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## CHAPTER FOUR : THE MARKETING STRATEGY

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Introduction, 88; major goals of K.M.F, 89; goals set by marketing department of K.M.F, 90; marketing variables, 92;

the product strategy, 96; the products and product line, 97; standardisation and grading, 103; adulteration of milk product, 106; testing, 107; nutritive value of milk products, 108; branding, 110; brand testing, 111; family/individual brand, 115; advantages of family brand, 116; packaging, 117; packaging and labelling, 118; package types, 118; statutory provisions, 122; significance of packaging, 124;

the place strategy, 126; channels used by K.M.F, 127; agreement with approved dealers, 135; dealer principal relationship, 154; the physical distribution, 155;

the promotional strategy, 158; objectives, 159; advertising, 162; sales promotion, 167;

the price strategy, 172; the price policy, 174; objectives, 175; levels of prices, 176; discount and allowances, 179; turnover commission, 180; levels of margin, 180; ordering quantity, 184; terms of sale, 185; resale price maintainance, 187;

the uncontrollable variables, 189; demand, 190; competition, 193; trade variables, 203; other environmental variables, 206.

It is said that in the traditionally cow-rearing communities in the north India, in the past, a would be bridegroom used to be given special significance if he was good at cow-rearing. However, as the time changed, this special significance now goes to those who are good at selling the milk and milk-products.

Though not strictly same but to some extent, some such thing is noticed in India's organised dairy industry. That is, a change from production orientation to marketing orientation. Indian dairy industry has now reached a take-off stage as far as marketing of milk and milk-products is concerned. Availability of milk has considerably increased over a years. From a milk deficit economy, during previous decades, the milk glut situation has been created. Of course, it is due to the various dairy development activities undertaken through Operation Flood. To utilise this surplus milk more effectively, the dairy enterprises gave special importance to the manufacture of milk-products. As such, these co-operative milk-products manufacturing units in particular have the added responsibility of social marketing. That is, the dual responsibilities of assuring a fair return to milk producer on the one hand, and the responsibility of protecting consumer's interest on the other. The consumer of milk-products is to be taken as nucleus of all marketing operations. It is in this context

that the marketing of milk products assumes greater emphasis.

**Karnataka Milk Federation's Marketing Strategy :** Although consumer-satisfaction is the major theme of marketing concept but not an end in itself. It is the means to achieve the goals of organisation. Organisational goals differ from firm to firm. The major goals set-forth by Karnataka Milk Federation are:

- a) to provide a regular market to milk producers for their milk,
- b) to provide an increased return to milk producers for their milk,
- c) to provide quality milk products to consumers at reasonable rates, and
- d) to generate employment opportunities.

The right way to fulfil these objectives is through generating consumer satisfaction. If Karnataka Milk Federation's product plant, Dharwad is successful in satisfying its consumers then it means that, it is providing a regular and remunerative market to milk producers; it is successful in providing a quality milk product to its consumers,; it is successful in creating a good product image, a good company image and it is further successful in enhancing its market performance.

Within the frame work of these broad objectives, the

marketing department of Karnataka Milk Federation's product plant, Dharwad has set its own goals. They are:

- a) To establish new markets and increase its performance in the existing markets,
- b) To create a good image for its products and through it a good image for the whole organisation,
- c) To create brand preference and brand loyalty,
- d) To counter-act competition effectively, and
- e) To bring a social change.

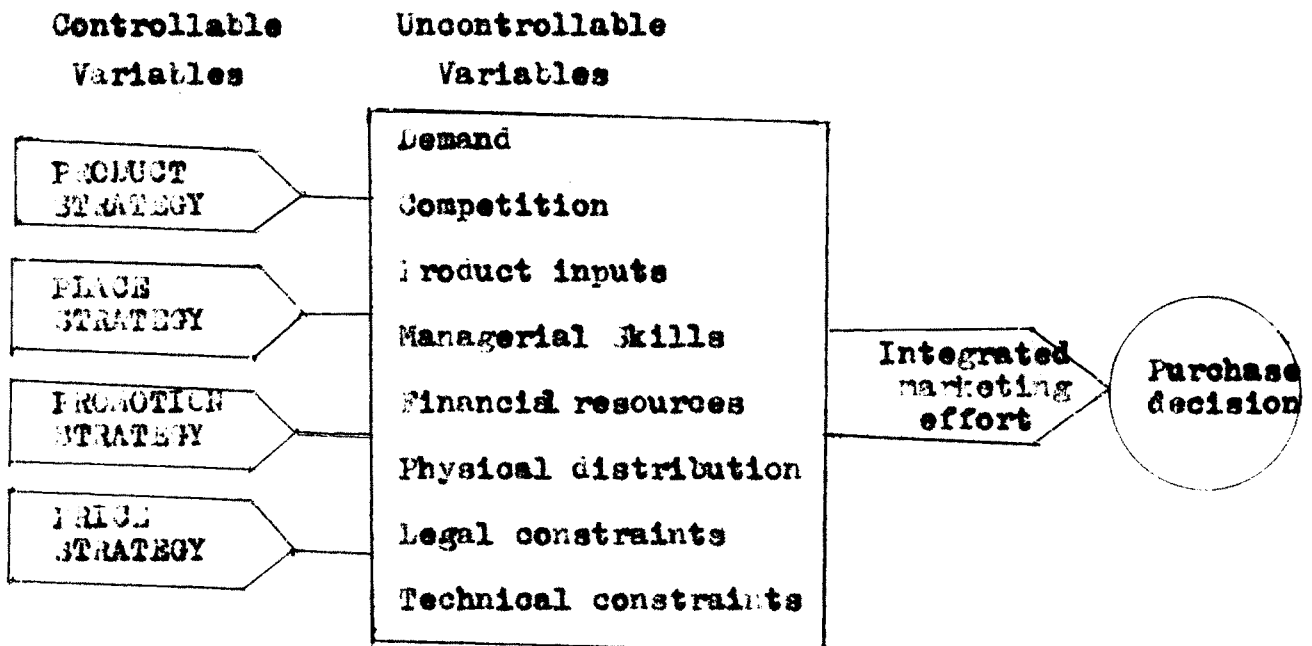
The fulfilment of aforesaid objectives depends not only upon the internal environments of the firm but equally upon the environments external to federation. This necessitates the development of a proper marketing strategy which enfolds both internal and external environments.

Marketing strategy can be explained as the complete and unbeatable plan for the attainment of the marketing objectives. A strategy by itself has no meaning unless the ultimate objective is clearly set. The marketing objective will tell where the firm wants to go and the marketing strategy will provide the design for getting there. The strategy is essentially a battle plan. It is no exaggeration to say that the marketing strategy in several of its features resembles military strategy. In both, foresight and decisive actions

are supreme; intelligence and experience count a lot; timing and resources deployment influence success. In more than one sense, the marketing manager is like the army general, and his strategy is to take right decisions after taking into account the various controllable and uncontrollable variables- both within and without the department.

Marketing is often described as the strategic or mysterious function of business. The valid reason for such description is that: the job of marketing manager pre-supposes the proper understanding of mysterious situations prevailing in the market, industry, economy and also within the organisation. For this reason, development of a proper marketing strategy is a must which covers the variables both internal and external to the firm. "Marketing strategy is the action plan that the marketing manager intends to follow".<sup>1</sup> It is based on the situation analysis and the company's objectives. It is the way in which these objectives are to be achieved. The variables the marketing manager works within strategy planning are of two types- controllable and uncontrollable. It is the responsibility of marketing manager to handle both the sets of variables in a most appropriate way. He has to adjust the controllable variables with that of the needs of the uncontrollable.

**Variables : Controllable and Uncontrollable: Marketing strategy, essentially consist of manipulating those variables that can be controlled and adopting optimally to those variables that cannot be controlled. Hence, there are two types of variables in a marketing strategy, namely controllable and uncontrollable.**



**Exhibit : 4.1 : Controllable and Uncontrollable Variables in marketing strategy.<sup>2</sup>**

In the words of Jerome McCarthy, an American expert on marketing, the controllable variables of a firm are a set of four 'P's :

- Product strategy,
- Place strategy,
- Promotion strategy, and
- Pricing strategy.

As these variables are from within the firm, they can be completely controlled. The marketing manager is free to choose, alter or control these variables, hence they are also known as "internal variables". In each of the controllable variables, there are several sub-variables. They are:

**Product strategy:** The sub-variables in product strategy are:

Product line and range, quality and features, design and appearance, size, style, etc.,.

Branding and trade mark.

Packing, package type, materials used, labelling, etc.,.

New-product policy.

**Place strategy:** It consist of the following sub-variables:

Channels of distribution, policyfor selecting channels, types and number of middlemen, dealer-principal relations, design and location of outlets, remuneration, etc.,.

Physical-distribution: transport, warehousing, inventory levels, order-processing, etc.,.

**Promotion strategy;** Under promotion strategy, following are the sub-variables:

Advertising: media-mix, budget allocations, etc.,.

Sales-promotion: instore-displays, window and counter display, publicity, etc.,.

Personal selling.

**Pricing strategy;** The following sub-variables constitute the pricing strategy:

Pricing policy; levels of prices, discounts, allowances, levels of margin, turn-over commission, sales-quota, ordering quantity, etc.,.

As the marketing manager is described as a mixer of ingredients, the above variables are to be systematically mixed so as to suit the market situation which is ever-changing.

**The Uncontrollable Variables:** All those variables which are external to the firm are known as uncontrollable variables. The marketing manager is not free to choose, alter or control these variables. Exhibit No-4.1 reveals that the uncontrollable variables limit the strategy choices available to marketing manager in his efforts to influence a favourable purchase decision by consumers. Just as the controllable variables are classified into sub-variables, similarly the uncontrollable variables are also further classified under four heads. They are:

Demand variables,  
Competitive variables,  
Trade variables, and  
Other environmental variables.

Just as there are several sub-variables in each of the controllable variables, so also there are sub-variables under



each of the uncontrollable variables. They are as under :

**Demand Variable :** Market segments, number of customers, purchasing power, buying behaviour, life style and needs.

**Competition Variable :** Structure of industry, number of competitors, their size, financial soundness, products and their prices, advertisement and sales promotional measures adopted by competitors.

**Trade Variable :** Structure of the trade, type of intermediaries, their number and strength, trade practices.

**Other Environmental Variables :** Legal constraints about products, prices, packages etc.,.

Economic or financial controls,

Technological levels,

Culture and traditions,

Political stability,

Attitude of public and the press.

The action and inter-action of the controllable variables with the uncontrollable variables is a must for the development of a long-term marketing strategy. Thus, it provides a blue-print for growth and development of the plant. To contribute his share in such a development each member of the

plant should well understand the marketing strategy. It exhibit the clear picture of where the firm wants to go and how should it strive to get there. The objectives of the plant tells "where to go" and for how to get there, it needs the development of a proper marketing strategy.

Controllable Variables of Karnataka Milk Federation's product plant, Dharwad.

Like any other plant, the controllable variables of Karnataka Milk Federation's product plant, Dharwad include the product, place, pricing and the promotional strategies.

#### 4.1 The Product Strategy :

In the planning of marketing strategy, product is regarded as a controllable variable. Products can be improved to make them more acceptable to the society, new products or new versions of old products can be added to a plant's product line, and weak products can be dropped out. In a sense, product decisions are more basic than the decisions on other marketing variables. A product that effectively meet consumer needs reduces many problems associated with distribution, pricing, advertising and sales promotion. A poorly conceived product on the other hand, creates many problems for various decision-areas in marketing.

The term 'product' includes not only physical entity but also a complex of tangible and intangible attributes which

a consumer receives or expect to receive while making a purchase. The sub-variables under product strategy includes:

- a) Product, product line, standards, grade, colour, quality, size, design and nutritive value.
- b) Branding, trade mark, brand tests, family versus, individual brands
- c) Packing, package-type, materials used, labels, statutory provisions, marketing significance.

Product strategy is concerned with the adjustment of these complex variables to the needs and requirements of the market on one hand, and to the capabilities of the plant on the other.

The product and product-line : "A product is defined as anything that can be offered to a market for attention, acquisition, use or consumption that satisfy a want or need. It includes physical objects, services, persons, places, organisations and ideas".<sup>3</sup>

"A product-line is a group of products that are closely related, either because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges".<sup>4</sup>

When the above mentioned definition of product is applied to milk products; the milk product, are the products

made out of milk, offered to market or prospective buyers for consumption in satisfying their wants.

Each type of product is developed on three levels namely, the core-product level, the tangible product level and the augmented product. The most fundamental level is the core-product, which answers the questions like what actually the consumer is buying? A house wife buying Ghee is not simply buying a bottle filled with something but she considers her main need along with her secondary needs. In other words she will be buying the quality, deliciousness, nutrition, flavour, aroma, the purity, the health, all bundled in a single bottle or sachet of Ghee. In the second level, the product is to be turned into a tangible product. This includes such product features as the quality level, alternative uses, the size, the brand name and the packaging. In a final stage, the product is to be augmented by offering additional services such as the transport and delivery, sales promotion, advertising, other allowances, etc.,.

Presently, the Karnataka Milk Federation's product plant, Dharwad product-line includes the following milk products:

- Skimmed Milk Powder,
- Whole Milk Powder,
- Flavoured Milk,
- Butter, and
- Ghee.

In future, it is having plans to add the following products to its existing product line :

Srikhand,

Peda,

Infant foods (Malted and baby food)

Casein.

The product plant, Dharwad of Karnataka Milk Federation is producing these milk products strictly as per the prescription given in The Prevention of Food Adulteration (PFA) Rules, 1955 and the quality of its products confirm the standards laid down by Indian Standards Institute and 'Agmark'.

**Skim Milk Powder :** The Nandini brand skim milk powder is a product obtained from cow or buffalo milk or a combination thereof. The water and fat content is removed through mechanical drying process. It contains Calcium-chloride, Citric acid, sodium citrate, sodium salts of orthophosphoric acid and poly-phosphoric acid not exceeding 0.3% by weight of the finished product. The milk fat and moisture content is not more than 1.5% and 5% respectively. The total acidity is expressed to be not more than 1.5'. The plate count is not more than 50,000 per gram. The solubility percent of the milk powder is as follows:

	Roller dried	Spray dried
Solubility percent (Minimum)	85.0	98.5

Because of this high and quick solubility, it dissolves easily. The contents and quality of Nandini skim milk powder conforms the Indian Standard- IS: 1165 : 1975 laid down as per Indian Standard Institute. It is a dietary supplement and used in making tea, coffee, curd, channa, lussi, pudding, ice-cream, khoa, milk shakes, milk-beverages, sweets etc.,. Karnataka Milk Federation's product plant, Dharwad is packing its Nandini brand skim milk powder in two sizes i.e. in  $\frac{1}{2}$  Kg. package and 25 Kg. bags.

**Whole Milk Powder :** The Karnataka Milk Federation's whole milk powder is a product obtained through drying liquid milk of cow or buffalo or a combination thereof. The water content of milk is removed through a machanical process of drying i.e. by spray drying or roller drying. It contains calsium chloride, citric acid, sodium citrate, sodium salts of orthophosphoric acid and the polyshposphoric acid not exceeding 0.3 percent by weight of the finished product, and 0.01 percent of butyleted hydroxymaisole by weight of the finished product. For improving dispersibility, it contains lecithin to a maximum limit of 0.5 percent. Milk fat content is not less than 26 percent and moisture content is not more than 5 percent. The maximum acidity is not more than 1.2 percent, the plate-count is not more than 50,000 per gram. The solubility percent of the powder is as follows:

	Roller-dried	Spray-dried
Solubility percent (minimum)	85.0	98.5

The solubility percent is revealed on each tin-package containing whole milk powder. It confirms the standard- 13: 1165- 1975 as fixed by Indian Standards Institute. It is packed in the sizes of 25 kg. and 10 kg. bags, and  $\frac{1}{2}$  Kg. tin. It is also a dietary supplement and is used in the making of milk, lussi, curd, pudding, cakes, etc., etc.,.

**Flavoured Milk :** The Karnataka Milk Federation's flavoured milk is a standardised milk containing nuts (whole fragmented or ground) chocolate, coffee or any other edible flavour, edible food colours and cane sugar. It is pastuerised, sterilized or boiled. The fat percentage is lower at the most about 1-2 percent. It confirms the standard- 4709 : 1968 as laid down by Indian Standards Institute.

**Butter :** The Karnataka Milk Federation's butter is a milk product obtained from churning sweet or sour cream or by churning curd. It contains not less than 80 percent milk fat and 1.5-3 percent curd. It is free from other animal fats, wax, mineral oils, vegetable oils and fats. It is an energy producing food which furnishes about 3,400 calories of energy per pound. It is an excellent source of vitamin A. It is used in making Ghee, Dry milk fat and in other eatables.



It is packaged in sizes of 25 l.g. 500 grames, 250 grames, 100 grames, 20 grames and 10 grames. It confirms the 'Agmark' under the Agriculture Produce (Grading and Marketing) Act, 1937.

**Ghee :** It is a clarified butter-fat prepared by boiling butter or cream. The Ghee produced by Karnataka Milk Federation confirms the 'Agmark' under the Agriculture Produce (Grading and Marketing) Act, 1937. It is packaged in 500 grames, 15 Kg. and loose Ghee is also marketed. In the preparation of most of Indian foods Ghee and butter is traditionally used. Hence, vast opportunities for their marketing are their in India.

**Infant Food :** It is a product obtained by drying milk with the addition of carbo-hydrates, iron-salts and vitamins. Its moisture content is about 5 percent; milk fat content is about 18-28 percent; total carbo-hydrates not less than 35 percent; milk protiens about 20 percent; total ash is about 8.5 percent and vitamin A is about 15 i.u/g. It assures a normal growth and development of infants.

**Srikhand :** It is a milk-product prepared by sweetening curd. The curd is suspended in a muslin bag until all the whey has drained off. Semi-dry mass is then whisked up with sugar, scent and colour. To preserve and to make use for a longer period srikhand is dried to make Srikhand-vari. It is a delicious sweet preferred mostly by north Indians.



**Peda :** It is a confection prepared from khoa with sugar, flavouring and nuts.

**Chocolates :** It is made from either skim milk powder or whole milk powder, cocoa and sugar with permissible flavouring agent.

**Casein :** It is a milk constituent containing 80 percent of the total protein present in milk. Commercially, it is most nitrogenous constituent that is, phospho-protein. Casein is used more for industrial purposes rather than its use as food item. For example, in making Casein-Glues, Paper-Coating, plastics, textile etc.,.

**Standardisation and Grading :** The various milk products produced by Karnataka Milk Federation's product plant, Dharwad are strictly standardised and graded as per the standards laid down under Indian Standards Institute and as per other Acts. These standards have been formulated by specially constituted committees having representatives of Federations, manufacturers, consumers, government agencies, research scientists and technologist. The standard for Nandini whole milk powder and skim milk powder is IS: 1165- 1975 and IS: 1165- 1975 respectively. The Karnataka Milk Federation's Ghee and Butter are being graded under 'Agmark'.

**Grading of Ghee and Butter :** The grading of Ghee and

Table : 4.1 : Grade, designation and definition of quality of Ghee and Butter.

Grade designation	Definition of quality		
	Texture	Colour	General
Ghee Special	The solid phase shall be of well defined granular structure	White with or without yellowish or greenish tint and shall be uniform throughout	The ghee shall be pure, clarified milk fat only and shall have a natural, sweet, pleasant odour, agreeable taste and free from rancid or other objectionable flavour. The ghee shall be free from excess moisture and on melting it shall be clear, transparent and free from sediment or foreign colouring matter. The phenolphthalein test, the phylosteryl acetate test and the test for the presence of animal fats (other than milk fat) shall be negative. The chemical and physical constants of ghee shall be characteristic of the type of milk (cow, buffalo, or mixed from which it is produced and of the season of the year and the place or district where it is produced.
Ghee General	-do-	-do-	-do-
Butter	Shall be firm at 60° F and be neither greasy nor oily. Body shall be compact and show a uniform fine granular surface on breaking	Shall be uniform and shall not show streakiness, mottling or signs of curd.	Butter shall be derived from clear and wholesome cream obtained from the milk of cows or buffaloes or both with or without the addition of clear dairy salt. It shall contain no other preservations. Flavour and aroma shall be clean, pleasant and free from objectionable taint or rancidity.
Standard :-	The definition of quality shall be the same as laid down under the Prevention of Food Adulteration Rules, 1955, as amended from time to time.		

Source : Standards of Ghee, Butter quality under P.F.A. Rules : Published in Dairy India, 1983. P. 118.

Butter under 'Agmark' is done as per the provisions of "Agriculture Produce (Grading and Marketing) Act. 1937; the General Grading and Marking Rules 1937; the Ghee Grading and Marking Rules, 1938 and the Butter Grading and Marking Rules, 1941. The Ghee and Butter to be graded under 'Agmark' should be pure, and prepared only from the milk of cows or buffaloes. The table No. 4.1 on page 104 gives the grade, colour, quality, chemical and physical characteristics of the graded Ghee and Butter to which the Ghee and Butter produced by Karnataka Milk Federation's product plant, Dharwad confirms.

The Ghee and Butter being biological products, their composition is subject to variation depending on the type and breed of the cattle, feed given to cattle and the climatic conditions. As such in areas where the chemical characteristics of Ghee and Butter vary considerably from those prescribed under the rules, regional specifications have been prescribed.

In Karnataka state it is as under :

Table : 4.2 ; Composition of Ghee and Butter in Karnataka State.

Area or Region	Butyro-refractometer reading at 40° c.	Minimum Reichert Value	Percentage of	
			FFA as oleic-acid (max.)	Moisture (max.)
Belgaum District	40.0-44.0	26	3.0	0.5
Other areas	40.0-43.0	24	3.0	0.5

Source : Standards of ghee-quality under Prevention of Food Adulteration Rules.

The ghee and butter produced by Karnataka Milk Federation confirms the specifications of 'Agmark' which indicates its superior quality. A quality which stands for purity, pleasant odour, agreeable taste and free from objectionable flavour. On melting the ghee becomes clear and transparent. Nandini butter and ghee with distinct golden-yellow colour indicates that the products are made out of predominantly cow's milk, procured directly from milk producers through out Karnataka, who themselves are the owners of Karnataka Milk Federation.

**Adulteration of Milk Products :** From the legal point of view, the purity of milk products is determined by the standards. If the percentage of fat and solids-not-fat (SNF) in milk or its product falls below the prescribed minimum, it will be taken to be adulterated. The Prevention of Food Adulteration Act provides punishment for the sale of adulterated milk products. An article of milk product is considered to be adulterated, if:

- a) it is substituted wholly or in part by some cheap substance;
- b) a cheaper substance is added to it,
- c) some of its constituents have been abstracted,
- d) it has become contaminated or injurious to health,
- e) it is insect-infested or contains some putrid, rotten decomposed substance,

- f) it contains poisonous ingredients injurious to health,
- g) it has addition of any preservative, colouring matter, other than the prescribed one or in excess of quantity prescribed,
- h) the quality or purity of the product falls below the prescribed standard, and
- i) its constituents are present in quantities which are not within the prescribed limits of variability.

The following admixtures in milk products is again prohibited :

- a) Cream which has not been prepared exclusively from milk or which contains less than 25 percent of milk fat,
- b) Addition of artificial sweetner in the preparation of milk products,
- c) Ghee to which vanaspati has been added, and
- d) Ghee which contains any added matter not exclusively derived from milk fat.

**Testing of Food Samples :** The central food laboratories are established at four stations- Calcutta, Ghaziabad, Mysore and Poona- serving four different regions for analyzing food and milk samples to certify their purity or otherwise. The objects of Central Food Laboratory include carrying out investigations

for fixing standards and for standardising methods of testing foods. The state governments have also notified their laboratories where the same functions of the Central Food Laboratory are carried out. They have also notified public analysts for testing samples and food inspectors for taking samples and prosecuting offenders under the Act.

**Adulteration and Punishment :** The Prevention of Food Adulteration Act, 1954, provides for a sentence of imprisonment upto one year and a fine upto Rs. 2,000 for the first offence and sentence upto two and three years, and fines without any upper limit for the second and subsequent offences.

#### Nutritive Value of Milk Products :

Table No. 4.3 on page 109 reveals the unparalleled nutritive value of some of the milk products produced by the product dairy, Dharwad of Karnataka Milk Federation. For healthy and energetic growth of a body of any age fat, protein, carbo-hydrates and minerals are essential. The human body uses fat, proteins and carbo-hydrates interchangeably, as such the shortage of one can be compensated by the surplus of other. Fat is the only form in which the body stores most of its energy requirements. Among all types of fat, milk-fat is more easily digested and larger amounts of it can be absorbed without digestive disturbance. Ghee, Butter and whole milk powder are rich in milk-fat.

Table : 4.3 : Average Composition and Nutrients in some of the Milk-products produced by Karnataka Milk Federation.

Nutrients	Whole Milk Powder	Skim Milk Powder	Butter (2% salt)	Ghee
Fat %	27.0	1.1	81.1	99.5
Protein %	26.5	36.4	0.6	0.1
Carbo-hydrates %	38.4	51.8	0.4	-
Total Solids %	98.0	97.0	84.5	99.7
Calories %	503	363	780	896
Ash %	6.10	7.70	2.50	0.10
Calcium* <sub>mg</sub>	960	1294	20	-
Phosphorus* <sub>mg</sub>	720	960	16	-

Source : Dairy Information book "Dairy India" p. 194

\*Per 100 gram.

Proteins are essential for a proper digestive-system of a person. Body-resistance to disease or delayed recovery in case of illness is the result of deficiency in proteins. The recommended intake of protein is about 0.9 gram per kilo gram of body weight. Milk-powder and butter are rich in protein. Lactose or milk-sugar is the main Carbo-hydrate found in milk. Much lactose is used as a constituent of infant

foods and medicinal products. Physicians prescribe lactose for the modification of cow's milk for infant feeding, in order to bring its composition closer to that of mother's milk. Galactose, which is present in lactose, is needed in the early stages of formation of brain therefore, milk-sugar rather than other sugars is added to the infant's diet.<sup>5</sup> Pharmaceutical industries, Confectioners and bakers use, Lactose in one or the other way in the manufacture of their outputs.

Minerals, like Calcium, Phosphorus etc, is helpful in the formation of teeth, bones, skeleton and muscles. A sizeable allowance of calcium and phosphorus is essential in the daily diet of a person. The recommended daily allowances of minerals is from 0.4 grams per day for a child to 0.8 grams per day for an adult. During pregnancy and lactation of an woman a still more is needed.

Thus, the manufacture of such rich-in-nutrition milk-products in an organised way helps to build the health of citizens and ultimately the wealth of nations.

#### Branding :

In developing marketing strategy for individual products the management has to confront the issue of branding. Branding adds value to products and is therefore an intrinsic



aspect of product strategy. The term 'brand' has been defined as "a name, term, symbol, or design or a combination of them which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors."<sup>6</sup> "Brand name is that part of a brand which can be vocalized- the utterable".<sup>7</sup> The term 'Trade mark' has been defined as "a brand which is given legal protection because under the law it has been appropriated by one seller".<sup>8</sup>

Thus, a brand is nothing but a name or term or design or a mix of all these. The main purpose served by branding is the identification of products produced by one firm and the differentiation of those products from the products produced by competitors. Those brands which are given legal protection so as to be used exclusively by a particular firm, and which cannot be used by any other firm is known as Trade mark. It is strictly a legal term. In this way, all trade marks are brands but all brands are not trade marks, as all the brands are not legally protected. Further, the term brand name is that part of the brand which is utterable.

'Nandini' is the brand used by Karnataka Milk Federation to name its products and to identify them from the milk products of other make.

**Brand Testing :** An effective brand is one which

necessarily pass the following tests:<sup>9</sup>

- Association tests : What images come to mind ?
- Learning tests : How easily is the name pronounced ?
- Memory tests : How well is the name remembered ?
- Preference tests : Which names are preferred ?

Let us see whether the brand 'Nandini' preferred by Karnataka Milk Federation for its products passes the above mentioned tests.

On hearing or looking to the brand 'Nandini', the Cow-Nandini of sage Vasishtha is reminded. As per Kalidasa of Raghuvamsa, Nandini is the Cow-daughter of cow-Surabhi. It is having such a super power that any desire can be fulfilled through its service. The story runs like :

"King Dilipa of Suryavamsa was the most efficient and virtuous ruler. He was bestowed with a large kingdom. Each person was happy in his kingdom. Wealth and welfare was flowing throughout the length and width of kingdom. But, personally king Dilipa was not happy for no issues were there to him to continue his dynasty. This barrenness of great king was known to all and as such, in the midst of wealth, welfare, pleasure and prosperity a sense of wanting was felt in the kingdom.

Looking to this sad affair of the most ideal king,

the family-priest, sage Vasishtha advised him to serve 'Nandini' the cow-daughter of Kamadhenu. Following the advice, king Dilipa handed over the kingdom to his ministers and went to Vasishtha's hermitage along with wife Sudakshina to serve Nandini. He started serving Nandini in a most disciplined way. He regularly accompanies her every morning, after she was worshipped, to the forest and back again to the hermitage in the evening when she returned from the pasturage. Twenty one days thus pass away. On the 22nd day, the cow, wishing to test the devotion of her follower, enters a cave of the Himalayas, overgrown with grass, for grazing. As the King's eyes are riveted on the mountain scenery, she creates an illusory lion pouncing upon her. The King's attention is suddenly called back by Nandini's cry; and what does he see? The cow in the grip of a formidable lion, imploringly looking at him. Instantly the King's hand passes to the arrow-case, but just as he seizes an arrow his hand remains fixed there. To add to the wonder of the already bewildered King, the lion speaks in human voice telling him that he was a servant of Siva, posted there to guard the tress, with orders not to leave the place, but to live on whatever came within his reach, and claims the cow as his rightful prey. The King finds himself in a fix; it was

his primary duty to save the cow at any cost. What was he to do ? He could not shoot an arrow; but he could offer himself up in lieu of the cow, as they had both entered the cave together; for Siva's order to the lion was that he should eat whatever came within his grasp. This the magnanimous King does. After a long conversation with the lion he succeeds in prevailing upon the latter to eat him up and let go the cow. The King thus stands the test; the illusion vanishes and instead of the terrible leap of the lion there falls on the King a shower of flowers. The well-pleased cow confers on the King the wished-for blessing, and they return home. In a short time the Queen Sudakshina shows signs of pregnancy".<sup>10</sup>

Thus, Nandini fulfilled the long cherished desire of king Dilipa. This want satisfying image is reflected in the minds of people as soon as the brand of Karnataka Milk Federation's products Nandini is heard or seen. The term Nandini is easy to pronounce as it is simple and common to all. It is more easy to memorise. Again it cannot be forgotten as it is associated with age-old mythology. The term Nandini is also preferred for milk and milk products. Because, by marketing its products under Nandini brand, the Karnataka Milk Federation intends to exhibit that "it is not Karnataka Milk

Federation's milk but "it is Nandini's milk and milk-products are made from the same milk".

**Family versus individual brand :** The term family branding is one in which a firm uses single brand to market all its products. Irrespective of nature, features and suitability of products a single brand is being used. On the other hand, individual branding is one in which each product is marketed with different brand. The number of brands used by a single firm depends upon the number of products it produce.

Out of these two systems, Karnataka Milk Federation has chosen family brand system. The same single brand 'Nandini' is used to market all of its milk products. The policy of family branding is preferred on the assumption that such practice leads to a connection in the minds of consumers, which generalise consumer preferences to all products under a single brand. A brand name linkage acts as a medium through which consumers spread preferences and loyalties in favour of family branded products.

It is worth to mention here that Karnataka Milk Federation is strictly adhering to market its products with its own brand and under no circumstances the dealers are allowed to use their personnel brand. The basic idea is to control market. That is, sales promotion activities undertaken through out Karnataka creates brand preference among consumers. This brand preference by consumers force

the retailers to keep in ready stock the Mandini milk products.

Karnataka Milk Federation is gaining the following advantages by following family-brand system :

As the same single brand is appearing on several quality products, it enhances the general image of brand-Mandini and of the organisation.

As all the products produced by Karnataka Milk Federation are processed from same input-milk, the marketing of all products under single brand-Mandini is more suitable.

To introduce a new product, the family branding system is more economical: Firstly, the favourable brand image held by the existing users of Mandini products influence them to accept new products under same brand more readily than if the new products were introduced under separate independent brand. Secondly, the amount to be spent upon introductory advertisement to create demand for new products will be comparatively less as the loyal customers extend the same patronage of existing products towards new products to be marketed under Mandini brand.

The family branding is also beneficial to consumers of Mandini products. That is, this system puts a great burden upon manufacturers to maintain consistent quality among all products, as a single product of sub-quality will reflect unfavourably and disastrously on all other products. Hence, quality products are delivered to consumers.

Packaging :

It is rightly opined that rapid urbanisation will continue in our country. Our existing cities will have more or less doubled their population by the turn of this century and nearby villages will be turning as sub-urbs thus, opening more opportunities for improved marketing.

The marketing agencies dealing food items have to consider not only the doubling of our consumers but more stress is to be given upon distribution system. One approach towards a more rational distribution system involves the use of better control over packing and packaging techniques to prolong the shelf life of milk products. The time is fast approaching for our dairy industry to venture into the future so as to be able to transform itself in conjunction with other phenomena in our society. The gradual increase in the standard of living of our people is forcing them to afford more nutritious products in more and more convenient packages. The large families are no more in existence to place bulk-orders. "Limited family, limited purchases" or "convenient families, convenient purchases in convenient packages" is the order of present day. To attract this large number of small buying units the products are to be placed in attractive and convenient package. It is here that the product development and package design has to

cater to this new shopping habits and to new patterns of consumption.

**Packaging and labelling :** The term 'packaging' has been defined as "the activities of designing and producing the container or wrapper for a product. The container or wrapper is called the package".<sup>11</sup> There are two levels of packages adopted by Karnataka Milk Federation, that is the primary package and the shipping package. The primary package is the immediate package of milk products- the bottle or sachet holding the Nandini Ghee, Butter or Powder. The shipping package refers to packaging necessary for storage, identification and transportation- a corrugated box carrying two dozen bottles of 500 grams Nandini Ghee is a shipping package.

**Package types :** Karnataka Milk Federation's product plant, Dharwad is using glass bottles, sachets, cartons, tins and bags as container-materials to package its milk products. The table no. 4.4 on page 119 gives the type of materials used as packages for its various products in various sizes.

Different materials used by Karnataka Milk Federation for packaging its products with attractive printing of specifications on them is helpful in differentiating its products from those of its competitors. Thus, apart from the protection of quality, the differentiation of products is the major role performed by the packaging system.



Table : 4.4 : Materials used in packaging.

Milk products	Size	Materials used for packaging
Nandini Ghee	½ Kg.	Glass-bottle, sachets
Nandini Ghee	15 Kg.	tin
Nandini Butter	½ Kg.	tin
Nandini Butter	250 gms.	sachets and cartons
Nandini Butter	100 gms.	sachets
Nandini Butter chiplets	20 gms.	sachet
Nandini Butter chiplets	10 gms.	sachet
Nandini Skim Milk Powder	½ Kg.	carton
Nandini Skim Milk Powder	25 Kg.	bags
Nandini Whole Milk Powder	½ Kg.	tin
Nandini Whole Milk Powder	25 Kg.	bags

Source : Monthly progress reports of Karnataka Milk Federation  
March-June 1986.

The glass-bottles are being used as a container for 500 grams of Nandini Ghee. Those customers who think that quality and freshness will be maintained through out the last spoon of Ghee if it is retained in the same bottle and also those who find it uneasy to change the container after taking

the Ghee to their homes, do not bother to pay two-to-three rupees more for Ghee contained in glass-bottle. However, glass-bottles are not economical from the following points:

- a) the cost of manufacturing a bottle is more than the cost of other type of containers,
- b) as the bottles are more weighty and fragile, the cost of transportation is also more,
- c) statutory specifications describing product is to be given on each package. As printing is difficult on glass material, a separate label is to be affixed thus, additional charges for printing labels is to be incurred.

Sachets are used as containers for both Ghee as well as butter. Ghee of 500 grams is packaged in sachets. As a primary package material for butter in the sizes of 500 grams, 250 grams, 100 grams, 20 grams and 10 grams sachets are used along with cartons as secondary packages. As cost of sachets is relatively lower; not so weighty and statutory specifications about the product can also be printed without the need of separate labels, hence they are more economical. Those thrifty-natured customers who are conscious to save two-to-three rupees on  $\frac{1}{2}$  Kg. of Ghee and those who are ready to take trouble of changing the container after taking the sachet to their house prefer to purchase Ghee in sachets.

Tin-containers are used as packages of all the three items of Karnataka Milk Federation that is, for Ghee, Butter and for Whole Milk Powder. As tin containers are costlier making the final price un-competitive, it is used only to attract an higher income segment of the customers who do not bother to pay more for a more protective container.

Cartons are used as a second container for 500 grams of skim milk powder, 250 grams of butter and for butter-chiplets. The skim milk powder, butter and butter-chiplets are wrapped first in sachets and than these sachets are placed in cartons. The handy and attractive carton is being developed by Karnataka Milk Federation to pack and differentiate its skim milk powder from those of the competitors. No carton of other make is so systematically handy. It can be carried as bags even by small children accompanying their mothers while shopping. This handy nature of carton help in influencing purchases even by those persons who come to market without bags or baskets and who got reminded the need of skim milk powder at the point of purchase.

Bags are used in case of bulk-packing of milk powder. The skim and whole milk powder quantifying 25Kgs is being packed in bags. The bulk-buying customers like hospitals, schools, government hostels, etc., whose needs are more find it economical to purchase in bulk quantities. And it is for such bulk-buying customers that the bags of 25 Kgs is more suitable.

**Labeling :** The term 'labeling' has been defined "as a part of packaging and consists of printed information appearing on or with the package that describe the product".<sup>12</sup>

The specifications describing the details of product, the methods of use etc., printed either on package itself or on a separate paper and affixed the same to package is known as label. The Karnataka Milk Federation is affixing a separate label only in case of Ghee-bottles and for all other containers, the specifications are printed on containers only. Hence, no need of affixing a separate label. In other words, the containers are performing the additional role of labels.

**Statutory Provisions :** In India, the packaging and labeling of milk products is governed as per the provisions laid down in various acts including the Prevention of Food Adulteration Act (PFA) 1954, the Standards of Weights and Measures Act, 1976 and the Standards of Weights and Measures (packaged commodities) Rules, 1977.

**Provisions to prevent misbranding of food articles :** Packaging is closely related to labeling and branding of products, for the label appears on the package and the brand is typically on the label. The Prevention of Food Adulteration Act provides punishment for the marketing of misbranded milk products. An article of milk product is taken to be misbranded, if :

- a) it is not labelled in accordance with the requirements of Prevention of Food Adulteration Act and/or any other concerning Rules, prevailing in India,
- b) it has been labelled to make it appear as a product of another manufacturer,
- c) it is falsely stated to be the product of another place or country, or
- d) any other artificial colouring, flavouring or chemical preservative is added without a declaratory label to that effect.

The Prevention of Food Adulteration Act 1954, the Standards of Weights and Measures Act 1976, the Standards of Weights and Measures (packaged commodities) Rules 1977 detail out the form and contents of the labels for packages containing milk products. This assures the purchaser, of the correct description of the products contained therein.

As per the regulations of these Acts/Rules, it is necessary to declare on each package the name and address of the manufacturer, the net quantity contained therein, month and year of manufacture, ingredients used, method of use, sale price of the package etc.,. As far as possible, this information should appear on the principal display panel and shall be parallel to the base on which the package rests.

The above Acts/Rules provides for a sentence of imprisonment upto one year and a fine upto Rs. 2,000, for the first offence and sentence upto two or three years and fines without any upper limit for the second and subsequent offences. Sometimes, in cases of offences committed for the first time, an undertaking is taken from the concerned offenders, at the department level itself, to the effect that the particular offence has been committed for the first time and care shall be taken to prevent future recurrence.

**Significance of packaging :** In recent times packaging has become a potent marketing tool. Well designed packages can create convenience value for consumers and promotional value for the producers. The factors contributing the growth of packaging as a marketing tool are :

Firstly, an utilitarian and marketing reason for packaging a milk product is to protect it on its route from Karnataka Milk Federation's product plant, Dharwad to the final consumer. Moreover, Karnataka Milk Federation is making an alround effort to protect the products through out their life with the consumers. That is through containers like glass-bottle, tin, carton etc, the quality of product is protected till the last spoon of their use by consumers. Further, compared with bulk items, packaged goods generally are more convenient, cleaner, and less susceptible to losses

from evaporation, spilling and spoilage.

Secondly, an increasing number of milk products are sold on a self-service basis in large retail stores like super markets and Janata Bazars. The packaging system now is performing many of the sales tasks; it is attracting the attention, describing the product's features, infusing the consumer confidence and in overall making a favourable impression.

Thirdly, the consumer affluence is rising. That is, the present day urban consumers of milk products are willing to pay a little more for the convenience, appearance, dependability and prestige of better packages.

Fourthly, a package is the most significant way to differentiate the products of one make from another. Superior package gives the idea of superior quality of the product contained therein. The most attractive bottles, cartons etc, of Karnataka Milk Federation are contributing to instant consumer recognition of the Karnataka Milk Federation, its brand and finally its quality products.

Finally, in a company's distribution system, its dealers and retailers recognise that effective protective and promotion features in a package can cut their costs and increase sales. At the point of purchase the Karnataka Milk Federation's packaging is serving as a silent sales person

and its re-usable bottles and tins are further making effective sales appeal.

Thus, it can be said that Karnataka Milk Federation's package strategy is performing two major functions- containment and promotion. Containment is essential to efficiency in physical distribution, while the promotional aspects of packaging operate to influence demand. Problems of containment tend to be technical and reasonably objective, such as, requirements as to strength, size and resistance to moisture and other chemical elements. Promotional requirements concern such things, as the ability of package to arrest attention, its comparison with competing packages, its adoptability to advertising and point-of-sale promotion, its reflection on product quality and so on.

#### 4.2 The Place Strategy :

The place strategy is concerned with making products available to potential customers. It involves the selection of paths or channels through the maze of marketing middlemen that composes the distribution structure. In this first phase of place strategy, the producers attempts to identify those channels of distribution that will most effectively reach the markets he wishes to serve. He then tries to gain the support of those middlemen in the desired channel, so



that they will take on the product-line and move it to market.

Another place strategy decision area deals with the number of middlemen to be used at each level in the channel. Here, the producer must weigh the benefits of intensive coverage of the market gained by using large number of middlemen versus the benefits derived from using fewer middlemen each of whom can give the products more concentrated promotional support.

Finally, decisions have to be made as to how the products are to be distributed physically, once the channel or ownership paths have been decided. A level of customer service must be specified, which is consistent with the over all marketing strategy. Then, different physical distribution systems can be analyzed to find the one that meets the required service level. Hence, the following two sub-variables may be said to constitute the place strategy:

- a) the channels of distribution, and
- b) the physical distribution.

**The Channels of Distribution :** A channel of distribution has been defined as "the route taken by the title to product, from the place of manufacture to the place of final consumption or use".<sup>13</sup> The physical movement of goods from producer to final consumer viz., various middlemen and agencies does not constitute channel. On the other hand, it is the movement of

ownership from first and original owner of the product to the last and final owner, that is the final consumer. In between, the ownership of products may change various hands. Further, the channel comes to end at a point where the shape of the product changes. In case of milk products produced by Karnataka Milk Federation's product plant, Dharwad the channel starts not from the houses of milk producers but from the product plant, Dharwad where the liquid milk is processed into products like Ghee, Butter and Powder. In contrast to the product plant, Dharwad of Karnataka Milk Federation, which provide products with form utility, the middlemen in the channel create time, place and possession utilities. It is not enough that products capable of satisfying human need exist. In fact, they do not serve any purpose unless consumers are able to obtain those products when and where they need. Hence, it is the sum total of channel members who bring the milk products to consumers and it is through whom, the Karnataka Milk Federation has to work in marketing its products.

Under the channel sub-variable, the marketing manager has to decide upon the aspects like, the type and number of middlemen to be used in the channel; their remuneration in the form of salaries, commission, profits etc; the proper location of outlets; the maintainance of positive relation with the channel members, etc,. In other words, a proper marketing policy is to be developed. Because, the type and number of

middlemen, their location, etc., depends upon the marketing policy. The firm has to decide upon whether to penetrate or not to penetrate the market. The market penetration, again depends upon the Federation's policy, the nature of milk products, the attitudes of buyers toward products, the market competition, etc.,. The Ghee and Butter of Karnataka Milk Federation are coming under consumer food items, consumed regularly along with other eatables or are used in cooking; and the milk powder is the basic staple item with multi uses. The higher class consumers take these products as essential requirements in their diets, but where as, the lower-class treat Ghee and Butter as speciality product using only during festives and for special cooking purposes. The urban middle-class use the milk-powder regularly, as in urban areas liquid milk will be available only during particular hours. Hence, Karnataka Milk Federation's policy at present, is to have a fairly limited number of outlets but, as it will be cleared from the number and type of channels the Federation is using or planning to follow, in the long run, the policy of penetrating market. To implement this policy, it is using both the direct and indirect channels of distribution.

The Direct channels are :

- a) Sale at factory's sales counter,
- b) Sale through Federation's stalls, and
- c) Sale through Federation's selling-agents.

The Indirect Channels are :

- a) K.M.F.-----V.C.M.P.S.-----Consumer
- b) K.M.F.-----D.C.M.P.U.-----V.C.M.P.S.-----Consumer
- c) K.M.F.-----N.E.A.D.-----Consumer
- d) K.M.F.-----N.E.A.D.-----Wholesaler-----Retailer-----Consumer
- e) K.M.F.-----N.E.A.D.-----Retailer-----Consumer
- f) K.M.F.-----Wholesaler-----Retailer-----Consumer
- g) K.M.F.-----Retailer-----Consumer.

(Where K.M.F. stands for Karnataka Co-operative Milk Producer's Federation, product plant, Dharwad; V.C.M.P.S. for Village Co-operative Milk Producer's Society; D.C.M.P.U. for District Co-operative Milk Producer's Union and N.E.A.D. for Non-Exclusive Approved Dealer.)

As market penetration involves, sale of milk products at every convenient point (convenient from the point of consumer) in convenient sizes of reasonable prices, the Karnataka Milk Federation is using the maximum number of sales-outlets with both- direct and indirect- channels in action. The indirect channels include sale through co-operative societies also.

**Direct Channel :** It is a channel used to market milk-products directly from Karnataka Milk Federation to final consumers. Through this method the ultimate consumer

or user is ensured that there is no middlemen's share in the final price. Further, as the middlemen are totally eliminated there is no question of adulteration of milk-products, hence purity is guaranteed. Particularly, in case of Ghee and Butter, the consumers will be reluctant to purchase from the retailer if they sense that the latter is shrewd enough to dupe the consumers. If the retailers are known for adulteration of even other products, then also consumers hesitate to purchase from them. Again, the consumers will not sit quite just by avoiding purchases from such retailers but they go on spreading the news to other consumers. This acts as a multiplier in the loss of customers. Further, when a final consumer gets an adulterated product, there are chances of spoilage of brand image. Hence, to be on safer side and to satisfy the purity-conscious consumers, Karnataka Milk Federation has retained direct channel in its distribution system. Direct sale is helpful in getting the market knowledge. The direct sale methods adopted by Karnataka milk federation are :

**Sale at Factory's Sale Counter :** As the plant is located by the side of National High way in the industrial area of Dharwad city, it is convenient to the field workers, employees of neighbouring factories and to the passers-by to purchase Ghee, Butter or Milk powder directly from the

sales-counter of Karnataka Milk Federation, product plant, Dharwad. The sales counter is kept open from morning till evening. The travellers by car, luxury buses or even trucks stop their vehicles and make the purchases. It is convenient for the residents of Dharwad and nearby villages to have either a morning or evening walk and purchase the fresh products- Ghee or other products.

Sale through Karnataka Milk Federation's stalls : For the convenience of consumers, the Karnataka Milk Federation is having plans to open its own retail stalls at important locations in urban areas. For example near Bus-stations, railway stations or near those places where a large-mass usually gathers. An attractive sale-stall with suitable displays at various places in urban areas serve many purposes. Firstly, direct sale without middlemen is possible. Secondly, it is possible to feel the pulse of the market. And thirdly, it is possible to create employment opportunities.

Sale through Milk selling agents : In urban areas, for the convenience of liquid milk consumers, the Karnataka Milk Federation is selling its liquid milk through its milk-booths opened near various localities. Such milk-booths are being operated by its own milk selling agents. Nearness to consumer's houses is the major benefit of such booths. Now,

Karnataka Milk Federation is using these booths, for the distribution of milk products also. Only thing the consumer has to do is, while getting milk he has to order for needed milk product and in the evening or by next morning he will be collecting his packet or bottle of Ghee, Butter or Powder. Alternatively, if the milk-selling-agent is informed about their monthly requirements of each product, then trouble-free delivery can be given at the booths. Those urban consumers who do not find time to visit market and those who are having confidence in the quality and price- reasonableness of the Karnataka Milk Federation's products, follow this method.

Sale through Co-operative Societies : As Karnataka Milk Federation is organised on 3-tier structured basis, its marketing department is making full use of these village milk producer's Co-operative Societies and the District Co-operative unions. The channels used to sell milk products through co-operative societies are :

K.M.F.----V.C.M.P.S.----Consumer : Under this channel, the milk products will be first sold by Federation to milk producer's co-operative societies organised at village level. These societies, in turn will be selling to its members as well as general consumers.

K.M.F.----D.J.M.P.U.----V.C.M.P.S.----Consumer : Under

this channel the milk products first flow from Karnataka Milk Federation to District milk producer's union, from unions to village milk producer's co-operatives and from there in the hands of final consumers.

In this way, the co-operative movement is utilised by Karnataka Milk Federation not only for collection of milk but also for marketing of its products. As most of the village milk producer's co-operatives are operating at village level, the village consumers are freed from the consumption of adulterated Ghee or Butter, the kind of which is usually made available at village weekly markets. Further, the quality Ghee and Butter prepared in most hygienic conditions is made available through this channel to village consumers, who earlier use to purchase the Desi-Ghee or Butter prepared in most un-hygenic conditions.

**Sale through Commercial Channel :** Apart from selling its products through direct channel and through co-operative societies, Karnataka Milk Federation is using effectively the usual commercial channel. Within the target market a policy resembling selective distribution is being followed by appointing Non-Exclusive Approved Dealers. In fact, these dealers are appointed and authorised to undertake the marketing activities for and on behalf of Karnataka Milk Federation. The approved dealers in their respective territories undertake



the further distribution through the required type and number of outlets. They are free to choose and appoint any number of wholesaler or sub-agents and retailers within their territory. The middlemen who agree for the terms and condition and who exhibit the agreement are honoured with the Non-Exclusive Approved dealership.

Following are the terms to be agreed in between Karnataka Milk Federation and the distributing agency, before the latter is recognised as the 'Non-Exclusive Approved Dealer':<sup>14</sup>

1. KMF hereby appoints M/s ..... as the Non-Exclusive Approved dealer for the sale and/or supply and/or marketing/distribution of KMF's milk products and the 'Approved Dealer' hereby accepts this appointment and agrees to abide by the terms and conditions of this agreement.

Instead of exclusive dealership, Non-Exclusive Approved dealership is followed by K.M.F. This empowers the K.M.F. to increase the number of dealership if the territory originally allotted is felt larger or if the market grows tremendously in due course of time due to population explosion or industrial development, etc.,.

2. The approved dealer shall display a name board with the following details, or with such other details as the KMF

may prescribe from time to time :-

The Karnataka Co-operative Milk Producers'  
Federation Limited.  
Approved Dealer.....

This enhances the goodwill of approved dealer as the name of K.M.F. and its brand is associated with his trade. Other traders in concerned territory will turn to their respective dealers for their requirements in milk products. K.M.F. is also doubly benefitted by display of such name-board. Firstly, the approved dealer will not change the brand and secondly, other competitive manufacturers will not approach the same dealer for marketing their products.

3. The KMF hereby appoint M/s ..... as approved dealer ..... in the ..... state ..... (hereafter referred to as the TERRITORY) which territory shall, at the discretion of KMF, be liable to be cancelled or curtailed, or in any manner varied for which the Approved Dealer shall have absolutely no objection. KMF shall intimate the 'Approved Dealer' in writing any such cancellation or variation in the said territory.

Through this term K.M.F reserves the right to curtail or change the territory originally assigned to approved dealers. Previously, it was following the policy of allotting the whole district as a single territory. But now it has changed

its policy. Territories are now being divided into rural and urban centres of the districts. For example, in Dharwad district, for Hubli-Dharwad corporation area one dealership is assigned and for rural area another. In Bijapur district, for Bijapur and Bagalkot one dealership is assigned and for remaining markets another dealership is extended. Similar is the case with other districts. Hence, through this right K.M.F. varies the territory originally assigned to a particular dealer if his abilities or capacities do not match with the requirements of the whole market.

4. The KMF shall pay to the approved dealer such commission on the value of its milk products sold by the Approved dealer as may be fixed by the KMF from time to time.

5. This agreement shall be in force for one year from ..... to ..... But KMF, may at their sole descretion, terminate this agreement if the 'Approved Dealer' infringes any of the terms and conditions of this agreement or for any other reasons, including unsatisfactory performance without giving any notice whatsoever. The Approved Dealer may terminate agreement by giving one month's clear notice to KMF in writing of his intention to terminate the Agreement.

Through this term, both- the I.M.F. and the approved dealer- is free to terminate their commercial relationship.



K.M.F. will terminate the agreement without giving any notice, if the approved dealer is found inefficient. On the other hand, if the approved dealer wants to terminate the contract than he can do so but by giving a notice of one month in advance. This period of one month helps K.M.F. to find another dealer and serve the market without major disturbance.

6. This agreement, or any other benefits thereunder, shall not, without the consent in writing of KMF, be assignable.

This term binds both the parties to have the agreement in writing and not in oral. If any particular dealer is illiterate then he has to take the help of his Attorney and after fully understanding the ins and outs he has to sign the agreement bond. The agreement in writing help in the easy settlement of future disputes, if arises.

7. The approved dealers shall not during the terms of this agreement, take dealership/agency/distribution or marketing of milk products from any other person or firm or establishment or organisation or company.

Through this term, K.M.F. secures the full attention of approved dealers in pushing its own milk products in the market. Further, such terms help in increasing the total sales and the market share.

8. If KMF provides any equipment or facilities to the approved dealer, the approved dealer shall then pay to KMF the

monthly rent fixed by KMF on the first day of the month in advance. The KMF reserves the right to vary the rent at its sole discretion by giving to the approved dealer one month's notice in writing of such intended variation in rent and the rent so raised shall be binding on the approved dealer.

9. The approved dealer shall extend all reasonable facilities to the inspection staff of KMF or its authorised representative/agents at all times for checking and testing the milk products kept in the premises of the approved dealer and also for checking the account books, and other relevant records maintained by the 'Approved Dealer'.

This term act as a check for adulteration and other mal-practices by approved dealers. The surprise visits of K.M.F. staff prohibits the dealer from resorting to such mal-practices.

10. The approved dealer shall abide by the provisions of the statutory laws and rules framed thereunder governing the sale of milk products and shall obtain a licence, if any, from the competent authority for such sale.

11. The approved dealer shall comply with all the instructions concerning sale of milk products that may be issued by KMF from time to time.

12. The Approved Dealer shall at the time of taking delivery, check the bottles, crates, sachets, tins, cartons, cans etc. once the approved dealer takes delivery of these goods.

This term safeguards K.M.F. from the negligent and careless delivery-receiving-staff of the approved dealer. The approved dealer will also be alert and cautious at the time of taking delivery.

13. The Approved Dealer shall collect the local sales tax and pay it to the State Government under proof of payment to KMF. They should get themselves registered under the local sales tax act and quote these numbers for correspondence with KMF.

The Sales-Tax Evasion is made impossible by the inclusion of this term which is appreciated by both the public and the state.

14. The Approved Dealer shall pay on behalf of the KMF all Octroi terminal and other local taxes, impositions, and obtain reimbursements thereafter (except sales tax) duly producing proof of such payment.

This term act as a dealer incentive.

15. The Approved Dealer shall also maintain in and around the shop such standards of hygiene and cleanliness as

may be prescribed by the Corporation or Municipal or local authorities from time to time.

This term enhances the overall image of the dealer in market and help in attracting the customers towards his shop.

16. The KMF will not accept return of milk products supplied to the Approved Dealer. The approved dealer, shall, therefore indent only such quantity of milk products as he is capable of selling.

This term creates alertness on the part of dealer to grasp the market trend and to keep constant touch with the changes in demand. For, a slight mistake to estimate demand may result in either dumping of the product and blocking up of capital or loss of sale and resulting profit for under estimation of demand.

17. The KMF may, at its discretion reduce the quantity to be supplied against the indents of the approved dealer.

This term prevents K.M.F. from reimbursing the possible profits to approved dealer in case he has ordered for large quantities and K.M.F. is unable to supply the same due to reasons whatsoever it may be. For example, during festives heavy demand will be their for Ghee and butter. As such each dealer may order for larger quantities, and if K.M.F. is unable

to supply the products in needed quantities then the approved dealer cannot claim the loss of possible commission.

18. The Approved Dealer shall deposit in cash a sum of Rs. .... (Rupees ....) as security deposit. The Security Deposit may be forfeited, if the dealer violates any of the terms and conditions of this agreement and the security deposit shall not carry any interest.

The acceptance of security deposit encourages only sound firms to strive for getting dealership. The other side of this term is that it provides, though to a limited extent, financial support from approved dealers to K.M.F.

19. The K.M.F shall have the first charge on all goods of the Approved Dealer for the unpaid dues payable to the K.M.F.

For the recovery of the amount due from approved dealers, this term empower K.M.F. to exercise its lien over all the goods in possession of approved dealers whether they are delivered by K.M.F. or otherwise.

20. The Approved Dealer shall alone be responsible for any adulteration, and/or deficiency, in quantity and quality of milk products delivered to him by K.M.F and he shall be responsible for any offence committed under the prevention of Food Adulteration Act, Packaged Commodities (Regulation) Orders or under any other enactment or rules framed thereunder.



This term acts as a second check upon the stock taking staff to check the containers, contents, seals, packets etc., very carefully. For, the adulteration found there afterwards the approved dealer himself is responsible and can be punished under various laws.

21. The Approved Dealer shall not do any act whereby the KMF's Rights in its trade marks/patent may be jeopardized.

This term prohibits the approved dealer from selling K.M.F.'s products in his own name, brand or trade-mark. In this way the 'Nandini' brand is protected till the products reach the final consumer.

22. The distribution arrangements will be on clearing and forwarding terms and not on the consignment/principal to principal terms. Hence, the Approved Dealer shall act as clearing, forwarding and distributing agent.

This term of agreement brings out the relationship created in between the approved dealer and K.M.F. Accordingly, the relationship is that of Agent and Principal. As such, the approved dealer has to act for and on behalf of K.M.F. He is rewarded with commission for his services and not by profits. The ownership over the products is not passed on to approved dealer but retained by K.M.F.

23. The KMF shall despatch its products in full truck loads and in packings of various sizes as manufactured to

the destinations nominated by the Approved Dealer within the territory and intimate to the Approved Dealer the particulars of the despatch made by it from time to time.

This term ensures bulk orders from approved dealers. A single order should not be lesser than a full truck load. It will be delivered as per the instructions of approved dealer either to his own stores or to any other destination within his territory. The cost of transport under such situations, is borne by K.M.F. itself.

24. Approved Dealer shall :

a) Endeavour to sell a minimum quantity of the products such that the turnover per quarter shall be more than Rs. 20 lakhs, otherwise one fourth commission on the short-fall of the turnover will be deducted from the commission payable. If the Approved Dealer exceeds the target turnover of Rs. 20 lakhs per quarter, one fourth commission shall be given extra on the turnover exceeding Rs. 20 lakhs.

b) Ensure that the products are stored in a careful manner and arrange to obtain insurance against damage, leakage, pilferage, fire, flood and other hazards and the insurance charges shall be reimbursed by the KMF.

c) Nominate/appoint stockists/wholesalers/retailers for the products as per the commission structure to be fixed by the KMF. The approved dealer shall furnish such list of

the stockists/wholesalers/retailers nominated/appointed by him.

The turnover commission and the reimbursement of insurance charges act as dealer incentive, which helps in increasing the sales and in the wide coverage of market.

25. The Approved Dealer shall :

a) Keep true and faithful account of the products received and despatched for sale together with clear stock lists or relevant documents in respect thereof, and furnish to KMF such details as may be specified by the KMF from time to time.

b) Maintain all records and file such returns, challans and other statements with any Government Authority or local body as may be required in accordance with the laws applicable in the territory and furnish copies thereof to KMF.

c) Submit a statement showing the list of outstanding amounts to be received out of the sales made by the Approved Dealer on behalf of the KMF.

This term help the K.M.F. in assessing the sales policy followed by its dealers. That is, sales made on cash or credit basis, the amount outstanding, the chances of bad debts etc.,.

26. The KMF shall be at liberty through its officers and agents to inspect and check from time to time the products,

stores, monies received and books and records maintained by the Approved Dealer.

27. The selling price at which the product will be sold to the consumers and to the traders will be fixed by the KMF having regard to Market conditions. The Approved Dealer shall, on behalf of the KMF sell the product at the prices so fixed by the KMF and the Approved Dealer shall not have any right to alter the selling price.

This term provides control of L.M.F. over the resale price which is having its own benefits viz., price stability.

28. Delivery of the consignment will be not less than a truck load of one or more products or in any combination thereof made by the K.F at the specified storage points of the approved Dealers.

29. The redistribution in case of small quantities (i.e. less than a truck load) shall be arranged by the approved dealer for the territory wheresoever necessary at Approved Dealer's own cost.

30. The approved dealer shall bear all expenses incurred in the performance of their obligations including postal, telex, telephone and other costs and charges.

The terms numbering 28,29 and 30 discourages lower orders from approved dealers as the cost of transport and

correspondence upon such smaller orders is to be borne by approved dealer himself.

31. The Approved Dealer shall furnish a bank guarantee for a sum of Rs. ....(Rupees .....only) valid for a period of one year, so as to cover his liabilities under this agreement. The same guarantee may be invoiced by the KMF, if the approved dealer violates the terms and conditions of this agreement or does not remit the amounts due to KMF.

Through this term the persons with sound market position only are made eligible to seek approved dealership of K.M.F. In the long run this reduces the risks arising from bad debts.

32. The Advertisement, publicity and promotion expenses as deemed necessary by the KMF will be borne by the KMF but the Approved Dealer shall render all such assistance as considered necessary.

This term assures the approved dealer a guaranteed market. He is not required to shoulder the additional expenses upon demand creation as the consumers are made to pull the products from market through various sales promotion methods being adopted by K.M.F. itself.

33. All losses whatsoever due to manufacturing defects

in products will be the responsibility of the K.M.F.

This term helps in maintaining good relationship with approved dealers as they are not unnecessarily taxed due to the manufacturing defects, if any, of K.M.F.

34. The property in the products in possession or under the control of Approved Dealer shall always be deemed to be vested in the K.M.F. and the Approved Dealer shall have no lien on such property and the approved dealer shall not hypothecate, pledge, sell or otherwise dispose off the products or any part thereof or deal with the same otherwise than in accordance with the instructions of the K.M.F.

This term, additionally clarifies the relationship created in between K.M.F. and approved dealer. As the latter acts as an agent of the former, the ownership in milk products is not passed on to him. Further, this term protects K.M.F. during the extreme adversity of approved dealer. That is, if approved dealer is declared as insolvent, then no other person except K.M.F. can claim the Nandini brand products stored with approved dealer.

35. The Approved Dealer shall be liable for all losses due to the mis-delivery, non-delivery, damage or short remittances of sale proceeds or shortage of the products by reason of any act or omission on the part of the approved

dealer or their servants/worker/agents whilst the product is in the custody of dealers or under their control.

36. The grant of any credit by the Approved Dealer to any customer and employees of KMF shall be at his risk and shall not in any way affect the Approved Dealer's liability to KMF.

This term act as a defence against the bad debts of approved dealers. In other words, the approved dealers cannot pass on his risk of bad and doubtful debts over K.M.F, if any, arises out of credit sale of Nandini branded milk products.

The aforesaid terms and conditions are to be agreed upon by both- the approved dealer, and the K.M.F through its Marketing Manager/Administrative Director. Their signature and seal are to be affixed with the signature of two witnesses from each side.

Thus, it is clear from the terms to be agreed in between K.M.F and the approved dealer that financial soundness, market reputation, cash security, trading ability, bank guarantee are some of the features of criteria designed by K.M.F in selecting its approved dealers.

The K.M.F's marketing channels through the use of Non-Exclusive approved Dealers are as under :

- a) K.M.F.-----N.E.A.D.-----Consumer.
- b) K.M.F.-----N.E.A.D.-----Retailer-----Consumer
- c) K.M.F.-----N.E.A.D.-----Sub-Agents-----Consumer
- d) K.M.F.-----N.E.A.D.-----Sub-Agents-----Retailer-----Consumer.

Even though the Non-Exclusive-Approved-dealer is the agent of K.M.F. and acts for and on behalf of K.M.F. without holding title to product but he is included in channel exclusively for the inevitable services provided by him. That is, it can market its products without the sales force of its own. It can devote full attention upon the production of products. Further, as K.M.F.'s product plant, Dharwad is a new venture, it can utilise the experience and high-calibre of approved dealers for a more efficient sales plan coupled with its own promotion strategy. In return, the approved dealer also gets a regular source of business.

a) K.M.F.-----N.E.A.D.-----Consumer : Under this channel the products move from K.M.F. to approved dealer and from him to final consumers. The approved dealer, after receiving the products from K.M.F., sells it directly to final consumers at his own stores. Although a middleman is there in the form of approved dealer but the ownership is transferred directly from K.M.F. to final consumers.

b) K.M.F.-----N.E.A.D.-----Retailer-----Consumer : In this



channel two middlemen are there in between K.M.F. and final consumer. The products move from K.M.F. to approved dealer, from approved dealer to retailer and from retailer to final consumer. The retailers of the concerned territories purchase the milk products from approved dealers appointed by K.M.F. The middlemen's total commission is shared by approved dealer along with the retailers.

c) K.M.F.-----N.E.A.D.-----Sub-Agent-----Consumer ; In this case, the approved dealer appoints sub-agent/wholesaler to distribute the goods effectively in all the parts of his territory. In large territories like Bijapur, it goes difficult for a single approved dealer to under take intensive distribution of Mandini products. In such cases, K.M.F. has empowered the approved dealers to appoint sub-agents/wholesalers within their own territory. For example, the Bijapur approved dealer has appointed sub-agent in Bagalkot, to look after that region of the district. Herein, the commission is shared by approved dealer and sub-agent. The sub agent after receiving the products from dealer sells them directly to final users.

d) K.M.F.-----N.E.A.D.-----Sub-agent-----Retailer-----

-----Consumer ; Under this channel, the Mandini Milk products move from K.M.F. to approved dealer, from approved dealer to sub-agent and from sub-agent to retailer from where the final consumer purchase the products. It is the longest

channel using three middlemen in between K.M.F. and the final consumer.

In all the above four channels, the approved dealers' service is a must. As the final market price is controlled by K.M.F, the approved dealers' share will be maximum if no middlemen is there in between him and final user. His share of commission goes on diminishing as the number of middlemen goes on increasing.

As the retailers come in direct contact with the final consumers, they are to be motivated to push the Nandini products. Hence, K.M.F. is maintaining stable margin for retailers irrespective of their purchase from either approved dealer or the sub-agent.

The K.M.F. do not deal directly with either wholesaler or retailers, hence the approved dealer is free to choose any number and type of middlemen within his territory. The approved dealer, depending upon his sales quota and sales territory, chooses the right type and number of middlemen. Although, the approved dealer does not hold title to product but he has to bear the risk of further sales. Hence, the credit sale is extended by approved dealer after studying the financial position, trading ability and reliability of middlemen.

The reward of approved dealer for such an inevitable service is commission. This commission is paid in two ways. Firstly, the direct commission on the sale of each unit of Nandini products and secondly, the turn-over commission paid by K.M.F to approved dealers if they exceed the allotted sales-quota.

The product plant, Dharwar of K.M.F is concentrating its marketing activities particularly in the four districts of Karnataka state, namely Dharwad, Bijapur, K.Kanara and Belgaum. Within Karnataka, in other than its target market districts, it does not deal directly with either wholesalers or retailers. In case, the products are needed in those districts, than the products will be distributed through its sister-plants or through District Unions located in those areas.

A brief mention can be made about the marketing of milk products by K.M.F to markets out of Karnataka state. The 'Nandini' brand milk products are known and consumed not only within Karnataka but out of Karnataka also. AT places like Ahmedabad, Jaipur, Delhi, Madras, etc., the products are demanded and consumed with taste. For sales to such places the usual commercial formalities are not followed. But the wholesalers and large scale retailers like Janata Bazaars deal directly with K.M.F and pick the products directly from

plant premises on cash basis.

**Dealer-Principal relationship :** To maintain healthy relationship with approved dealers, besides paying good commission various measures are being taken by K.M.F: periodical visits from both the ends is entertained, that is, the dealers are invited to plant site on auspicious occasions, for example, on the days of launching new products, at the time when the important personalities on dairy development visit the plant or on the day on which some V.I.P's visit the plant.

Secondly, the ordered milk products are delivered not only at the doors of approved dealers' Godown but, as per his instructions, the products can be delivered even at the doors of particular wholesaler or retailer within the sales territory of respective dealers. This saves the internal transport cost of carrying the products from approved dealer's godown to the godown of wholesalers.

Thirdly, the delivery of products is not always insisted against cash payment. A reasonable period is granted for making payments. This helps the approved dealers to place orders for products and carry on business even during the periods of financial stringencies.

Fourthly, the advertising and publicity is being under taken by K.M.F. at its own cost. Hence, by creating

awareness directly among consumers, the milk products are pulled instead of middlemen's efforts to push those products. Hence, without much efforts of approved dealer, fast turn-over is assured.

Fifthly, the losses arising from manufacturing defects are borne by K.M.F. by getting such defective products returned back. This strengthens the bounds of trade in between.

Lastly, the market standing of approved dealer is also enhanced for getting the approved dealership of a reputed organisation like K.M.F.

**The Physical Distribution :** This sub-variable is concerned with the transport and storage of milk products. The main elements coming under physical distribution are; transportation, warehousing, inventory levels, order processing and the hygienic conditions to be observed in and around the warehouses.

**Transportation :** K.M.F. deliver its products at the doors of approved dealer's warehouses. In other words, the cost of carrying goods from K.M.F.'s warehouse to approved dealer's premises is borne by K.M.F. At present, the K.M.F. is not having its own transport service but it is hiring the services of other transport corporations like Transport Corporation of India. In case, the dealer is having his own transport service, then he is free to use the same and later on

get the transport cost reimbursed from K.M.F. Similar procedure is followed in case of distributing the products to District Milk Producer's Union and Village Co-operative Milk Producer's Societies.

**Warehousing :** At present, K.M.F. is having its only warehouse at its plant-site. As far as, storage of milk-products at various distributing centres or consuming centres is concerned, it is the look out of approved dealer to get the suitable warehouses constructed. Once the products are delivered to approved dealer the further responsibility of maintaining the products in good condition is also passed on. The losses if any, resulting from deterioration in quality, losses due to breakage, theft, fire, pilferage etc., is to be borne by approved dealer. Hence, the approved dealers are requested to get their warehouses constructed as per required standards and get them insured. Of course, the insurance premia will be reimbursed by K.M.F. But, the other cost of maintaining such warehouses is to be borne by approved dealers themselves.

**Inventory levels and order processing :** The K.M.F. is maintaining its own inventory in such a way that at no time it has to face the adverse situation of shortage. Anticipating the timings for placing of orders by various dealers its store-levels are maintained accordingly.

As far as maintenance of stores by approved dealers is concerned the rule-of-thumb is followed in place of scientifically controlling the inventory. Each dealer is guided by their guess work in maintaining the stores. For example, the order for fresh products will be placed only when the dealer feel that the existing stock is nearing to exhaust. He manages to get his order executed by K.M.F. before the shortage of products is felt. The quantity to be ordered depends upon the market situation. It is not pre-fixed. If the demand is more, the orders will also be for more quantity. On the other hand, if off season is nearing, then quantity to be ordered will also be less. Hence, Dumping of products purchased in fixed quantity and blocking-up of capital is avoided.

In case of District Milk Producer's Unions and the village co-operatives, their requirements are on lower scale, their order for lower quantity is also soon attended and executed. Further, the major business of Village co-operatives or Unions is to collect milk and the sale of milk products is a secondary one (in most of the cases it is nil). This secondary business is managed in the same premises where the major business of milk collection is undertaken. Hence, the need of maintaining a separate stores department is not felt essential.

#### 4.3 The Promotional Strategy :

Success of any business firm depends upon its ability to market the products it produce. The ability to market a product depends upon rational action of management on questions like product policy, branding, pricing, physical distribution and the selection of effective channels. Yet the sound judgements on these fronts will be wasted unless consumers are effectively led to buy. What is the most effective way of leading the consumers to buy a given product ? For this an appropriate promotional strategy is to be developed. Promotional strategy cannot be formulated independently. It is influenced by management's decisions on other variables both- controllable and uncontrollable. As such, after the product has been planned and produced, the number and type of middlemen selected, the physical distribution system decided, the next step is to decide upon the promotional variables that the firm wants to follow.

Promotion has been defined as "an exercise in information, persuasion and influence".<sup>15</sup> All these three elements are inter-related in the sense that a person is to be informed to get him persuaded and if a person is persuaded, he is influenced. Promotion basically involves communication. The cutting edge of marketing instrument is the message that is



communicated to prospective buyers through various elements in the promotional programme".<sup>16</sup> Communication through various media helps in effective implementation of promotional activities of the firm. If the promotional activities are successful enough to influence the prospective buyers, then it certainly leads to good product image, brand preference, brand loyalty, increased sales, increased market share etc.. Getting the desired action from prospective buyers is the main motto of promotional activities. In the words of H. Ronald and W. Will, the objectives of promotion (common to all firms including K.M.F.) may be categorised under three heads. They are :<sup>17</sup>

a) Demand objectives : The idea of these objectives is to influence, stimulate, create, maintain and expand demand for products.

b) Communication objectives : These objectives aim at creating awareness, providing information to the prospective customers and middlemen about the distinctive want satisfying features of products, from where the products can be obtained, what the products are capable of doing or achieving, what are the alternative uses of products etc., and

c) Specific objectives : The objectives of this category provide specific information which influence the purchase decisions of buyers.

The sub-variables in promotional strategy includes :

- a) Advertising,
- b) Sales promotion, and
- c) Personal selling.

In determining the best way of selling a product the basic decision to be taken is, with regard to the most effective elements of promotional strategy. In other words, how should advertising, personal selling, consumer and dealer promotional activities be combined into an effective selling mix. The solution of this basic problem involves two sub-issues:

- i) What promotional methods are to be used from among the various alternatives available ? and
- ii) In what proportions they are to be combined to get the best results ?

Within the broad framework of marketing strategy every firm prepares its own promotional strategy. It is not necessary for a firm to use all the available promotional elements. Advertising may be used as a major method of communication with consumers or it may be used only as a supplement to other forms of promotional devices. The management may choose from among various types of advertising media (T.V., radio, news papers, magazines etc.) or it may have a specific choice available within each of these categories.

It all depends upon the features like appeals to be made in advertisement, readership of media, amount and type of copy, layout, art-work and so on.

Alternatively, the management may prefer to use more of personal selling. The sales force may be used in various ways in various target markets with various appeals. It, again depends upon the aspects like nature of product, life-cycle of the product, financial capacity of the firm, managerial capacity of the firm, competition in the markets etc.,. Sometimes, management has an open choice in between the use of either advertising or personal selling.

Sales promotion is another sub-variable available to firms in the development of their promotional strategy. It takes a variety of forms and can be used in different degrees depending upon the needs of individual firms. It consist of such tools as window display, interior displays like counter display, shelves display, hanging from ceilings, wall posters, stickers, free-samples and other dealer aids.

Most of the firms prefer a combination of one variable with another in different degrees. Advertising may be combined with sales promotional activities or personal selling may be supported by advertising. As far as K.M.F. is concerned it is combining its advertising variables with effective sales

promotional activities. It is relying heavily upon advertising and sales promotion. Through advertising it is stimulating the prospective buyers to pull the products. And through effective sales promotion it is encouraging dealers to push the products. With regard to personal selling; K.M.F. is managing its marketing and promotional activities at present, without a separate sales force of its own.

### Advertising :

The term 'advertising' is derived from the latin word "adverto" which is a combination of two words namely, 'ad' and 'verto'; 'ad' means 'towards' and 'verto' means 'I turn'. Thus, literally meaning of the term 'Advertising' is to turn people's attention to a particular thing or idea.

The term advertising has been defined variously by various authorities. To enlist a few of them :

"Advertising is an essentially form of communication through such diverse media as hand bills, news papers, magazines, bill-boards, letters, radio and television broad casts and motion pictures".<sup>18</sup>

"Advertising is mass paid communication, the ultimate purpose of which is to impart information, develop attitudes and induce action beneficial to the advertiser, (generally the sale of a product)"<sup>19</sup>

"Advertising is mass communication of information intended to persuade buyers so as to maximise profits".<sup>20</sup>

"Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor".<sup>21</sup>

The basic theme in all the above definitions is to communicate a large number of persons, (mass-appeal) at a short span of time, with comparatively little expenditure the message about the availability of products. The message may be communicated through tools like T.V., radio, motion picture, news papers, magazine, letters, circulars etc.,. The result expected from such a communication is to develop attitudes and induce the prospective buyers to do what is desired or abstain from doing what is undesired. In simple, the main purpose of advertising may be mentioned as "the increase of sales" Apart from this main objective, K.M.F. has set the following as its additional advertising objectives :

1. to create awareness of the existance of products,
2. to implant information regarding benefits and features of its products,
3. to create a favourable emotional disposition toward its brand,
4. to build familiarity with and easy recognition of the package and trade-mark,

5. to combat or off-set competitive claims,
6. to correct a false or mis-information,
7. to establish a reputation-platform for launching new products or new version of an old product,
8. to build corporate image and favourable attitudes toward K.M.F.
9. to control final price of its products, and
10. to support its sales promotional activities.

Advertising media : To fulfill the aforesaid objectives following advertising media is being selected by K.M.F.

Table 4.5 : Advertising Media preferred by K.M.F.

Media	Form
1. a) News-papers	Daily and weekly news papers with state and national level circulation published in English and Kannada languages.
b) Magazines	Regional level magazines published in Kannada as weeklies and fortnightlies.
2. Out-door	Road side and high way hoardings-posters at bus and railway stations-short metal plates inside buses.
3. Broad cast	Regional level Radio Broad-cast.
4. Publicity	Movie-slides, pamphlets and road side posters in urban centres.

Source : Revealed by Asst. Marketing Manager, K.M.F. Dharwad

Presently, K.M.F's Nandini branded milk products are being promoted through press, radio, circulars, hoardings, pamphlets, movie-slides etc,. It is giving periodical advertisements in daily and weekly news papers circulated through out Karnataka like 'Samayukta Karnataka, Kannada prabha (in kannada language) Deccan Herald (in English language). On national level 'the Hindu' and 'Indian Express' news papers are being used. As far as magazines are concerned regional weeklies and fort-nightlies like 'Prajamatha' 'Sudha' are being used. These tools are helping K.M.F. in fulfilling its advertising objectives like creating awareness in the prospective buyers about the availability of products, disseminating information about benefits, features, uses and final price of its products. During the year 1985-86 K.M.F. spent about Rs. 70,000 upon advertisement of its products through news papers and magazines.

As far as out door media is concerned it is using hoardings on high ways, posters at bus stations and railway stations. Short size metal posters are affixed inside the buses plying within Karnataka. The high way hoardings and posters reveal the attractive brand of K.M.F's milk products that is, a bottle of Nandini Ghee with a back ground of healthy cows grazing in green fields. The advertising objectives like building of familiarity and easy recognition

of its brand; building and development of a favourable corporate image; enlighting consumers about the availability of its products in particular localities etc,. During the year 1985-86 K.M.F. spent about Rs. 12,000 upon hoardings on high ways.

Radio broad-castings is being used by K.M.F. for highlighting its brand, products in various size and for introducing new products. The morning break-fast and evening supper times are preferred to enlight the public stressing the need of Ghee and butter in their eatable preparations. In this way, the prospectives are emotionally pulled towards Nandini branded products. Further, the public is reminded to purchase the products only at fixed prices printed on the packet and wrapper of each product.

For publicity of its products, K.M.F. is using movie slides exhibiting a bottle of Nandini Ghee with its pictorial brand at the back ground. Pamphlets are being circulated during busy hours on the urban streets. These pamphlets are printed both in English and Kannada, the regional language. The pamphlets help to combat competitive claims; to correct mis-informations created about the products or its prices; to help in launching new version of old products; to control final prices; to support its sales promotional activities and to implant informations regarding benefits, features,



prices and alternative uses of products. During 1985-86 K.M.F. spent about Rs. 7,000 on cinema slides and about Rs. 8,000 on pamphlets.

Thus, K.M.F. is using different media of advertising to induce the users of its products to use more for more purposes; to inform and attract the non-users to test the Nandini branded products. Advertisement is being used as the main instrument to support its sales promotion activities. Prospective customers are being repeatedly informed that early in the morning and while going to bed they need 'Nandini' whole milk powder to fill the gap of pure liquid milk; to prepare the items of eatable more delicious and sumptuous Nandini Ghee and butter is needed; and for making coffee and tea it is Nandini skim milk powder.

#### Sales Promotion :

Sales promotion has been defined "as those marketing activities other than personal selling, advertising and publicity, that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and expositions, demonstrations and various non-re-current selling efforts, not in the ordinary routine".<sup>22</sup>

This definition besides revealing what sales promotion is, brings out clearly its difference with other promotional

tools like advertising, personal selling and publicity. Sales promotion is mainly concerned with consumer stimulation and dealer promotion. The tools used are window-displays, counter-displays, shelves-display, wall posters, stickers and other point-of-purchase attractives. These tools serve as major instruments in arresting the attention of prospective consumers at the point of sale. Advertising media reach the consumers at their homes, offices or while in travel but they may be soon forgotten. But the sales-promotional devices at the point-of-purchase remind and stimulate the consumers to make purchase promptly, on the spot.

Table 4.6 : Sales-promotional media and forms used by K.M.F.

Media	Forms
Dealer aids	Window-display, Stores-display, Counter-display, Shelves-display, Hanging from ceilings, Wall-posters, Stickers etc.,.

Source : Revealed by Asst. Marketing Manager, K.M.F. Dharwad

**Window-display** : It is a systematic and attractive display of actual bottles of Ghee, Butter Sachets, Powder-cartons and tins in the Glass-box. The glass boxes are erected at the exterior ends on the premises of retailers so that the attention of passers-by is attracted and immediately

they are reminded of their need and they walks-in to make a purchase. The posters, stickers and actual products are so systematically exhibited that a tasty-mouth-watering desire is created to make a sudden purchase.

Although, window-displays are very effective in impulse-buying; but in case of milk-products they are just acting as informers that is, the passers-by are informed that the products are not in shortage and are available for sale and the needy will go inside the shop to make purchases. Thus, the main purpose of window-display is to convert the passers-by into shop visitors and purchasers. The dealers of K.M.F. are using this tool, but in case of retail trade it is not possible to use glass-boxes. Only those retailers who are having sufficient space, additional funds and who wish to invite the housewives to purchase other products besides milk products are resorting to this tool of sales promotion.

**Stores-display :** It is also known as interior display as the tools of sales promotion are used within the premises of retailers and dealers. As the passers walks in, the Ghee-bottles, Butter-sachets and milk powder tins displayed on the shelves and racks of stores reminds the size suitable for them to purchase. The rack-displays are most effective tools in case of those shoppers who visit the shop without purchase list.

To offset competitive actions of competitors and to develop attachment with and easy recognition of packages and brand, K.M.F. is devoting its major attention upon the interior displays of stores through hangings from roof, attractive stickers, posters affixed at the salesman's counter, racks, walls and other suitable places of store. The focus of interior display is on the picture of "a housewife pouring Ghee in the plates filled with sweetmeats kept on the dining table with her husband and son on each side". Such a copy hanging in the glass-box, at the ceilings or affixed on the glass counter of salesman is enough to remind the deliciousness of Ghee added to eatables and the result is an immediate purchase order. The 'Ghee bottle' and 'a housewife' is largely focussed on most of the items of displays. For, Ghee bottle results in mouth-watering desire and housewife is generally the authority to make purchase decisions in case of milk products.

Thus, the effectiveness of K.M.F's advertising designed to stimulate a brand discrimination is enhanced by interior displays of stores, which re-inforces the advertising message, serve as a reminder of a need and encourage an immediate purchase. The sales promotional activities are enhancing the effectiveness of K.M.F's brand advertising, serving as the additional stimuli needed to convert a brand preference into a

buying urge and thereby adding to the penetration of the advertising message within a local market.

Push versus pull strategy :

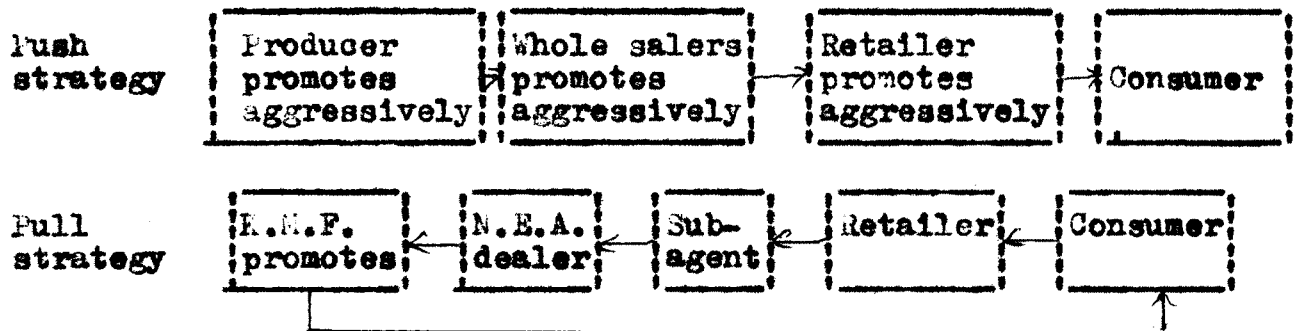


Exhibit 4.2 : Push versus pull strategy of promotion.<sup>23</sup>

To increase sales, the promotional mix of any firm is heavily influenced by either 'push or pull' strategy. A push strategy calls for most aggressive methods of sale. All the tools of aggressive sales like advertising, personal selling, various discounts, free gifts and premiums to middlemen are used to push the products. In other words, the producer aggressively promotes the product to wholesalers, the wholesaler aggressively promotes the product to retailer and retailer aggressively places the product in the hands of consumer. Thus, irrespective of the quality of product, all the means of pushing the product upon consumers are being used by.

K.M.F. on the other hand, prefers a pull strategy ✓

which pre-supposes a cry for products by consumers rather than the product being thrown upon them. Basically, the quality and relatively essential products are being promoted through consumer advertising tools. As a result, the consumers are demanding their retailers for K.M.F's Mandini branded products, the retailers are approaching either the sub-agents or Non Exclusive Approved dealers of their territory and dealers in turn are placing orders with K.M.F.

Thus, promotion is one of the four major controllable variables of the K.M.F's marketing strategy. To achieve its marketing objectives namely, establishing new markets, increasing performance in the existing markets, creation of a good image for its products, creating brand preference and brand loyalty, off-setting competitive claims and bringing a social change, the promotional tools like advertising, publicity and sales promotion are being effectively used.

#### 4.4 The Price Strategy :

Price and price policy is of great significance to all concerned with marketing namely, the manufacturers, approved dealers, wholesalers, retailers and final consumers. Hence, great care is taken by firms while formulating price strategy for their products. The price at which a product is offered to market is controllable within limits. The firm may prefer

to compete on a price basis and set the price lower in relation to the prices of competitors. On the other hand, the firm may strive for a high-quality image and foster this image with a high price policy. Discounts may be used to vary prices with quantities purchased or to achieve different prices for different classes of trade.

Price strategy is not formulated in isolation with other variables of marketing strategy. Pricing decisions cannot be made without considering how these decisions are related to the other marketing strategy-variables and to the over all marketing programme of the firm. Successful pricing requires due attention for potential changes in environmental variables, product development, product promotion, market acceptance etc,. Thus, price-strategy can be successfully used as a potent promotional instrument.

Although marketing strategy can be described as a process of blending in which management combines various controllable variables to achieve stated objectives, but it is not compulsory that all the variables be mixed at the sametime. Actually, quite the reverse is true. Once the market targets are defined and environmental constraints considered, management has to take decisions in those areas of strategy dealing with the product, its distribution and non-price promotion. Only after these decisions have been taken management

can devote its attention to the remaining variable of the strategy- that is pricing.

The sub-variables in price-strategy includes :

a) The price policy : The objectives of pricing, levels of prices, discount and allowances, turnover commission, levels of margin, sales-quota and ordering quantity.

b) The terms of sale : Cash or credit terms, mode of payment, instalment facilities.

c) The resale- price maintainance :

a) The Price Policy : A policy for pricing is nothing but a broad frame-work within which the authority makes its decisions concerning the above sub-variables. In K.M.F, it is the top management who has full authority over pricing. The marketing manager's role is to administer the pricing programme within guidelines laid down by top management. However, as the pricing of products have such direct effects upon sales volume and profits that the marketing manager cannot be kept away. His views, opinions upon demand, competition, trends in market, consumer's attitude are to be taken before setting prices.

Price may be defined "as something sacrificed to get something". "It is the exchange value of a product or service".<sup>24</sup> In the words of Stanton "price is value expressed in terms of dollars and cents, or whatever the monetary medium may be in the



country where the exchange occurs".<sup>25</sup>

Thus, price is the value expressed in terms of rupees or paise needed in exchange for products. For instance, to get a bottle of Mandini Ghee one has to pay Rs. 23/-. This exchange value is its price.

**Pricing Objectives :** It is the duty of management to decide the objectives of pricing before the prices for their products are determined. "Pricing objectives are over all goals that describe the role of price in an organisation's long-range plans".<sup>26</sup> Pricing objectives provide guidelines to top-management in formulating price policies, planning pricing strategies and setting actual prices. The attainment of over all objectives of firm depends upon the attainment of its pricing objectives and it is the framing of proper price-policy which leads a firm towards its pricing objectives and subsequently towards firm's over all objectives.

Generally, the most important objective of a large number of firms pricing policy may be to have maximum profits. The other goals in pricing may be :

A target return on investment,

A target return on sales volume,

Target sales volume,

Target market share,

Deeper penetration of the market and finding new markets,

Target profits on the entire product line irrespective of profit level on any individual product,  
 Keeping competition out/weak/parity,  
 Fast turn over and early cash recovery,  
 Stabilizing prices and margins in the markets,  
 Providing products at prices that will stimulate economic development in the country.

As K.M.F. is a new undertaking with commercial operations commencing from January, 1984 cannot think of accumulating maximum current profits. On the other hand, as it is a co-operative organisation, it may think of optimization of profits in the long run. Its other pricing objectives include :

- a) Target market share through deeper penetration of the market and finding new markets,
- b) Keeping parity with or meeting competition,
- c) Fast turn over and early cash recovery,
- d) Stabilizing prices and margins in the markets.

Through framing a more effective pricing policy, K.M.F. is making a systematic attempt to reach the aforesaid pricing objectives. By studying the other sub-variables, it will be cleared-out that how K.M.F.'s price-strategy is striving to reach its pricing objectives.

Levels of prices : The main products of K.M.F. are Ghee,



Butter and milk-powder which are not totally new to market but imitative. The imitative products face the problem of positioning in the market. Earlier to K.M.F. various reputed firms are there producing similar products with competitive quality and prices. Hence, the alternative available to K.M.F. under such a situation is to penetrate the market, instead of keeping its prices at higher level and skimming of the market. (A new firm with imitative products and with the presence of reputed concerns in similar line cannot think of market skimming). Through market penetration ; a higher quality product marketed at reasonable prices through maximum number of out lets, K.M.F. is trying to cover not only its target markets but also trying to find new markets. "If its promotion policy is to pull the product from consumers side then its price policy is to push the product through dealers and other middlemen. In other words, by keeping the level of its prices comparative nearer to competitor's level, K.M.F. is trying to push its quality products through its own milk selling agents, co-operative societies and by appointing approved dealers, who further proceed in the market with retailers and sub-agents.

The objective of K.M.F's price-policy is not to attack aggressively the established competitors like AMUL, VIJAY, SAGAR etc., but instead it has set its price levels in such a

way that it may meet or at least keep in par with the market competition. For this, it has maintained its price level about rupees two to rupees four more or less by prices of its competitors. Further, instead of competition based on prices, it is favouring non-price based competition. That is a superior quality product- a quality superior to the quality of competitor's product- is being brought into market. Its existing prices of various products are as under :

Table : 4.7 : K.M.F's products in various sizes with their respective prices.

Products	Detail price
Butter:	500 gms Rs. 19-00
	250 gms Rs. 09-50
	100 gms Rs. 04-00
	1000 gms Rs. 38-00
Butter chiplets:	20 gms Rs. 01-10
	10 gms Rs. 00-60
Ghee:	500 gms bottle Rs. 22-00
	500 gms Sachet Rs. 20-50
	15 Kg. tin Rs. 660-00
Skim Milk Powder:	500 gms carton Rs. 16-50
Whole Milk Powder:	500 gms tin Rs. 23-00

Source : K.M.F's price list as on 25-9-1986.

As K.M.F. is following a going rate policy, which sometimes will be even lower than its cost of production, its price range is just around the price range of competitors. Its exact price-level as shown in table 4.7 reveals the same fact that prices are neither too higher nor too lower but instead it is fixed at either less or more by a rupee or two around the competitors price line. This helps to flow in par with market competition instead of attacking aggressively and flowing out of market.

Discount and allowances : A reduction in price given to a middlemen for his position in a channel of distribution is called "trade discount". K.M.F. is providing discounts to approved dealers and in return gaining various benefits: Firstly, as it is a new firm entry to a channel is a must and it is gained by providing attractive rate of discount. Secondly, through its discount policy, it is stimulating its approved dealers to provide promotional support for its products and to perform such marketing functions as holding inventory, distribution within territory, offering credit etc,. Thirdly, through its discount policy, K.M.F. is encouraging its approved dealers to stick up and not to desert it on account of competitive pressures. Lastly, through competitive rate of discount, K.M.F. is encouraging fast turn over and early cash recovery from its approved dealers.

K.M.F. is making a cash allowance of Rs. 1 if the empty bottle is returned by consumers after use. This one rupee is either given on return of empty bottle or a deduction of one rupee is done in the fresh purchase of Ghee. This allowance of Rs. 1 can be obtained by consumer from any retailer or approved dealer and not necessarily from the same stores where he has purchased the Ghee bottle. In this way, cash allowance is bringing dual benefit to K.M.F. Firstly, by providing cash allowance on returned bottle repeated sale is assured, and secondly, within Rs. 1 an empty bottle is obtained the cost of manufacture of which is actually more.

Turn over commission : To encourage fast turn over K.M.F. has made a provision of turn over commission in its price-policy. That is, if the turn over of dealers exceed Rs. 20 lakhs per quarter than 1/4th commission shall be given extra on the turn over exceeding Rs. 20 lakhs. As this commission is amounting to thousands of rupees, every dealer is giving particular attention to market the K.M.F.'s product and exceed the limit. In this way total sales are increasing. Further fast turn over resulting from turn over commission is having its own advantages like, no deterioration in quality, no blocking up of capital and supply of fresh products to final consumers.

Levels of margin : "Marketing margin has been defined as

the actual amount received by marketing agencies in the marketing".<sup>27</sup>

It is nothing but a share of middlemen in the re-sale price. Whenever, the final price is fixed and controlled by the manufacturer the satisfactory level of margin is the best incentive to retailers to take initiative in pushing up the sales. On the other hand, if the re-sale prices are not fixed, traders make 'windfall profits' whenever market prices rise. Conversely, their margins will be limited or even nil if the market prices shows a declining trend. But, both the situations are unwanted. The earlier (windfall profits) disappoints the final consumer and the later (limited margin) disappoints the middlemen. If the final consumer is disappointed he may change the brand and if the middlemen is not rewarded he may change the manufacturer. Thus, to be safeguarded from both the adverses K.M.F. is fixing the middlemen's margin and strictly adhering to it. The margin to be received by approved dealer, sub-agents or retailers on each product with varying sizes is fixed by K.M.F. itself. The margin is fixed after taking into account the considerations like the position of middlemen in channel, the marketing functions performed, the degree of contact with final consumers etc,. The following table gives the level of margin fixed by K.M.F. to its channel members upon its various products :

Table : 4.8 : Margin of middlemen in K.M.F.'s prices :

Products	N.E.A dealer's price	Sub- agent's price	Retailer's price	Final price
Ghee:				
500 gms bottle	20-50	20-75	21-00	22-00
500 gms sachet	19-00	19-25	19-50	20-50
15 Kgs tin	635-00	640-00	645-00	660-00
1 Kg. loose	38-00	39-00	40-00	42-00
Butter:				
1 Kg. unsalted	34-00	34-50	35-00	38-00
500 gms ,,	17-00	17-25	17-50	19-00
250 gms ,,	8-50	8-60	8-75	9-50
1 Kg. salted	35-50	36-00	36-50	40-00
100 gms ,,	3-55	3-60	3-65	4-00
Butter- chiplets				
20 gms ,,	0-98	1-00	1-02	1-10
10 gms ,,	0-54	0-55	0-56	0-60
Skim Milk Powder				
500 gms carton	15-00	15-25	15-50	16-50
Whole- milk- Powder				
500 gms tin	21-50	21-75	22-00	23-00
Sweetened milk( cond- ensed)				
400 gms	11-00	11-20	11-40	12-00

Source : K.M.F.'s price list as on 25-9-1986.

The table clearly reveals the final price to be paid by final consumers upon the various sizes of all products of K.M.F.



as well the level of margin of each middlemen in the channel. The price system of K.M.F. helps to achieve its major objective of providing increased returns to milk producers who are its owners and at the sametime supplying quality products at stable prices. Out of the final price of each product major share is received by K.M.F. and a reasonable amount is received by all middlemen as a reward for their marketing services. Although, the level of margin upon each individual item is limited but as the sales volume of each middlemen increases the total margin also amounts to huge figure and it is such incentive that stimulates each middlemen to market K.M.F's products.

For every kilogram of Ghee marketed, the approved dealer receives 50 paise if Ghee is sold to sub-agent; one rupee, if sold to retailer and three rupees, if Ghee is sold to final consumers. The sub-agent will be receiving 50 paise for each kilogram of Ghee sold to retailer and two rupees fifty paise if sold directly to final consumers. Similarly, the retailer receives two rupees as his margin upon each kilogram of Ghee sold.

In case of unsalted Butter, the approved dealer's margin is 50 paise if sold to sub-agent; 1 rupee, if sold to retailer Rs. 4 if sold directly to final consumers. The margin of sub-agent is 50 paise, if unsalted butter is sold to retailer and 3-50 paise if sold directly to final consumers. Similarly, the retailer's

margin is Rs. 3 upon each kilogram of unsalted butter sold to final consumers.

In case of salted butter, the approved dealer's share in final price is 50 paise if forwarded to sub-agent; 1 rupee if sold to retailer, and Rs. 4-50 if sold directly to final consumers. The sub-agent's margin is 50 paise if sold to retailer and Rs. 4 if sold directly to final consumers.

In case of skimmed milk powder and whole milk powder for every kilogram the share of approved dealer is 50 paise if forwarded to sub-agent; 1 rupee if sold to retailer and Rs. 3 if sold directly to final consumers. The sub-agents' margin is 50 paise if sold to retailer and Rs. 2-50 if sold directly to final consumers. Similarly, the retailer's margin is Rs. 2 in the final price of milk powder.

In this way stable margin of each middlemen in the channel is maintained by K.M.F. Under no situation, any middleman is allowed to alter the fixed prices. Strict vigilance is kept by K.M.F.'s marketing staff through surprise visits to the premises of various middlemen.

Sales Quota and Ordering Quantity : Every approved dealer is given with a quarterly sales-quota. At present it is fixed at Rs. 20 lakhs per quarter. To encourage each dealer to exceed his total sales more than the given quota, an additional

commission of 1/4% on sales exceeding Rs. 20 lakhs is given. And to those dealers who lag behind and proved inefficient, 1/4% commission on the short-fall of the allotted turn-over will be deducted from the commission payable. Hence, both incentive and penalty is awarded depending upon the performance of individual dealer.

The quantity to be ordered at any single time by approved dealers should be preferably not less than a truck load. It does not mean that the orders for lower quantity will not be accepted. The transport charges for all those orders exceeding a truck load are borne by K.M.F. and if the ordering quantity is lower, than the dealer himself has to shoulder the cost of transportation. This policy of K.M.F. quoting same delivered price to all dealers regardless of their location (Uniform Delivered Pricing) is serving as quantity discount and encouraging approved dealers to place an order in quantities equal to or more than a truck load.

b) Terms of sale : The price strategy of K.M.F. includes the sub-variables like cash or credit sale, mode of payment and instalment facilities.

As far as terms of sale is concerned, K.M.F. is preferring cash sale only. Under no circumstances credit is granted to commercial middlemen. But, to encourage and maintain healthy

relations with approved dealers, on rare occasions, credit is granted to a limited extent. For example, if any approved dealer has ordered the products- Ghee and Butter-worth Rs. 2.60 lakhs, and if any festival is fastly approaching then the actual delivery of products worth Rs. 3 lakhs may take place anticipating heavy cry for Ghee and Butter during festives. In this way, by slight moving away from their established policy and by feeling pulse of the market, the approved dealer is benefited and not put to loss of business opportunities resulting from shortages perticularly during festivals.

In case, the whole salers or retailers from out of Karnataka state or final consumers and milk selling agents approach directly to K.M.F's sale counter, then- however reliable the purchaser may be- credit is not granted and sale is made only against cash payment.

As far as, milk producer's district unions and co-operatives are concerned the terms of sale are both cash and credit. As these unions and co-operatives are the owners of K.M.F. and the latter is collecting liquid milk from the former, there is no risk of bad debts on account of credit sale, if any. In other words, K.M.F. can deduct the amount of credit sales out of the payment to be made to these unions or co-operatives for the purchase of liquid milk from them.

Payment modes : The currency notes, cheques of scheduled banks, demand drafts of scheduled banks are the modes of payment usually accepted by K.M.F.

Instalment facilities : K.M.F. is marketing its product not only to general consumers but prestigious orders of Indian Defence are also obtained and executed. Similarly, Flavoured Milk under Child Integrated Development Programme is being supplied to Government Welfare Agencies. Under such a situation it cannot press for cash payment. Instalment facility is being extended by K.M.F. to both the defence authorities as well as Government Sponsored Welfare Agencies.

c) Re-sale Price Maintenance : "Maintenance of price refers to that system of distribution under which the manufacturer of trade marked or otherwise identified goods names the prices, at which his products shall be sold and distributed by wholesalers and retailers, thus controlling the margins realised by distributors and the prices paid by consumers".<sup>28</sup>

In other words, it is a policy adopted by K.M.F. to fix the sale price at which its products will be re-sold to middlemen and final consumers. This re-sale price is fixed after taking into account the market conditions like, product acceptance by consumers and channel members, quality of product, promotional activities under taken, extent of competition, quality and price

of competitive products, promotional programmes of competitors, etc.,. The approved dealer or other trader should sell the products at the prices so fixed and under no circumstances he shall alter the fixed sale price.

By fixing the re-sale prices, K.M.F. is successfully attempting to control the middlemen's margin and more important, the final price to be paid by final consumers. Stability in market prices is the main advantage accruing to K.M.F. from such a practice. The stable market prices are helpful to both the middlemen and the final consumer, for both are assured that they are not over charged. Again, the maintainance of re-sale price helps K.M.F. to build a positive public image about its brand and products. Lastly, the advertising agencies are also supporting this policy of re-sale price fixation by K.M.F.

The demerits of such a policy to K.M.F. is that it has to incur additional expenditure upon advertising so that the final price so fixed is brought to the notice of general public. Secondly, those middlemen who do not desire their trading ability be restricted in any manner and who desire to feature loss-leaders and cut-prices, oppose the fixation of re-sale price by K.M.F.

#### 4.5 The Uncontrollable Variables :

K.M.F's success in marketing its milk products depends not only on its controllable variables but also on trends and developments in the marketing environment. The marketing environment represent a set of "Uncontrollable forces" to which K.M.F. must adopt its "Controllable forces" namely, the product, the place, the promotion and the price.

In the words of Philip Kotler "a company's Uncontrollable variables consists of the actors and forces that are external to the marketing management function of the firm and that impinge on the marketing management's ability to develop and maintain successful transactions with its target customers".<sup>29</sup>

The forces which are external to the firm and as such the management is not free to choose, alter or control them. They include the following :

- Demand,
- Competition,
- Trade Variables
- Product inputs,
- Managerial skills,
- Financial resources,
- Legal constraints.

These uncontrollable variables limit the strategy choices available to marketing management in an attempt to influence a favourable purchase decision by the consumer. The firm is vitally affected by these uncontrollable variables as they are changing, constraining and uncertain, providing new opportunities and new threats. Further, these variables change so quickly and unpredictably that major surprises and shocks are being generated within the firm. Hence, it is necessary to understand the uncontrollable variables amidst which the marketing plan is to be executed. These variables determine not only what must be done, but what it is possible to do.

**Demand :** Demand is the most significant uncontrollable variable. "It is least known and least predictable, yet has the greatest impact on what can or cannot be done in marketing".<sup>30</sup> It is claimed that sellers are able, through modern marketing methods, to induce consumers to buy products they neither need nor want. This seems to be something of an exaggeration. Many of the new products fail in the market, inspite of huge expenditure on marketing. The marketing of products would be the far easier task if a significant control over demand were possible.

Demand is the result of consumer needs and goals. As milk products can be consumed by all human being irrespective of their age and sex, the total population of the target market



can be taken as the potential demand for K.M.F's milk products. The total population of four districts of North Karnataka (which is the target market of K.M.F's dairy plant, Dharwad) as per 1981 census is 93,85,116. Taking the average per capita consumption of milk products, if K.M.F. suddenly decides to go in for production, surely the result will be utter failure. Because, demand is the most significant uncontrollable variable providing both opportunities for success and threat to failure. Although, the total population is taken as potential demand for milk products, yet some segments are to be eliminated from it. For example, those families which possess their own cows and buffaloes prefer home made Ghee and butter.

The demand for products is constrained by such basic forces as market segments, number of customers, their purchasing power, buying behaviour, life style and needs, degree of brand awareness and brand loyalty, location of brand decision- home or point of sale, sources of product information, current awareness and knowledge levels, who make the buying decision- male, female, children, degree of use- heavy or light, etc.,.

The key to such an analysis is to discover the implications for marketing programmes. For instance, to develop a more effective marketing strategy. K.M.F. has to divide the total population into various segments, such as on the basis of income and life style, the customers may be divided into the higher class,

the middle class and the lower class. On the basis of geographical location the markets may be divided into rural, urban and sub-urban markets. On the basis of such segments, the K.M.F. can focus the light of its marketing plan on those segments which can be positively turned as potential target market.

The decision making authority in a family is having its own impact upon the K.M.F.'s marketing programme. If it is female member of the family then the advertisement about milk products may be given in such journals, magazines which are most read by female. If the decision making authority is a male member then other suitable media is to be selected. If the target segment is unaware about the multiple uses of products and their availability then heavy promotional programme is to be chalked out. On the other hand, if the brand awareness is there, then a different programme is to be chalked out to convert this brand awareness into brand preference and thereby into brand loyalty. The location of brand decision is again more important in designing a suitable marketing programme. That is, if the decision to buy a Mandini brand product is taken at home then radio, T.V. or home-read-journals can be preferred for customer information. Conversely, if the brand-decision is made at point-of-purchase then heavy window display and instore display may be under taken. The purchasing power and buying behaviour of potential customers influences its own effects upon the design

of marketing strategy. The higher income group who do not bother to purchase and store in large quantity; for them a product in large quantity say 1 Kg. and 15 lg. tin of Ghee may be brought in to market. On the other hand, for those persons who desire to purchase and use milk products but their money power restricts them, then a package of small size, say 10 gms, 20 gms butter; 100 and 200 gms Ghee may be brought into market.

Hence, due consideration is to be given to all these complex aspects of demand variable while developing an effective marketing strategy.

**Competition :** Every company faces a wide range of competitors. Failure to evaluate competition correctly is the common reason for unprofitable marketing strategy. If competition is intense, a different marketing strategy is to be developed than if it is moderate. Further, the basis (price/non-price) of competition, the present and future state of competition, the anticipatory retaliation by competitors help to determine the appropriate marketing strategy.

To evaluate competition correctly, K.M.F. has to throw its light of marketing intelligientia upon aspects like:

- a) Number of competitors,
- b) Their market share
- c) Financial resources and promotional activities,

- d) Their products, prices and margin,
- e) Competition from substitute products.

a) Number of Competitors : As the major milk products manufacturing plants are started on Anand-pattern co-operative basis a moderate degree of competition is faced by K.M.F. in its target market area. At present, K.M.F. is facing competition from the most well established and pioneer brand in milk products 'Amul' and 'Sagar' brands used by Gujarat Co-operative Milk Producer's Federation Ltd. The other competitive brands in co-operative sector are like 'Aavin' a brand used for milk products by Tamilnadu co-operative Milk Producer's Federation; 'Bounce' a brand used by Dempo Dairy Industries Ltd., (a dairy plant of Goan Government established in Bijapur district of Karnataka state); 'Vijaya' a brand used by Andhra Pradesh Co-operative Milk Producer's Federation; 'Sneha' a brand used by Madhya Pradesh Co-operative Milk Producer's Federation; Apart from these competitors in co-operative sector, K.M.F. is facing competition from private sector also. For instance, 'Indana' and 'Angel' brands used by foremost dairies Ltd, Ved Mansion, Jaxapath New Delhi; 'Anik' Ghee and 'Anikspray' Skim Milk powder by Hindustan lever limited, Bombay, 'Japan' a brand used for Ghee by Dalmia Dairy Industries, Bombay.

b) Market Share : A considerable portion of market is shared by major competitive brands like 'Amul' 'Sagar' Aavin,

bounce. As Amul is the pioneer in the field of milk products it is having a national market. It can be rightly said that Amul is the trend setter in the marketing of milk products. What is true of whole nation is equally true in North Karnataka. That is the major share of K.M.F's target market area is in the pocket of Amul. Similarly, Bounce is occupying a considerable portion of this market for skim milk powder and whole milk powder. The main reason for such a sizeable portion of the market shared by 'Bounce' is that the plant is located in Asangi village, Jamkhandi taluka of Bijapur district with registered office at Bangalore. Hence, its marketing activities have naturally spread over this region.

Again, as the Tamilnadu and Andhra Pradesh are the neighbouring states, the milk products produced by their Federations are also marketed in Karnataka. The 'Aavin' of Tamilnadu Milk Producer's Federation and 'Vijaya' of Andhra Pradesh Milk Producer's Federation share a sizeable portion of North Karnataka. They are having their own dealers in each district of North Karnataka, through whom the intensive distribution of their products is under taken. Further, although limited but some share of this market is being occupied by private manufacturers like 'Indana' Ghee by Foremost Dairies; 'Sapan' Ghee by Dalmiya Dairies; Anik Ghee and Anikspray skim milk powder by Hindustan Levers Limited.

c) Financial Resources and Promotional activities ;

Finance is being provided by Indian Dairy Corporation to all the co-operative Milk Producer's Federation, as such the shocks of financial shortages is not felt by any federation. Amongst all, the Gujarat Milk Federation top the list as far as financial resources are concerned. It owns its own milk sheds consisting of hundreds of milch animals. As such for procuring milk, it has not required to depend too much on milk producers. As its own reliable milk sheds are there, it is collecting the same quantity of milk irrespective of the lean or flush season.

As far as, promotional activities are concerned, mass advertisement on national level is under taken by 'Amul'. Not a single magazine or journal is printed without Amul's advertisement copy. Radio, T.V. and film slides are all being used intensively by Amul. As such Amul is known to one and all. The promotional activities of other brands in North Karnataka is to a limited extent. They might have concentrated in their own states, but here in North Karnataka only dealer display is being used by Aavin, Vijaya and Sneha.

The private manufacturers of milk products do not come in par with federations as far as financial resources are concerned. But, their promotional activities are spread all over the national market using the effective services of Commercial Advertising Agencies. As such, they are most effective in producing effective business results.

d) Products, prices and margins of competitors : A variety of milk products are being produced by the competitors. The following table gives the picture of manufacturers producing various milk products with their brands.

Table : 4.9 : Competitive manufacturers with their brands and products operating in North Karnataka.

Federations/ Manufacturers	Brand	Products
Gujarat Co-operative Milk Producer's Federation Ltd.	'Amul' & 'Sagar'	Butter, Ghee, *S.M.P. +W.M.P. Milk Chocolates, Milk Food, Casein, Cheese powder.
Tamil Nadu Co-operative Milk Producer's Federation Ltd.	'Aavin'	Ghee, Butter, *S.M.P., Icecream, Flavoured Milk Cheese.
Dempo Dairy Industries, Dempo house, Campal, Panaji.	'Bounce'	*S.M.P. +W.M.P., Infant Milk Food, Malted Milk Food.
Andhra Pradesh Co-operative Milk Producer's Federation Ltd.	'Vijaya'	Butter, Ghee, *S.M.P. +W.M.P. Mix powder, Butter milk, Sterilized flavoured milk, Icecream, Khoa, Milk Candy.
Madhya Pradesh Co-operative Milk Producer's Federation Ltd.	'Sneha'	Ghee, *S.M.P., Casein, Flavoured milk.
Hindustan Lever Limited, Bombay.	'Anik' 'Anikspray'	Ghee *S.M.P. Baby Food.
Foremost Dairies Ltd, New Delhi.	'Indana' 'Angel'	Ghee and +W.M.P. Baby Food.
Dalmiya Dairy Industries, Glaxo Laboratories, +Bombay	'Sapan' 'Glaxo'	Ghee, Butter, Baby food. +W.M.P.
*Skim milk powder, whole milk powder		

Source : Dairy India 1983.

Out of the various milk products produced by the competitors, not all the products are marketed in the North Karnataka, the target market area of K.M.F. dairy plant, Dharwad. Each Federation is having its own target market, wherein they are devoting much of their marketing attention. The only exception for this is 'Amul' which is covering not only Gujarat but the entire national market. However, K.M.F. in its target market area is facing competition from both co-operative federations and private manufacturers- particularly in case of milk powder. For Ghee and Butter, the major threat is from Amul and Aavin. As far as, markets out of the state is concerned K.M.F. is facing tough competition not only from above mentioned firms but also from a number of other established producers of milk products.

The final prices of all milk products marketed by co-operative federations are being controlled. As such, the sale price inclusive of all taxes is printed on the packages. But the private manufacturers of milk products do not strictly follow this practice. As such, alterations in the final price of their products by middlemen is possible. As the prospective customers are aware of this fact they will try to choose only those milk products which are being produced and marketed by co-operative federations. The table numbered 4.10 clearly reveals the market prices of various products, marketed under various brands.



Table : 4.10 : Final prices of milk products under different brands.

Products/ Brands	Rupees/Kg.			
	Skin Milk Powder	Whole Milk Powder	Ghee	Butter
Nandini	33-00	46-00	44-00	40-00 (salted) 38-00 (unsalted)
Sagar (Amul)	37-00	47-00	46-00	45-00
Bounce	36-00	-	-	-
Aavin	30-00	-	40-00	-
Sneha	42-00	-	-	-
Anik spray	38-80	-	-	-
Indana	40-00	49-60	-	-
Glaxo	-	52-00	-	-

Source : Collected through inquiries with dealers.

The prices of some of the products is not deliberately shown in the table as they are not marketed in the Northern parts of Karnataka. It is clear that, K.M.F. is facing price-based competition only from Aavin. The price per Kg. of Aavin S.M.F. is Rs. 30-00, where as the price of Nandini S.M.F. is Rs. 33-00 per Kg. Aavin's Ghee is sold at Rs. 40-00 per Kg. where as the Nandini Ghee is sold at Rs. 44-00 per Kg. Tamil Nadu Milk Producer's Federation is just attempting to enter this market and so far, it has appointed its dealer at Bijapur only and not in other three districts. With the only exception of

Aavin, the market prices of Nandini's all products are lower than the market prices of products marketed under other brands. In case of butter, K.M.F.'s only rival is the Amul and Sagar brand butter marketed by Gujarat Milk Producer's Federation. The final price of Nandini butter is Rs. 40-00 per Kg. and Rs. 38-00 per Kg. for salted and unsalted, respectively. Where as the Sagar butter's final price is Rs. 45-00 per Kg. A positive difference of Rs. 5-00 and Rs. 7-00 per Kg.

In case of milk powder, K.M.F. is facing tough competition from both the co-operative sector and the private manufacturers. The whole milk powder is marketed by Amul at Rs. 47-00 per Kg. and the Indana and Glaxo at Rs. 49-60 and Rs. 52-00 respectively. The market price of Nandini whole milk powder is the least price that is, Rs. 46-00 per Kg. In case of skim milk powder more competitors have concentrated their marketing operations with attractive market prices. Herein also, the market price of Nandini is the lowest one. (of course with the exception of Aavin skim milk powder) The Nandini S.M.P. is marketed at Rs. 33-00 per Kg., where as the market price of all other make is more.

On observing the comparative price list, it is apparently clear that the private manufacturer's market prices in each item is more than the prices fixed by co-operative federations.

Inspite of this fact they are able to share a sizeable portion of milk products market. This is on account of two reasons. Firstly, more margin is their to middlemen, and secondly, more advertisements, using various media like T.V., film-reels, various magazines etc.,.

Dealer's and retailer's margin on all types of milk products marketed by various federations is almost same. It is found while extracting informations from the resellers of various milk products that the differences in margin allotted by different federations is almost negligible. But, as far as, private manufacturers of milk products are concerned, they are providing large margin- more than what the co-operative federations are providing. This induces the dealers to make more efforts to increase the sales of those milk products upon which they get more margin. But, margin is not the only criteria for increasing sales. The factors like consumers confidence in retailer, product quality, customer-advertising activities, reputation of the manufacturer count more in pulling the products out of retailer's outlets.

Competition from substitute products : Apart from direct competition, K.M.F. is facing indirect competition from the substitutes of milk products like Desi Ghee, Desi Butter, vegetable oils etc.,. The traditional minded families and the rural based families prefer to keep cows and buffaloes to fulfill

their liquid milk and milk product requirements. The rural population largely consist of land owners and the land-less labour class. Both the class prefer to keep their own cows and buffaloes. The land owners will be having sufficient fodder to feed their livestock plus they are benefitted by their dung to be used as manure in their fields. The females in the houses of landless labour class prefer to keep cows and buffaloes so as to remain busy and to support to the incomes of their husband. Hence, both these class will fulfill their milk and milk product requirements within their houses.

Various vegetable oils are being used as the major substitute for Ghee and Butter. The rich and higher income group can only afford to use full Ghee or Butter in the making of their food items. The middle class and the below poverty line groups prefer vegetable oils in place of Ghee or Butter. Perhaps Ghee and Butter is used during festives. Those customers who use Ghee or butter are again attracted by Desi Butter or Ghee marketed during weekly Bazaars of villages. Some of the city dwellers do not bother to visit villages on bazaar days and purchase Butter. They think that simple villagers do not adulterate the milk products.

Hence, it is clear that out of the established competitors both from co-operative and private sectors with sound financial resources, long standing marketing experience, well reputed brands,

huge expenditure upon mass-advertising and other sales promotional activities, K.M.F. has to place and position its products in its target market. With better quality products at comparative lower market prices, the K.M.F. has to build up its own image not only in its target markets but also in whole of the national market, it has to cover up not only its entire target market but has also to snatch the markets (out of Karnataka) from the clutches of its competitors.

Trade Variables :

Trade variables include those market intermediaries which help the K.M.F. in promoting, selling and distributing its products to the final consumers. They include a) channel members, b) Physical distributing firms and c) marketing service agencies.

a) Channel Members : Channel members include those middlemen who help K.M.F. in finding customers and finalising sales with them. They fall in two categories- Agent middlemen and Merchant middlemen. K.M.F.'s approved dealers are acting as agent middlemen for, they are forwarding the milk products to other resellers without taking title over them. On the other hand, the retailers and wholesalers are the channel members acting for and on their own behalf with holding title over K.M.F.'s milk products. As these channel members are creating time, place and possession utilities, K.M.F. is freed from the financial and managerial complexities to operate such an vast distribution system.

Further, the members of channel are helping K.M.F. to overcome two discrepancies between its output and the customer's needs. Firstly, the large quantity in which K.M.F. is producing daily and the limited units demanded by individual customer. Secondly, it is the assortment discrepancy. That is; K.M.F. produces only one brand, where as customers want to examine an assortment of different brands before deciding to purchase. Thus, discrepancies between the K.M.F's capabilities and the market's requirements forces it to turn to channel members to reach and serve its target markets effectively.

The channel of distribution is regarded as uncontrollable variable, because, out of various existing channels it is not always possible to gain access to most suitable channel. Sometimes, the firm have to work hard to get 'shelf-space' in the needed type of outlet; the middlemen may dictate his own terms or else the firm will be losing a large volume of market. Even if, the firm succeeds in approaching a particular dealer in a particular territory, there is no guarantee that he will remain loyal through out. For, the other competing firms in industry may approach him with better offers. Hence, selecting and working with channel members is not an easy task. Selection of some middlemen excludes the possibility of working with others. As such, great care is to be taken while choosing the members of trade channel.

Initially, K.M.F. appointed one single approved dealer to market its products in each district of its target market. But later on, as it found that the effective serving of whole district by a single dealer is not possible, it restricted the area by dividing each district in between two approved dealers. Hence, now there are two dealers for Dharwad and Karwar districts. For Bijapur, at present there is one approved dealer taking care of Bijapur and Bagalkot area and for the rest of the district it is seriously thinking of appointing one more dealer. It may be mentioned here that at the start, approved dealership to Bijapur district was given to a dealer located at Talikot, a taluka town of Bijapur. But, for his poor performance, his dealership was cancelled later on.

b) Physical distributing firms : The various firms providing transport services through out the nation assist K.M.F. also in moving its goods from its factory-site to their destination. The choice of proper transport carrier affect the pricing of milk products, on time delivery and the condition of products in which they are delivered. All of which in turn affect the customer satisfaction. Physical distribution system is regarded as uncontrollable variable, as the modes of transport like trucks and rails are not owned by K.M.F. As a result it has to depend upon other private and common carriers. A private carrier is one who owns his own trucks and provide transport

services from one place to other whenever cargo is available. A common carrier is one who provides transport services between predetermined points on a scheduled basis and is available to all at standard rates. However, 'out of firm is out of control'. It may not be always possible to get the most cost-effective transport service. Sometimes, to meet the urgent requirements of dealers it has to work with most unsatisfactory shipment, which may not be suitable from the considerable points like safety, speed, delivery date, internal handling, cost etc.,.

c) Marketing Service-Agencies : These include the agencies like marketing research agencies, advertising agencies, media firms, marketing consulting firms etc.,. Such firms assist K.M.F. in placing and promoting its products in a most economical way. These agencies are regarded as uncontrollable because it is not always possible to contact the agency with needed type of creativity, effectivity, quality, service and price.

#### Other Environmental Variables :

These include such uncontrollable variables like product inputs, managerial skills, financial resources, local constraints etc.,.

a) Product inputs : K.M.F. needs liquid milk as the major input to produce its milk products. But liquid milk- although not yellow-gold but white-silver and still- it is not



available in sufficient quantity. The milk which remains after meeting the requirements of urban population is only utilised for processing into milk products. In spite of milk being procured from all the district unions in Karnataka, it is not possible to collect the milk to its full capacity. Its average capacity of milk handled per day remains at 30,000 litres per day during lean season and 92,000 litres per day during flush season. Where as the licensed capacity of K.M.F. to handle milk is to the extent of 1.5 lakh litres per day. As such, raw liquid milk is not a controllable item so as to increase the output of milk products by increasing the procurement quantum of liquid milk.

b) **Managerial Skills :** The success of any firm is attributed to the type of management it possesses. Taking of right decision at the right time needs a right person in the right chair. All the departments of a firm including purchase, production, finance, engineering, marketing etc., are equally important. As such, they are to be equipped with equally qualified, experienced and specialised persons. To get a highly qualified and experienced person it is a costly affair adding its own burden to final price. Sometimes, such persons impose their own terms and conditions. Even if, at such an exorbitant cost if they are accommodated there is no guarantee that they will remain forever with K.M.F. If some still better opportunity is offered by other firms, they may shift their

loyalty and legally, they cannot be restrained from doing so.

c) **Financial Resources** : Many firms have been hampered in effectively executing their marketing plan due to inadequate financial resources. The K.M.F. although established with an huge amount of 7.2 crores, but still finance is not a controllable variable for it. Because, if sufficient funds were available then it could have easily worked out the establishment of its own retail outlets, atleast in the urban centres; mass advertisement could have been undertaken; and moreover it could have owned its own source of sufficient milk supplies, which is more important.

d) **Legal Constraints** : Often a marketing programme deemed effective and profitable but cannot be fully implemented because of restraints imposed by various laws of the land. Legal constraints are being imposed to protect the interest of consumers and every firm is required to design its marketing strategy within such frame work. In case of milk procurment by K.M.F. the ministry of Karnataka fixes the minimum purchase price, below which the milk producer cannot be paid. This increases the cost of milk procurment and thereby increases the final price of milk products.

Fixing and controlling of final price for milk products by K.M.F. is, no doubt liked by final consumers but, may not be liked by resellers as their trade practice is affected.

If the laws of land remain constant for a fairly long period of time, then the legal variables would not have remained as uncontrollable. The laws are likely to change, whenever there is a change in parties holding political power. So also the firms have to change and adjust their marketing strategy.

Thus, the marketing environment provide K.M.F. a place to search for opportunities and to monitor threats. It consist of all those uncontrollable variables which affect the K.M.F's ability to deal effectively in its target market.

To conclude with, successful marketing depends on more than effective product policy, distribution policy, promotion policy and pricing policy. It is essential that, these controllable variables be so integrated, co-ordinated and adjusted with the set of uncontrollable variables that the over all result is more than the sum of its individual parts.

It is the role of marketing function, more than of any other business function, to assure that economic resources are allocated effectively to fulfill consumer needs and wants. If marketing does not perform this role well, then K.M.F. will not attain its dual-responsibility of providing a fair return and continuous market to milk producers and protecting consumers by providing quality products at reasonable rates. Similarly, consumers too will loose, if marketing does not perform its role

well. That is, economic resources will of course be invested but, consumer needs and wants will remain un-satisfied. Thus, society has a high stake in the skill with which marketing executives perform the marketing task. The heart of this task is the planning of a proper marketing strategy.

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