

## **An Empirical Study on Brand Extension Adopted by Amul**

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### **ABSTRACT**

**Cannibalization** is an evident fact that results when a firm develops a new product that steals business or market share from one or more of its existing products and services. Thus one product may take sales from another offering in a product line. Brand extension can be a deliberate strategy for growth.

**Brand Extension** is the use of an established brand name in new product categories. This new category to which the brand is extended can be related or unrelated to the existing product categories. A renowned/successful brand helps an organization to launch products in new categories more easily.

The objective of this research is to study customers views on what they have to say on brand extensions done by companies and does it actually help the company or is coming up with new products they are creating more confusion among their customers..

The research is empirical in nature. Timeline for this research is 2 months from 3<sup>rd</sup> February,2020 to 3<sup>rd</sup> April,2020. Sample size for the research is 100 Homemaker. Data collected for this research is through Primary data (Consumer Survey form) and Secondary data through books, journals and webliography. Data Analysis has been done through Excel and the tools used are pi-charts. Through this research, the researcher has found that Brand Cannibalization has helped Amul with reference to Milk and Dahi products as compared to other competitors in the market because it is offering value to the customer. This study also shows that Amul compared to other brands are accessible at retail stores compared to the competitors. People prefer Amul because of the Taste, Pricing, and Brand, wide range of brand extension and product availability of the brand.

*Keywords: Brand cannibalization, Brand Extension, Value product*

### **INTRODUCTION**

Brand Cannibalization refers to a reduction in the sales volume, sales revenue, or market share of one product as a result of the introduction of a new product by the same producer in the same product line. Cannibalization most of the times suggests a negative effect resulting from the line extension of a product. Although the idea of cannibalization may seem primarily negative, it also has some positive implications.

While introducing new products in a product line, firms need to reduce the benefit calculated for a new product by the amount of the existing product benefit lost. However, firms need to recognize that cannibalization is not always avoidable. After all, competing companies might have entered the market with a similar product and taken these sales anyway, even if the new product had not been introduced. Cannibalization can even occur before a new product is introduced. In fact, some experts claim that a pre-announcement for a new product can cannibalize the sales of an old product in a prior period.

Some experts argue that organizations should encourage cannibalization. By encouraging competition among their stand-alone business units, companies could create a climate in which risk taking and new ideas were both rewarded and valued

**Brand Extension** is the marketing strategy wherein a new product is launched under the existing brand name. The category in which product is launched may be related or unrelated to the brand's current category. The brand that gives rise to a new product under its name is called "**The Parent Brand**".

Brand Extension for Amul

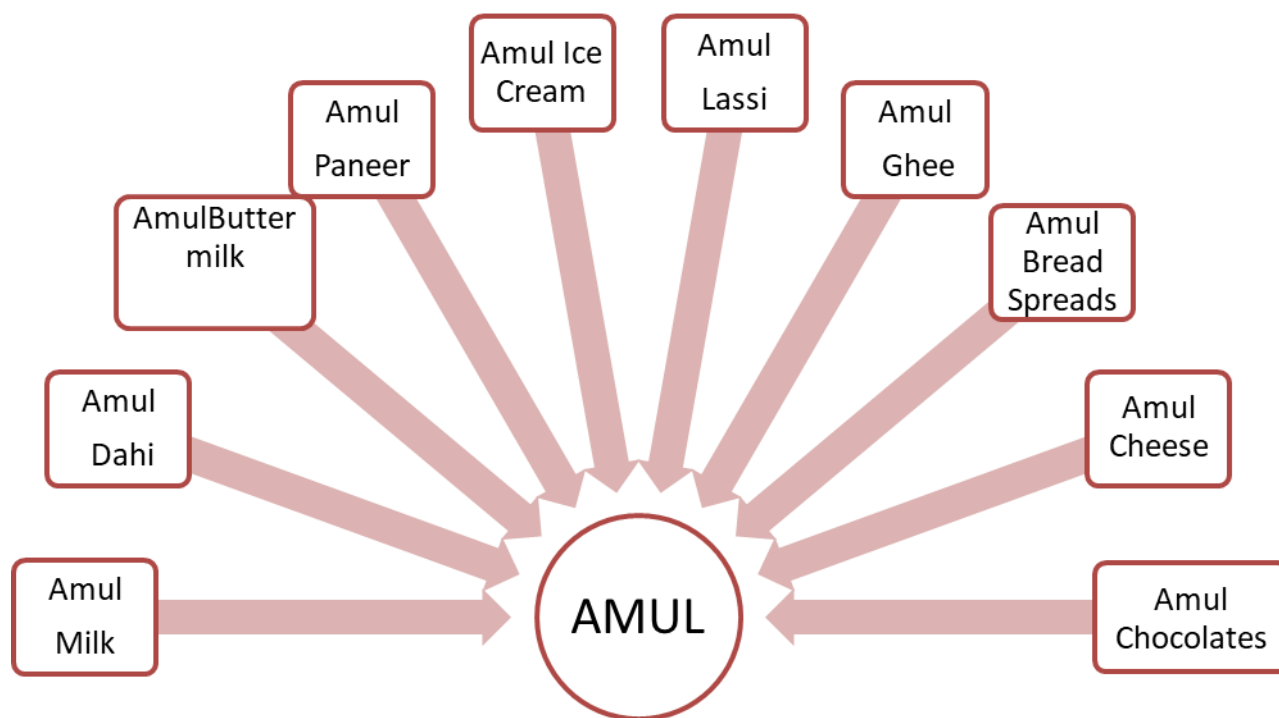


Fig.1

From the above Fig.1 the researcher would be studying only Amul milk and Amul Dahi brand extensions for this research.

*The Researcher would be also studying Michael Porter's Value chain Model to analyze how this model helps in creating Value in the products and help the company come with Brand extensions.*

### Dairy Industry in India

India has the highest livestock population in the world with 50% of the buffaloes and 20% of the world's cattle population, most of which are milch cows and milch buffaloes. India's dairy industry is considered as one of the most successful development programs in the post-Independence period.

Over the years, Amul, one of the most beloved brands of our country, has become the taste of India, just as its tagline claims. Every Indian millennial has grown up listening to the jingles of its many dairy products, and the Amul girl, the brand's mascot in the polka-dotted dress, has become a nostalgia-evoking symbol. Amul has truly come a long way since its founding in 1946.

### The beginning

Amul was formed as a part of a cooperative movement against Polson Dairy in Anand, Gujarat, which procured milk from local farmers of Kaira District at very low rates and sold it to the then issue Bombay government. Everyone except the farmers benefited from this trade.

The farmers took their plea to Sardar Patel, who had advocated farmers' cooperatives since 1942. The result was the formation of the Kaira District Co-operative Milk Producers' Union Limited in Anand. The union started pasteurizing milk produced by a handful of farmers for the Bombay Milk Scheme and grew to 432 farmers by the end of 1948. The rapid growth led to problems including excess production that the Bombay Milk Scheme couldn't accommodate. To solve this.

### Amul is born

The late Dr Verghese Kurien, rightly called the Milkman of India, was Amul's true architect. His journey at Amul began in 1949 when he arrived in Anand to manage a dairy as a government employee. He went from helping farmers repair machinery to revolutionizing India's dairy industry with the White Revolution (or Operation Flood), the largest dairy development programme in the world.

The new dairy with the milk processing plant was ready for operation in October 1955, the year that also saw a breakthrough in dairy technology —buffalo milk was processed to make products for the first time in the world. The word ‘Amul’, derived from ‘Amulya’, which means ‘precious’ or ‘priceless’ in Sanskrit, was used to market the range of milk products developed by the Kaira Union. It is also an acronym for Anand Milk Union Ltd. Dr Kurien had a vision. He wanted to offer small-scale dairy farmers quality-control units and centralized marketing, which were missing at the time in the dairy economy. Thus, the Gujarat Cooperative Milk Marketing Federation (GCMMF) was created in 1973 to market milk and all milk products produced by six district cooperative unions in Gujarat. GCMMF is the largest exporter of dairy products in India and Amul is the umbrella for all of its products

**Overview of AMUL**

Year of Establishment	<b>1973</b>
Members	18 District Cooperative Milk Producers' Unions
No. of Producer Members	<b>3.6 Million</b>
No. of Village Societies	<b>18559</b>
Total Milk handling capacity per day	32 Million litres per day
Milk collection (Daily Average 2018-19)	23 million litres
Cattle feed manufacturing Capacity	9200 Mts. per day
Sales Turnover -(2018-19)	Rs 33150 Crores (US \$ 4.9 Billion)

**OBJECTIVES OF THE STUDY**

1. To study the Brand extensions of Amul
2. To study the consumer preferences of competitor products ( Milk and Dahi)
3. To analyze the customer perception towards Brand extension of Amul with special reference to Milk and Dahi
4. To study if porters value chain model helps Amul to go for Brand extension strategy.

**SCOPE OF THE STUDY**

The Scope of the study is Milk and Dahi Products in Santacruz east area only.

**RESEARCH METHODOLOGY**

The research is empirical in nature and data was collected through Observation and Questionnaire method. Sampling technique used was Non Probability Convenience Sampling for a Sample size of 100 respondents in Santacruz. Time line for the research is from 3<sup>rd</sup> February, 2020 to 3<sup>rd</sup> April, 2020

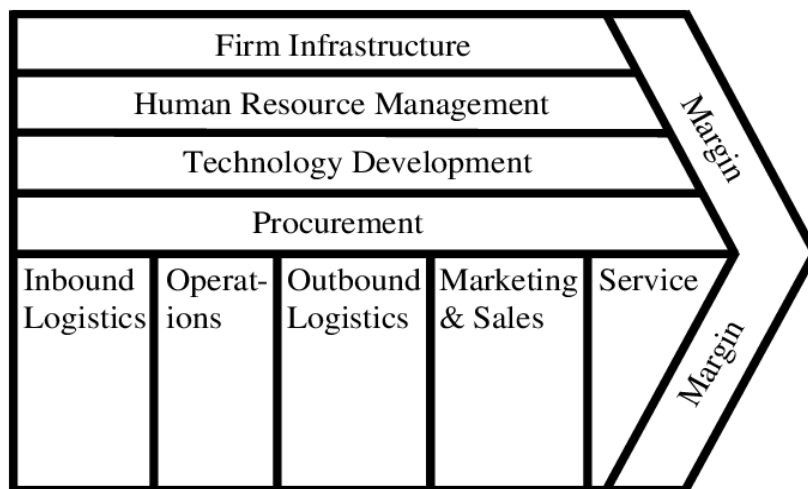
**DATA ANALYSIS AND INTERPRETATION:**

- **Gender: 100 Females were surveyed for this research project**
- **Occupation: Homemaker**

Amul Milk	Amul Dahi
<ul style="list-style-type: none"> <li>• <b>Amul Milk v/s Other Brands</b> 78% respondents say they consume Amul Milk whereas 22% they consumer other brands.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Amul Dahi v/s other Brands</b> 85% respondents say they consume Amul Dahi whereas 15% they consumer other brands.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Other Brand Preferences in Milk</b> 54% prefer Gokul Milk, 32% prefer Aarey, 10% prefer loose milk and 4% prefer Slim Milk of Nestle.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Other Brand Preferences in Dahi</b> 33% prefer Gowardhan Dahi, 27% prefer Chitale, 13% prefer Nestle Dahi and 27% prefer loose Dahi.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Consumption of Brand extension of</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Consumption of Brand extension of</b></li> </ul>

<p><b>Amul Milk</b>                  79% respondents prefer Amul Tazza whereas 21% respondents prefer Amul Gold.</p>	<p><b>Amul Dahi</b>                  92% respondents prefer Amul Masti whereas 8% respondents prefer Amul Premium</p>																								
<p>• <b>Time period of consumption of Amul Milk</b></p> <p>a. Amul Tazza (79% respondents)                  81% respondents have been consuming Amul Tazza for more than 1year, 11% have been consuming more than 6 months and less than 1 year, 4% have been consuming more than 3 months and less than 6 months, 2 % have been consuming less than 3 months, 2 % have recently started consuming say a week.</p> <p>b. Amul Gold (21% respondents)                  19% respondents have been consuming Amul Gold for more than 1year, 25% have been consuming more than 6 months and less than 1 year, 25% have been consuming more than 3 months and less than 6 months, 13 % have been consuming less than 3 months, 18 % have recently started consuming say a week</p>	<p>• <b>Time period of consumption of Amul Dahi</b></p> <p>a. Amul Masti Dahi ( 92% respondents)                  68% respondents have been consuming Amul Masti for more than 1year, 13% have been consuming more than 6 months and less than 1 year, 10% have been consuming more than 3 months and less than 6 months, 3 % have been consuming less than 3 months and more than 1 month, 5 % have been consuming for a month, 1% has recently started consuming say a week.</p> <p>c. Amul Premium (8% respondents)                  29 % have been consuming premium Dahi less than 3 months and more than 1 month, 57 % have been consuming for a month, 14% has recently started consuming say a week</p>																								
<p>• <b>Recent Brand Switch within Amul and Other Brands of Milk</b></p> <table border="1" data-bbox="172 1240 778 1473"> <thead> <tr> <th>Brand</th> <th>Switch</th> <th>Percentage</th> <th>Reason</th> </tr> </thead> <tbody> <tr> <td>Gokul</td> <td>Taaza</td> <td>2%</td> <td>Value product</td> </tr> <tr> <td>Taaza</td> <td>Gold</td> <td>14%</td> <td>Calcium supplement, Quality product</td> </tr> </tbody> </table>	Brand	Switch	Percentage	Reason	Gokul	Taaza	2%	Value product	Taaza	Gold	14%	Calcium supplement, Quality product	<p>• <b>Recent Brand Switch within Amul and Other Brands of Dahi</b></p> <table border="1" data-bbox="817 1240 1406 1444"> <thead> <tr> <th>Brand</th> <th>Switch</th> <th>Percentage</th> <th>Reason</th> </tr> </thead> <tbody> <tr> <td>Nestle</td> <td>Masti Dahi</td> <td>1%</td> <td>Quality, Product availability</td> </tr> <tr> <td>Masti Dahi</td> <td>Premium</td> <td>14%</td> <td>Taste, Quality</td> </tr> </tbody> </table>	Brand	Switch	Percentage	Reason	Nestle	Masti Dahi	1%	Quality, Product availability	Masti Dahi	Premium	14%	Taste, Quality
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Masti Dahi	Premium	14%	Taste, Quality																						
<p>• <b>Reasons for Purchasing Amul Milk</b></p> <p>a. Tazza ( 79% respondents)                  48% purchase Taaza because it is Value product, 13% purchase because of its availability, 11% purchase because of its taste, 10% because of the brand Amul Taaza, 10% because of word of mouth, and 8% because of the price.</p> <p>b. Gold ( 21% respondents)                  44% purchase Gold because its healthy and calcium content, 25% purchase because of its taste, 19% purchase because of its quality, 6% purchase because of its packaging, 6 % purchase because of its brand name Amul Gold.</p>	<p>• <b>Reasons for Purchasing Amul Dahi</b></p> <p>a. Masti ( 92% respondents)                  63% purchase Masti dahi because its taste, 17% purchase because of its quality, 10% purchase because of the product availability at the outlets. 10% purchase because of the Word of Mouth and popularity.</p> <p>b. Premium ( 8% respondents)                  43% purchase premium Dahi because of its quality, 29%prefer because of its taste and 28% prefer because it is healthy.</p>																								

**Porters Value Chain Model and Brand extension strategy of Amul**



Michael Porter developed the concept of Value chain in his popular book “Competitive Advantage: Creating and Sustaining Superior Performance” in 1985

**Value chain** is a chain of activities which aims at creating and adding value to a product or a service. Value is added at every process of doing business. Businesses aim at having attractive margins and thus they need to work on their operating procedure carefully. Businesses work to change input into an output by adding greater value in it. The more value a company creates, the more profitable it becomes. When more value is created, the same is passed on to the customers and thus further helps in combining a competitive edge. One happy customer becomes a positive word of mouth for your company and he gets ten more customers for your company. Value adds brand loyalty and brand awareness in markets.

Amul has a strong value chain (Primary and secondary activities)

**A. Primary Activities**

**1. Inbound Logistics:**

Amul maintains a good relationship with their Milk Producers. They come and pour the milk at the dairy co-operative societies. Every milk producer of the village is a member of the Village Dairy Cooperative Society. These members elect their representatives. . These representatives together manage District Milk Unions.

*Concept covered as per the model (placing order for raw material, receiving it, storing it, material handling, warehousing and inventory control)*

**2. Operations:**

The district Milk unions take care of the milk and milk products.

*Concept covered as per the model (machining, packing assembly, equipment maintenance, testing, printing pasting, stacking and facility operations.)*

**3. Outbound Logistics**

The milk is then transported and sold to the State Milk Federation.

*Concept covered as per the model (Warehousing, material handling, routing, selection of routes, mode of transport, order processing and scheduling)*

**4. Marketing and Sales**

State Milk Federation then acts as the distributor that markets and sells the products in the market to the retailers and consumers.

*Concept covered as per the model (advertising, promotion, sales force size, training and developing, channel selection, channel relation and pricing)*

### 5. After Sales

State Milk Federation offers the facility of replacing the milk and Dahi products if the retailers and customers face any issues with packaging, material handling. They get replacement for those products.

*Concept covered as per the model (product adjustment)*

### B. Secondary Activities

#### 1. Procurement

Amul procures the raw material from the Milk Producers

*Concept covered as per the model (acquisition of resources)*

#### 2. Technological Development

Amul uses the SAP software and other software's and apps for smooth functioning of its products to its customers. It also uses best of technological machines for its manufacturing.

*Concept covered as per the model (equipment, hardware, software, procedures and technical knowledge)*

#### 3. Human Resource Management

Amul follows all HR activities right from recruitment, selection, induction, training & development, motivation, compensation, performance appraisal to its employees.

*Concept covered as per the model (recruiting, hiring, salary, training, developing, compensating, motivation and performance appraisal)*

#### 4. Infrastructure

Amul's plants at District Milk Unions and State Milk Federation talks about its state of art infrastructure and innovative technology used for milk and milk products.

*Concept covered as per the model (physical infrastructure, intellectual infrastructure, human infrastructure, digital infrastructure)*





**BRAND EXTENSIONS OF AMUL PRODUCTS**

**A. Amul Milk**

Amul first introduced Amul Tazza and then used Brand Cannibalization strategy and came up with Amul Gold and Amul Cow Milk. Cow Milk is made available only in few selected areas. The area studied doesn't cover Amul cow Milk but the researcher has taken it into consideration to explain the concept of Brand Cannibalization used by Amul. The Survey proves that Amul Tazza is the most preferred and consumed product among the homemakers but there is a shift upwards towards Amul Gold as well. Homemakers are looking for quality and healthy products.

Milk	Tazza	Gold	Cow Milk
SKU	½ litre, 1 litre and 6 litre	½ litre, 1 litre and 6 litre	½ litre and 1 litre
Price	Rs. 23 for ½ litre	Rs. 29 for ½ litre	Rs.24 for ½ litre
Amul Milk Brands			

**B. Amul Dahi**

Dahi	Masti Cup Dahi	Premium
SKU	85gm,200gm,400gm,2kg	500gm
Price	Rs.10,20,40,160	Rs. 50
Amul Dahi Brands		

Amul's all time favourite Dahi is Masti Dahi but it has also launched Amul Premium Dahi to attract the customers and increase its market share. The survey also shows that though Amul Masti Dahi is the most favourite brand among people there are few homemakers who are shifting to Amul Premium also because of the Quality, Taste and Thickness of the brand.

**CONCLUSION**

Through this research it has proved that Brand Cannibalization has proved to be a positive strategy for Amul Ltd. Amul has a strong Value chain which helps in giving value to its customers. There has been brand switching in Amul's Products from Tazza to Gold and Masti Dahi to Premium Dahi. But through this Brand Cannibalization strategy Amul has also converted Non-users to Users in Amul Milk and Dahi which is a good sign.

Many a times Brand Cannibalization cannot be avoided. The only thing companies should do is cannibalize in the right segment to increase their sales volume and market share.

**LIMITATIONS OF THE STUDY**

1. The researcher had time constraints
2. Sample Size was limited to 100 Homemakers

3. Perception of consumers was limited to Santacruz East area only. It may vary in other parts of the country
4. The study is limited to only 2 brands of Amul products ( Milk and Dahi)

#### **FUTURE SCOPE OF THE STUDY**

The future Scope of the study could be done for Buttermilk and different geographic areas could be studied

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#### **Annexure**

**Article in Bloomberg Quint which talks about Amul's Strong Value chain Model meets customer's demand during crisis**

#### **Amul Assures Milk Supply Amid Covid-19 Scare, Says No Need For Panic Buying**

Amul has asked people to refrain from panic buying of milk and dairy products amid the coronavirus scare as there is no shortage of either. Gujarat Cooperative Milk Marketing Federation Ltd., which markets dairy stuff under Amul brand, is doing record procurement of milk in Gujarat and other parts of the country, Managing Director RS Sodhi said. Supply has been increased already by 15-20 percent and it can be further enhanced. "There is no need for panic buying. You will get milk and other dairy products every day," Sodhi said in his video message posted on Twitter.

Milk is essential commodity, he said, adding there is no restriction on people involved in procurement, processing and distribution of milk. There is sufficient stock to meet the demand.

<https://www.bloombergquint.com/pti/amul-assures-milk-supply-amid-covid-19-scare-says-no-need-for-panic-buying>