster real connections.

These new prospects in the dairy marketing sector are a result of shifting client preferences, developments in technology, and concerns about sustainability. Dairy companies may remain competitive and prosper in the rapidly evolving industry by grasping these possibilities and implementing imaginative marketing strategies.

Conclusion:

Coordination amongst a range of organizations, involving governmental organizations, dairy cooperatives, businesses, and farmers' associations, is necessary to address these challenges. These hurdles can be overcome and the growth potential of the Indian dairy industry unlocked with initiatives focused on strengthening the dairy supply chain, promoting value addition and processing, expanding quality standards, and strengthening infrastructure.

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