

GCMMF : Preempting Competition With An Innovative Business Model

** Mohit A. Parekh*

INTRODUCTION

With all the comforts that globalization has extended to the global consumers, it has made life hell for businesses all around the globe. The security of sustained business and profits that companies used to experience under closed economies is increasingly becoming part of history. Sitting on a pile of laurels doesn't even ensure the sustainability of a business any longer. The globalization has made such an impact on global business that a small entrepreneur in any part of the world can emerge and uproot the position of any strong, well entrenched organization. Thinkers from Porter to Prahalad have been trying to develop frameworks to make sense of how these phenomenon take place and how companies can ensure a sustainable position in the market place. The fast pace change in consumer demographics and high penetration of technology has added fuel to this problem. Consumers are getting more and more spending power in various economies. Penetration of technology has made availability of information very easy. This leads to consumers who are more aware and thus more demanding. As markets and businesses are primarily driven by customer's needs, a small change in customer expectations leads to complete change in the market place. The rules of doing business change overnight due to this. The success of Dell computers, Canon Photocopiers, Colors channel are a case in point. Thus, today, it becomes absolutely necessary for companies to keep a constant watch on the change in the industry trends and rules. Companies need to ensure that whenever the rules change, they are in a better position to adopt their businesses accordingly. And the best way to do the same would be to frame the new rules on your own. It has become a necessity for leading companies and brands to consistently frame the new rules of their own industry in order to sustain their leadership position. This paper is an attempt to highlight the steps taken by a leading FMCG company in India to sustain their market leadership in changing times.

AMUL

AMUL is the flagship brand of Gujarat Cooperative Milk Marketing Federation (GCMMF), which is the apex marketing organization of the Milk Cooperatives in the state of Gujarat. AMUL has been a household name in India since 1946^[1]. It epitomizes the attempt of rural farmers of Kheda district to raise voice against the tyranny of Polsun dairy operating under the British Rule in India. Since it provided a priceless freedom to the people in Kheda district, the flagship brand was called as AMUL. It is derived from Sanskrit word '*Amoolya*', which means 'Priceless'^[1]. AMUL has become a synonym for the cooperative dairy movement in the country. GCMMF has a wide range of products in day to day eatables like Milk, Ghee, Butter, Cheese, Paneer, Ice Cream, Chochalates etc^[3]. It is the largest Trading house in the country to export Dairy products. For 11 consecutive years, it was awarded the APEDA Award from Indian Government for Excellence in Dairy Product Exports^[4]. The company cloaked a turnover of ₹ 52.55 billion in FY 07-08^[1]. Some statistics related to GCMMF are given in Table 1.

The celebrated AMUL Butter Girl campaign^[5] is a big feather in the cap of GCMMF. The campaign was highly successful and one of the longest running campaigns in the country. The campaigns used to quiz the viewers on some current events. The wittiness of the campaign had made it highly popular amongst the Indian consumers.

A recent initiative of GCMMF includes APOs i.e. AMUL Preferred Outlets^[6]. With an investment as low as 1 to 1.5 lacs, any entrepreneur can take up a franchisee of APO. These outlets only stock AMUL products and sell them. Begun in 2002, today there are around 4000 APOs across the country. It is expected that this number would be scaled up to 10000 by the year 2010^[2]. This initiative gives a very strong hold to GCMMF in the retailing part of their business. Along with this, AMUL cyber store has also been a recent initiative of the company to venture into online business. Consumers can now place orders for AMUL products through <http://www.AMUL.com/cyberstore.html>^[7].

* Assistant Professor- Marketing Management, Sanskriti School of Business, Harni, Gujarat.
E-mail: mohitdream@gmail.com

Table 1: Statistics Related To GCMMF

Members:	13 district cooperative milk producers' Union
No. of Producer Members:	2.79 million
No. of Village Societies:	13,328
Total Milk handling capacity:	11.22 million litres per day
Milk collection (Total - 2008-09):	3.05 billion litres
Milk collection (Daily Average 2008-09):	8.4 million litres
Milk Drying Capacity:	626 Mts. per day
Cattlefeed manufacturing Capacity:	3500 Mts per day

Source : <http://www.amul.com/organisation.html>

Table 2: Sales Turnover of GCMMF

Sales Turnover	₹ (million)	US \$ (in million)
1994-95	11140	355
1995-96	13790	400
1996-97	15540	450
1997-98	18840	455
1998-99	22192	493
1999-00	22185	493
2000-01	22588	500
2001-02	23365	500
2002-03	27457	575
2003-04	28941	616
2004-05	29225	672
2005-06	37736	850
2006-07	42778	1050
2007-08	52554	1325
2008-09	67113	1504

Source : <http://www.amul.com/organisation.html>

Table 3: Awards and Achievement of GCMMF

Awards and achievements
GCMMF bags APEDA AWARD for 11th year in a row
AMUL Pro-Biotic Ice-cream Gets No. 1 Award At World Dairy Summit
Ramkrishna Bajaj National Quality Award-2003
AMUL - The Taste Of India (GCMMF) Receives International Cio 100 Award For Resourcefulness
Rajiv Gandhi National Quality Award - 1999

Source : <http://www.amul.com/awards.html>

Thus in a nutshell, one can conclude that GCMMF is one the most prominent players in its industry as of today. Not only that, they have a strong footing today. With initiatives like APO and Cyber Store, they are ensuring a secured future too. Both these initiative will give GCMMF a strong control over their own retail distribution, reducing its dependence on other retailers. But these attempts seem to be more incremental changes than radical changes. Such incremental changes are easy to replicate by the competition and thus, would fail to provide any unique advantage to the organization. The history of business provides numerous examples, where market challengers have radically changed the rules of business and uprooted the well established players. Even the changes in demographic, political or

economical environment have sufficient potential to put a well established company to a disadvantage almost overnight. In case of GCMMF, it seems that the company is not undertaking any radical initiative which will help the company to change the rules of the game and preempt the future market. But a closer look will reveal a different story.

AMUL PREFERRED OUTLETS (APO)

AMUL had been a very strong brand in the Indian household since its inception. Strong brand attract more customers which explains the eagerness of most of the people to take up franchisees of APO. Since 2002, 4000 outlets have been opened up by GCMMF. The number was expected to scale up to 10000 by the year 2010^[2].

In many areas, APOs are so closely located that they end up cannibalizing each other's market. But still, people are eager to take up franchisee and GCMMF is also providing franchisee in overlapping geographical territory. On the surface, it looks like a simple case of demand overwhelming the supply. But, actually, there is more substance to this story.

Let us try to understand how an APO works. The franchisee is generally not taken up by an established businessman or entrepreneur, who comes specifically to do this business. The franchisee is generally taken up by people who have access to densely populated localities. For example, a person having his house on the roadside would consider converting his veranda into an APO. There would be very few franchisees which would get started in some commercial complex, far away from residential areas. Since most of the products sold at APOs are used by households, it makes sense to have the APOs in densely populated residential areas. The owner is familiar with the locality and many people in the area know him too. Within a radius of just 500 meters from the APO, there would be approximately 40 colonies/societies. Taking an average of 20 families per colony, an APO would be catering to around 800 families. Thus, these 800 families are just located at a walking distance from the APO. This sets a platform for the APO to provide home delivery to these 800 families. Since the distance to be traveled is very less, home delivery can be provided with help of an assistant or by taking help from one of the family members of the owner. In short, home delivery will not require huge cost to be incurred. Again, the close proximity will make the delivery period expeditious. Thus, perishable FMCGs (i.e. products in which GCMMF deals) can easily be home delivered without having any substantial impact on the distribution cost structure. Thus, this gives a platform to GCMMF to home deliver its products, a unique differentiation that none of the FMCG companies in the country have been able to achieve. In a highly competitive market, this USP will help GCMMF to achieve and sustain a greater market share. But, probing into the operational details, even greater opportunities will seem to emerge.

Considering the current social and technological environment, the best operating model for home delivery through an APO would be by using telephones. A household can place an order through a telephone call to the APO and the APO owner will get the order home delivered. A prior phone number registration process can also be implemented to avoid any fake order placement. Using the current BSNL plan of LKB (*Lo Kar Lo Baat* i.e. BSNL to BSNL free phone calls scheme), the order placement cost of the customer can be minimized. Even if the phone call cost is to be borne by the customer, the convenience of home delivery can offset that cost. But, there could be one potential inconvenience in this concept. What if the customer is not completely aware about the product range of AMUL products? What if the customer wants to place an order for ice cream and wants to inquire about the various flavors available? The information can definitely be provided on the phone call by the APO, but this would consume a huge amount of time on part of the APO. Even if the person standing on the counter is not completely aware of the product range, the information may not be provided promptly. The solution to these problems comes with the application and penetration of the new generation technologies like PC and Internet, Internet on Mobile and Direct To Home Television.

1) Personal Computer and Internet Penetration : This discussion will take us back to a separate initiative of GCMMF, AMUL Cyber Store. The e-commerce website launched by GCMMF, if clubbed together with the APO, the home delivery concept would work wonders for the company. The website has the complete details of the product range of GCMMF. The customers can log on to the website and place the order. Immediately, the order would be placed to the nearest APO through SMS generated by AMUL cyber store, who will then deliver the products to the household. A prior registration process on the website will help to gain the important information about the customer and thus, relationship marketing can also be implemented. As the penetration of PC and broadband connection increases, the APO home delivery concept would become all the more easier and effective to implement.

During the internet boom period, many analysts have argued that the online purchasing model has not been very

effective, as it was expected earlier on. With respect to Indian consumers, there is an apprehension that Indian consumers would like to see and feel the product before purchasing. This makes online purchasing difficult in India. But in case of AMUL, this problem is not so prominent. Since AMUL deals only in FMCG products, every time touch and feel is not relevant. And the strong brand equity of AMUL further helps to avoid any apprehension in the minds of Indian consumers. Thus, with increased penetration of PC and internet, the APO + AMUL cyber store will become more convenient to offer home delivery.

2) Internet On Mobile: With advancement of technology, internet on Mobile has become an affordable reality in Indian markets today. Advent of 3G and 4G services will further increase the accessibility of internet on mobile handsets^[9]. This provides an opportunity to offer order placing facility for AMUL products through mobile handsets. A consumer can place order through internet connectivity on his or her mobile phone^[8]. The order will reach the nearest APO and the products would be home delivered immediately.

3) Direct To Home Television: DTH is the latest new technology that is set to change the way Indians live^[10]. DTH is providing a plethora of opportunities for interactive television viewing. Over a period of time, a number of products would be available for purchasing through the DTH medium^[11,13]. This is an opportunity for GCMMF to sell its products through the DTH medium. The product range of AMUL can be displayed through DTH and orders can be placed either through the same medium or through telephones. The order would then be home delivered by the nearest APO. Thus, home delivery can be done without the customer having to incur any cost and time. DTH platform is more advantageous because an average Indian household is perfectly comfortable with TV sets, which may not be the case with PC, internet and mobile internet. Thus, a customer who is not tech-savvy, would find DTH medium more user friendly^[12].

Thus, with these 3 different modes of operation, the home delivery model of GCMMF would become very easy to operate and very cost effective. But these technologies are yet to penetrate the households in a very big way. But within a short span of time, these technologies will find place in most of the Indian urban households. This is when the advantages for GCMMF will begin to become more prominent. Most of the companies would need to, more or less, modify their existing business model when they are faced with such changes in technological and demographic environment. But in the case of GCMMF, as and how the environment will change, more and more advantages will accrue to GCMMF. Thus, the home delivery model using APO and AMUL Cyber Store will become more stronger as and when the environment will change. As time passes and technological changes take place, GCMMF will not only be in a stronger position, but they would also be in a position where it would be difficult for its competitors to replicate GCMMF's business model.

There are a few concerns raised by social thinkers about the future generation and the impact of western culture on it. The 3 screens^[14]: Mobile, TV and Computers are consuming a larger part of active hours of today's people. Technology has made numerous services available at the doorsteps. The new generations are becoming more averse to physically consuming tasks. Mechanical cycles are getting replaced by electronic cycles. "Kicks" in motorcycles are getting replaced by "Push Start Button". As these generations will grow, they would require more and more services at their doorsteps. These demographic changes will make the home delivery model of GCMMF a unique differentiator for the company in the FMCG market. After all, when there is hardly too much of a difference between cheese manufactured by Britannia and AMUL, why would consumers not prefer AMUL, which has the added advantage of getting home delivered? Thus, by the time the competition would realize these changes, GCMMF would have had a long head start to capitalize on these changes.

CONCLUSION

With the strong brand equity of AMUL, GCMMF has been able to sustain a strong position in the Indian markets. To ensure the same success and leadership position in the market, GCMMF is quietly working on its Home delivery concept with the help of wide network of AMUL Preferred Outlets (APO) and AMUL Cyber store. Instead of playing by the rules set by other competitors, GCMMF has preferred to set its own rules for the industry in future. As the environmental changes become more prominent, GCMMF's position will get even more stronger and difficult to replicate by competitors. Thus, this case shows how a company can persevere to frame the rules of industry and preempt the future.

(Contd. On Page 40)

CONCLUSION

Based on the above analysis, one can agree that Nokia has the potential to remain a major presence in the Indian mobile phone industry in the following years. The external mobile phone market environment in India is dynamic; Nokia has lost its market share due to the misinterpretation of the market trends and customer needs. But the market also brings the big potential opportunities to Nokia, such as the expanding market in the rural India, customized business user mobile phones and so on. Moreover, the most important of Nokia's internal strengths, such as the advanced technology, innovative products, economy of scale, could let it surpass the competitors and solidify its market leader position; Furthermore, Nokia can benefit further from its strong brand name and company image.

BIBLIOGRAPHY

1. Florence Chong (2006), "How Nokia won market share in Asia- An Emphasis on early entry, distribution, customer segmentation", Asia Today International, dated 13-12-2006, p.1.
2. Ibid
3. India Knowledge @ Wharton (2007) "How Did Nokia Succeeded in the Indian Mobile Market, While it's Rivals Got Hung Up" August 23, 2007, <http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4220>, p.2.
4. Ibid
5. Ibid
6. Nikhil Pahwa (2010) "Its getting crowded at the Lower End of India's Handset Market" MEDIANAMA- News and Analysis of Digital Media in India, July 2, 2010, p.2. <http://www.medianama.com/2010/07/223-its-getting-crowded-at-the-lower-end-of-indias-handset-market/>.
7. Ibid
8. India Knowledge Wharton (2007), Op.Cit. No.2.
9. Porter, M.E. (1985, 1998) 'Competitive Strategy'. In de Wit and Meyer, *Strategy: Process, Content, Context: An International Perspective*. 3rd Edn. London: Thomson Learning. p. 262.
10. Barney, J.B. (1991) 'Firm Resources and Sustained Competitive Advantage', Journal of Management, Vol. 17, No.1, pp. 99-120.

(Contd. From Page 27)

BIBLIOGRAPHY

- ¹ <http://www.amul.com/organisation.html>
 - ² <http://www.amul.com/chairmanspeech.html>
 - ³ <http://www.amul.com/products.html>
 - ⁴ <http://www.amul.com/awards.html>
 - ⁵ <http://www.amul.com/story.html>
 - ⁶ <http://www.amul.com/palours.html>
 - ⁷ <http://www.amul.com/cyberstore.html>
 - ⁸ <http://mobileoffice.about.com/od/usingyourphone/a/cellmodem.htm>
 - ⁹ <http://www.slideshare.net/FrostandSullivan/3g-and-4g-mobile-trends-is-it-the-application-or-device>
 - ¹⁰ <http://www.scribd.com/doc/18454053/DTH-Industry-in-India>
 - ¹¹ <http://www.indiabroadband.net/direct-home-satellite-cable-iptv/11758-where-cable-cannot-reach-dth-can.html>
 - ¹² <http://www.indiantelevision.com/dth/dth12.htm>
 - ¹³ <http://www.financialexpress.com/news/now-search-jobs-through-dth/487386/>
 - ¹⁴ http://blog.nielsen.com/nielsenwire/media_entertainment/three-screen-report-media-consumption-and-multi-tasking-continue-to-increase
-

(Contd. From Page 35)

44. S. K Dhar and S. J. Hoch (1997), "Why store brand penetration varies by retailer", Marketing Science, Vol.16, 208-27.
45. Terry L. Childers (2001), "Hedonic and functional motivations for online retail shopping behavior", Journal of Retailing, Vol.77 (4), 511-535.
46. Vecchio D. Del (2001), "Consumer perceptions of private label quality: the role of product category characteristics and consumer use of heuristics", Journal of Retailing and Consumer Services, Vol.8 (5), 239- 249.
47. W. Cotterill Jr, Ronald Putsis, P. William, and Ravi Dhar (2000), "Assessing the competitive interaction between private labels and national brands", Journal of Business, Vol. 73(1), 120-134.

Websites

- 1) www.ibef.org
- 2) www.pantaloon.com/food-foodbazaar.asp
- 3) <http://porg/papers/w7712>
- 4) {Scott-Morton, F., and F. Zettelmeyer. 2000. The strategic positioning of store brands in retailer-manufacturer bargaining (Working paper)}.
- 5) www.plmaininternational.com