

**Study of Consumer and Distributor Behaviour towards Brand
ABC Sweets for “XYZ Ltd.”**

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Comments by the Faculty

In today's complex business scenario, more than the products or other physical assets, it is the brand that can provide a competitive advantage for an FMCG company. Extending a brand to the same or different category is fraught with risks that an organisation should guard against. Before extending a brand to another product, it pays to listen to the customer who can give the company valuable insights on what they perceive as the brand stands for. The purpose of this study is to learn about the consumer as well as the distributor perception and behaviour towards one such brand extension.

Brand ABC is the flagship brand of XYZ Ltd. (where this project was done). Brand ABC was originally and to this day continuing as a market leader in 'milk'. Originally a brand that stood only for milk, was initially extended to milk variants (slim milk, high cream milk) and then to other milk derivatives like butter, curd, butter milk, cheese etc. Brand "ABC" was well accepted by the customers and is a market leader in Karnataka for milk and milk derivatives.

Parent Company of XYZ decided to extend the brand "ABC" to sweets and ice-creams and this is when they faced a big challenge. Brand "ABC" sweets and ice-creams did not find favour with the customers and hence the company wanted a market research to be done to ascertain reasons for the same. This research was taken up specifically to study the consumer and distributor behavior towards brand "ABC" sweets. The study was undertaken for XYZ Ltd.

The research approach was a combination of exploratory and descriptive research. The exploratory research helped to gain insights regarding the overall perception of consumers and distributors towards Brand ABC sweets. The insights gained helped in constructing a structured questionnaire, which was used to conduct the customer survey.

The study has helped the management to understand several limitations faced by non-milk products of Brand "ABC" in the market. The study helped sensitise the management about the futility of extending the Brand "ABC" to non-milk products. Also the management was able to appreciate the need for complete product strategy for non-milk products that could include right product proposition, right packaging, right pricing and right promotional strategy.

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Introduction

Indian Sweets – An Overview

Indian sweets, commonly referred to as “Mithai” has a history as interesting as the type and variety. Indian sweets are the biggest attraction not just during festivals but also on special occasions in people’s lives. People buy or prepare sweets and distribute them among family and friends during festivals, marriages, birth of a baby, after buying a new house or a car, career related achievements, etc. Mithai are a type of confectionary usually made using ghee, sugar, milk, flour and a variety of nuts. There are so many varieties of mithais as one moves from North to South or East to west and within different ethnic groups that one gets overwhelmed.

The Indian ‘sweets’ industry can be categorized as “Confectionery”, which is well organised and dominated by a few MNCs like Nestle, Mondelez India (owners of Cadbury) etc. and “Indian sweets” that are predominantly unorganized though a few national players like Haldiram and MTR are trying to gain scale. Higher disposable incomes, rapid urbanization, fast expanding organised retail network and aggressive marketing campaigns are contributing towards the rapid growth of this industry in recent times.

Traditional Indian sweets are the most prominent in the sweets category and are widely given as gifts. The market for traditional Indian milk-based sweets alone is estimated at \$500m. The Indian candy market is currently valued at around \$664 million, with about 70 per cent share (\$ 461 million) in sugar Confectionery and the remaining 30 per cent (\$ 203 million) in chocolate confectionery. The organized market for confectionery in India is valued at Rs 2,000 crore. As per the study by Euromonitor, the Indian sugar confectionery market is projected to expand at a compounded annual growth rate (CAGR) of 10%.

Company Profile

Parent Company of XYZ is the Apex Body representing Dairy Farmers’ Co-operatives. It is the second largest dairy co-operative amongst the dairy cooperatives in the country. In South India it stands first in terms of procurement as well as sales. One of the core functions of the Federation is marketing of Milk and Milk Products. The Brand “ABC” is the household name for Pure and Fresh milk and milk products.

Parent Company of XYZ has 13 Milk Unions throughout the State which procure milk from Primary Dairy Cooperative Societies (DCS) and distribute milk to the consumers in various Towns/Cities/Rural markets in Karnataka. One such milk union is XYZ Ltd. which was established in 1976. The XYZ LTD. has a capacity to process 3,74,000 LPD (litres per day) of milk.

In line with its vision and mission to provide quality milk products to the consumers and provide maximum possible price for the milk supplied by its members, XYZ LTD. has set for itself the following key objectives:

- To procure milk, process into good quality milk/milk products and market it most economically and efficiently to give maximum overall net-returns to the producers and general satisfaction to the consumers.
- To provide essential technical inputs and services to the producers at their door-steps in an economic and efficient manner and also in a way most acceptable to them.
- To build village level institutions in co-operative sector to manage the dairy activities.

XYZ LTD. - Facts at a Glance

General	
Area of the Dairy	45 acres
Handling capacity	3,74,000 Litres per day
Number of employees	280
Procurement	
Dairy co-operative societies registered and functioning	1565
Procurement routes	71
Chilling centres	3
Districts covered	2
Taluks covered	11
Villages covered	2005
Distribution	
Distribution routes	75
Districts covered	2
Selling agents in urban	510
Selling agents in rural	570
Milk parlours	85

Product Profile

XYZ LTD. offers a wide range of products from core milk products to ice-creams and sweets. XYZ LTD. markets all its products under the brand name 'Brand ABC'. Brand ABC has 12 to 15 varieties of sweets under its brand name.

Market Share of Brand ABC Milk in Karnataka: The market share of Brand ABC milk is shown as follows:

Brand ABC is successful in garnering a significant market share of over 65% in liquid milk in Karnataka, which is the highest by a cooperative brand in any state. Parent Company of XYZ is also the market leader in curds (dahi) selling 2.15 LKPD (Lakh kilograms per day), highest by any organization in the country.

Market Share of Brand ABC Milk

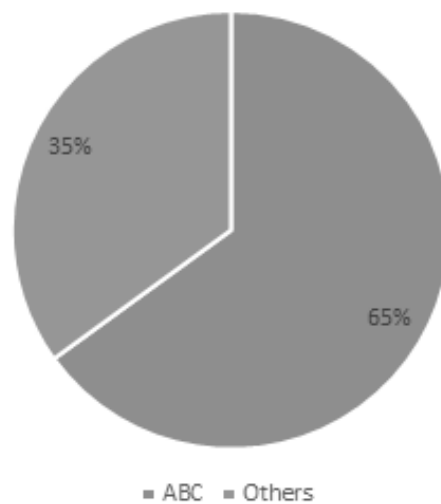


Fig. 1: Market Share of ABC Milk

The Research

Research Questions

While Brand ABC is a market leader in core milk products like liquid milk, curd, ghee etc., it has not been able to grow its other businesses viz. sweets and ice-creams. Though this segment is fast growing, Brand ABC is not able to make any significant mark in this segment and hence this research to understand the consumer and distributor perceptions and behavior towards Brand ABC sweets. The key research questions that this study aims to address are:

- What is the behaviour of distributors towards Brand ABC sweets?
- Are the consumers of Brand ABC aware of all the variety of sweets offered by Brand ABC?
- What is the perception and behavior of consumers towards Brand ABC sweets?
- What are the challenges faced by Brand ABC sweets?

Research Objectives

- To understand the consumer preference and perception about Brand ABC sweets.
- To measure / determine the brand image, attitude and behavior of the consumers towards Brand ABC brand of sweets.
- To understand the distributor perception and behavior towards Brand ABC sweets.
- To measure / determine the value drivers for the consumers when purchasing sweets.

Research Approach

As the research is related to the study of consumer behavior and perception, which can more effectively be studied through direct questions, the research approach is a combination of exploratory and descriptive research. The first step was to gain insights regarding the perception and behavior of consumers and distributors towards Brand ABC sweets by interacting with the marketing and brand team of XYZ Ltd. Based on the information gained a detailed descriptive research was done by through a structured questionnaire for the consumers and by interviewing the distributors.

Data Collection Method

Secondary Sources

- XYZ Ltd. website
- XYZ Ltd. brochure
- Other published articles and reports

Primary Sources

➤ Qualitative Research

As a part of this study, the following activities had been carried out -

- Interaction with the brand awareness team and door-to-door campaign team of XYZ Ltd.
- Structured interview with the retailers.

➤ **Quantitative Research** - Quantitative research is a more logical and data-led approach which provides a measure of what people think from a statistical and numerical point of view. As a part of this study a survey was conducted through a structured questionnaire for the consumers.

Scope of the Research

This research was restricted to the city of Mysore.

Sampling Plan

Respondents

Majority of the people in South India are aware of Brand ABC as it is the second largest milk producer in the country and milk is a part of their daily consumption. Hence, consumer response is most critical for the study. To understand the distributor behaviour, retailers were interviewed in detail.

Sampling Procedure:

Convenience sampling was employed to collect data from retailers and consumers from different areas in Mysore.

Sample Size:

- Responses from 100 consumers were collected from different areas of Mysore.
- A sample of 30 retailers were interviewed.

Limitations of the Study

- The survey was limited to Mysore city due to paucity of time.
- The study was conducted under assumption that the information given by the respondent is authentic.
- The respondents were reluctant to answer due to their busy schedule.
- Many respondents were biased in their responses.

Findings

Based on interviews with marketing department and brand awareness team of XYZ Ltd.

- XYZ Ltd. carries out awareness programs and door-to-door campaigns only for milk and core milk products like curds and buttermilk.
- XYZ Ltd. does not carry out marketing or awareness programs for other milk products and sweets, hence low awareness levels.

Retailers' Survey

- Retailers do not stock up all the sweets offered by Brand ABC; only few sweets like Mysore Pak, Milk Peda and Cashew Burfi are stocked and sold more.
- Retailers do not stock majority of the sweets since most of sweets are supplied from Bangalore plant and retailers perceive that they may not get fresh stocks on time.
- However, 90% of the retailers say that there is timely supply of the product whenever the order is placed by them.

- 80% of the retailers felt that customers are not aware of the product range and XYZ Ltd. is not providing adequate promotional support.
- Retailers do not take up any promotion on their own.
- Few retailers were disappointed as damaged packages are not taken back and they suffer loss.

Consumer Survey

- Bombay Tiffanys and Mahalakshmi Sweets are the two tough competitors for Brand ABC Sweets in Mysore.
- 76% of the sample respondents prefer fresh sweets over packed sweets.
- More than 35% of the sample respondents prefer sweets from Bombay Tiffanys.
- Majority of the sample respondents are not aware of all the sweets manufactured by Brand ABC and have tasted only two or three sweets.
- However, majority of those who have tasted Brand ABC sweets seem to be satisfied with the taste and freshness of the sweet which are the two main attributes that the consumer look for while purchasing sweets.

52% of the consumers feel the packaging of Brand ABC sweets is very poor.
Swot Analysis [Sweets from Brand ABC]

<p>Strengths</p> <ul style="list-style-type: none"> ➤ Strong brand value in Karnataka ➤ Product Range in milk and related products ➤ Strong distribution network ➤ Institutional support from KMF, NDDDB, etc., 	<p>Weaknesses</p> <ul style="list-style-type: none"> ➤ Less variety ➤ Poor marketing and advertising ➤ Not meeting consumers quality expectation ➤ No process for consumer feedback ➤ Inadequate retailer support ➤ Poor packaging
<p>Opportunities</p> <ul style="list-style-type: none"> ➤ Growing institutional demand ➤ Growing consumer demand ➤ Untapped markets – bakeries, hotels, tourists locations etc., 	<p>Threats</p> <ul style="list-style-type: none"> ➤ Low entry barriers ➤ Competition – Other Govt./ Cooperatives and private players ➤ Aggressive advertising and branding by competitors. ➤ Imminent entry of major companies like Reliance, ITC.

Fig 2: SWOT Analysis

Recommendations

- Since freshness is the key, Brand ABC should focus on improving the quality of the products.
- Since milk is the core product of Brand ABC, they should focus only on sweets that are milk derivatives where Brand ABC has an edge.
- Brand ABC has strong brand equity in Karnataka and hence should leverage the same in setting up retail outlets, parlours across all places of tourist interest.
- Brand ABC has adopted the strategy of umbrella branding for all its products, which should be continued.
- Brand ABC should also leverage on the power of social media to attract the young population.
- Large format retail is growing in leaps and bounds; Brand ABC should make concerted effort to make their products available from the stores like Big Bazaar, More etc.
- One key ingredient to success of a consumer (food) product is attractive packaging. Since sweets are also essentially a gift item in the Indian society, Brand ABC should come up with attractive packaging.
- Also, Brand ABC should periodically replace/ replenish the stock to gain retailer confidence.
- The company should also focus and sell through 'large format retail' since organized retail is gaining in scale.
- Brand ABC should have distributed manufacturing for sweets also so that stocks can reach to the retailer fast.
- Brand ABC should advertise more on sweet and related products. These advertisements will also have rub-off effect on increasing the sales of the core milk products also.
- To tap the young population, the company should focus on the social media and digital marketing.
- Institutional sales to hotels, bakeries, corporates, educational institutions can be looked up.
- It is recommended that the company adopt market penetration strategy and product development strategy as referred in Ansoff's model below:

	Existing products	New products
	<i>Market penetration strategy</i>	<i>Product development strategy</i>
Existing markets	<ol style="list-style-type: none"> 1. Online Selling 2. Promotions during festivals 3. Tie ups in marriage or birthday parties 4. Large format retail 5. Institutional Sales 6. Promotion from tourism places 	<ol style="list-style-type: none"> 1. Sugar free sweets 2. Customer loyalty plans 3. Customized products 4. New sweets made from milk
New markets	<i>Market development strategy</i>	<i>Diversification strategy</i>
	Not Recommended	Not Recommended

Conclusion

Brand ABC has a good brand equity and has won customer loyalty for its milk products over the years. This brand equity coupled with the strong support from its parent organisation, can propel Brand ABC to greater heights in sweets market too. If Brand ABC plays its cards right by focussing on milk related sweets and research and development for coming up with newer variants can go a long way in establishing Brand ABC sweets. Also the right kind of packaging and promotional mix can take it to numero uno position in Karnataka.

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