

Success Diaries

Success isn't a straight line. Even the most accomplished business leaders have had to face the anvils of crisis at pivotal points. There are immense learnings to gain from moments of such successes and failures.

At Kalaari, we draw our energy from helping founders succeed. Through Success Diaries, we bring to you case studies that draw analysis and insights from the journeys of extraordinary companies. We hope this helps you as you build an enduring enterprise of tomorrow.



Creating an iconic brand in a
commoditized industry

By Vani Kola, Avinash Ramanathan

Amul has a staggering reach and track record

\$5.1B

Turnover

3.6M

No of supported
farmers

20K

Villages
supported

1M

Retailers

10K

Distributors

2 products
launched
per month

For last 4 years

8th
Largest

Milk Processor
in the world

20+

Countries Sold

Takeaway: Large sustainable companies can be built in fragmented and commoditized industries

Source: FY 20 Annual Report

Amul derives its success from four key tenets



Conscious Capitalism & Aligned Incentives

Amul's 3.6M suppliers are its shareholders. Amul has maintained COGS at 95%. 80% of all profits is paid back to the milkmen in the form of reduced margins & dividends.

World's Largest Dairy Supply Chain

They are not afraid of experimenting and Amul invests \$150M each year in its supply chain, cognizant of the power of tech in their daily work.

Importance Of Brand Equity

The Amul girl and the advertisements are very relatable. Amul has built faith and trust for over 40 years by being consistent and relevant to the times. Extremely cost-effective branding with marketing spends at less than 1% of total turnover.

Continuous Innovation

Amul has introduced two new products every month for the past 5 years and continues to innovate in other areas of its business to improve efficiency and productivity

Takeaway: Companies aimed at social impact as their primary motive can still be profitable and valuable

Learnings for startups



Continuous innovation is the only long-term moat



Relatable & relevant branding will stand the test of time



Invest in your stakeholders and they take care of you



Incentive design and organizational alignments eventually determine long term success over decades

Takeaway: A confluence of a few key factors eventually determine the long-term success of any organization

History Of Amul

In 60 years, Amul has revolutionized India's milk production



1920s – 1940s

Dairy farmers in Kaira, Gujarat were not getting fair price for their produce and were always shortchanged by contractors and middlemen.



1944

The farmers sought the advice of Sardar Vallabhbhai Patel and he advised them to start a co-operative.



1946

Under the leadership of Tribhuvandas Kishibhai Patel, a freedom fighter and Gandhian, the Kaira District Co-operative Milk Producer's Union was set.



2000s

India became the world's largest milk producer. Within 30 years, it doubled the milk available per person in India and made dairy farming India's largest self-sustainable rural employment generator.



1970

Operation Flood (White Revolution) was launched by Verghese Kurien with the aim of making India self-sufficient in terms of dairy production.



1950

Verghese Kurien, a recent graduate of Michigan State University was hired by Tribhuvandas as a Manager at the Co-operative.

Takeaway: Innovators and entrepreneurs in an industry can come from any background

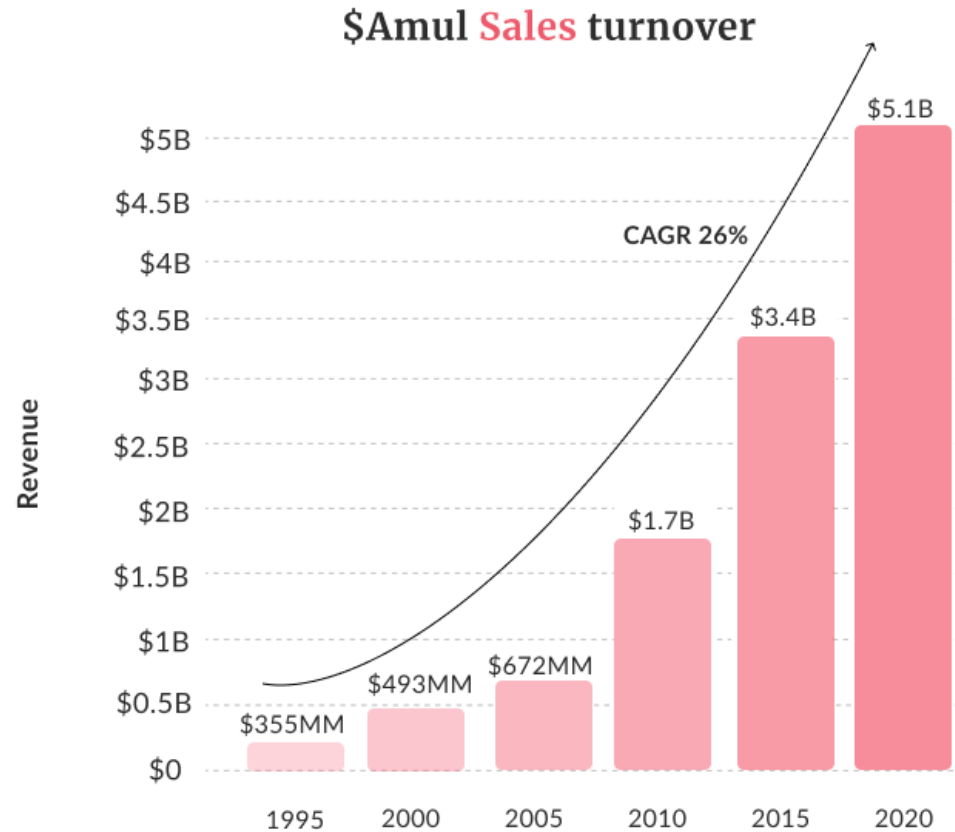
Amul By Impact

Amul has dominant market share in many categories

Category	Market Share	India Market Position
Chocolate Drinks	90%	1
Butter, Ghee	85%	
Cheese	50%	
Milk Powder	40%	
Ice-cream	25%	2
Chocolate	10%	3

Takeaway: Unless your company is among the top 3 players in a particular sector, it does not make sense to continue in the long run











...Resulting in a sales turnover CAGR of 26% for 25+ years...



Takeaway: Compounded growth is always back ended and eventually shows exponential results

...While being as inclusive as possible to all strata of society



Top Ten Mahila Milk Producers of Banaskantha District based on Total Amount of Milk Procurement for the FY -2019-20				
				
Chaudhary Navabehn Datsangbhai Nagana - Vadgam 221985.6 Kg Milk ₹ 6795900.87	Malvi Kanuben Ravatbhai Vajapur(Chanta) - Dhanera 250765.4 Kg Milk ₹ 7309815.03	Chavla Hansabai Hirnatsinh Joty - Vadgam 268767.6 Kg Milk ₹ 7219405.82	Loh Gangaben Ganeshbhai Sagrosana - Palanpur 199308 Kg Milk ₹ 6446475.59	Rabari Devikaben Punmatbhai Bavla(U) Mahila - Tharad 179632 Kg Milk ₹ 6220212.56
				
Rajput Laxiben Santarji Dhanak - Vadgam 225915.2 Kg Milk ₹ 6087768.66	Umatiya Bismilaben Sultanbhai Pungar - Danta 195909.6 Kg Milk ₹ 5810176.85	Chaudhary Sejaben Vajaji Dpoda - Tharad 196962.6 Kg Milk ₹ 5663765.08	Aglodiya Nafisaben Subbirbhai Mumankai - Vadgam 195698.7 Kg Milk ₹ 5366918.64	Dhuliya Laxiben Moghlibhai Chitroda - Vadgam 179274.5 Kg Milk ₹ 5202386.82

Takeaway: Women leaders can make a big difference to the eventual success of any business

What Did Amul Do Well?

Factors leading to Amul's success



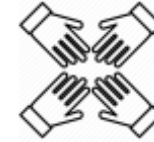
1

Principle driven
approach



2

Decentralized 3-tier system
from cow to consumer



3

Farmer involvement in
major decisions



4

Fully digital
supply chain



5

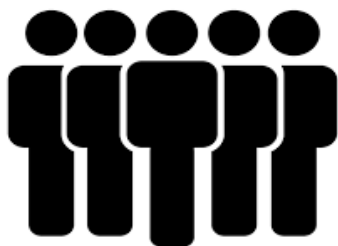
Relatable and relevant
branding



6

Continuous product
innovation

Principle driven approach



Value for Many

Creating economic prosperity for all farmers associated with Amul

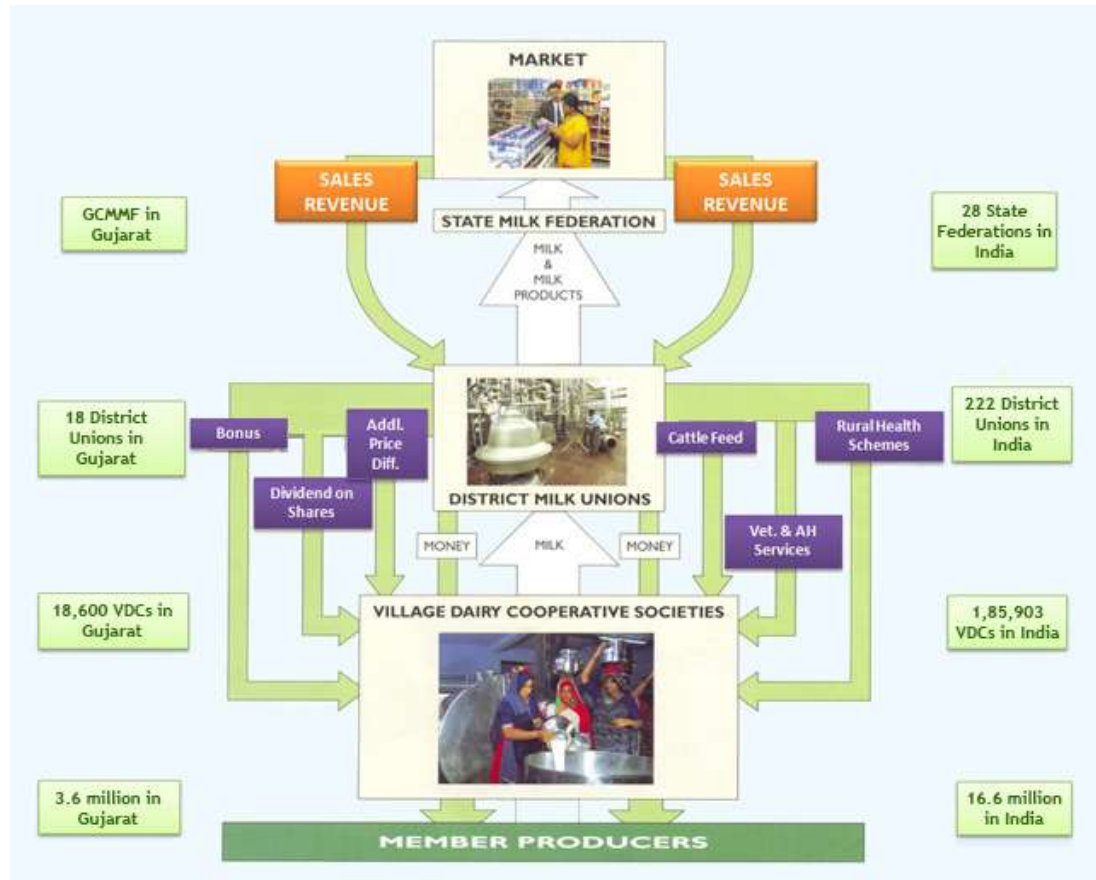


Value for Money

Provide products at a fair price to the end consumer by lowering own margins

Takeaway: Having a principle driven culture can ensure that all stakeholders are aligned with the mission of the company

Amul has a three-tiered decentralized system which has worked for 40+ years



This structure consists of a dairy cooperative society at the village level affiliated to a milk union at the district level which in turn is federated into a milk federation at the state level.

Milk collection is done at the village dairy society, milk procurement and processing at the District Milk Union, and milk products marketing at the state milk federation.

Takeaway: A decentralized system can help companies scale exponentially by democratizing decision making at every level

Majority of the board is comprised of farmers who partake in big decisions



Four women on the board

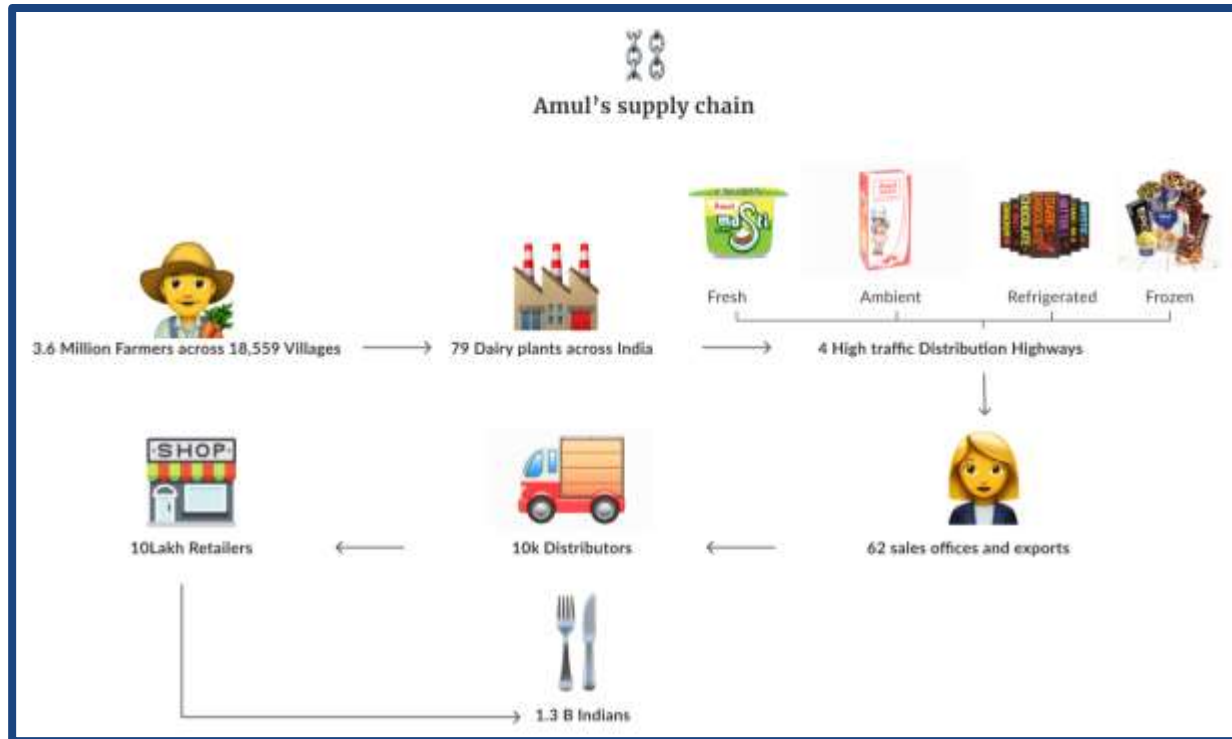


Milk producers at Amul's AGM

The managing director of the company who runs operations

Takeaway: Having representation from all stakeholders on the board ensures that all interests are taken care of

End to end digitized supply chain has helped Amul scale rapidly



Through its nation-wide connected network of 18,700 village milk co-operative societies, Amul procures 23M litres of milk per day from 3.6M milk producer members, representing 18 member unions covering 33 districts. It operates from 62 sales offices and has a network of 10K dealers and 1M retailers, one of the largest such networks in India.

Takeaway: Organizations should adopt & invest in new age practices which enable them to capture efficiencies

Amul and IBM Sign IT Services Agreement to Fuel Future Growth

10-year Strategic Outsourcing Deal also involves Affiliated Milk Unions



Agri Business

Amul adopts digital tracking, monitoring systems for artificial insemination

Amul has put technology at the forefront of its supply chain and invests \$150M annually in new supply chain and digitization initiatives.

Customers are viewed as family – Advertisements are the medium to talk with them



Politics



Education



Current Affairs



Sports

Takeaway: Original and quirky marketing true to your DNA can help your brand stand out from the crowd

Product innovation is at the core of Amul's DNA



March 22, 2015

Innovation is done at the dairy plant level and is decentralized

Amul has 79 dairy plants, each having a plant-in-charge. The managers innovate on new products which is sent to the headquarters. The plant managers view the products as their own.

Once approved, all the selected plants get the specifications to start manufacturing.

Takeaway: Continuous innovation will be the only way any company can sustain market leadership over decades

Learnings From Amul

Continuous innovation is the only long-term moat



Amul has more than 450+ SKUs manufactured across 69 dairy plants

Amul has launched at least two new products every month into the market. In Q3 CY 2020 alone, Amul launched 33 new products and in the past 4 years, Amul has launched 100+ products into the market.

Innovation is decentralized and is done at a dairy plant level. During the COVID lockdown, they launched products like Haldi Dood, Haldi Ice cream and Panchamrit.

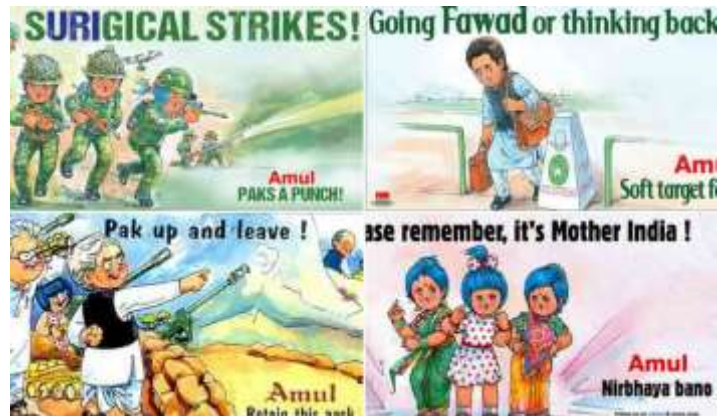
This level of innovation compounded over decades has catapulted Amul to a turnover of \$5B.

The only way any organization can continuously succeed over the long term is making innovation an institutional imperative

Relatable & relevant branding will stand the test of time



During SP Balasubramaniam's passing



Nationalistic ads

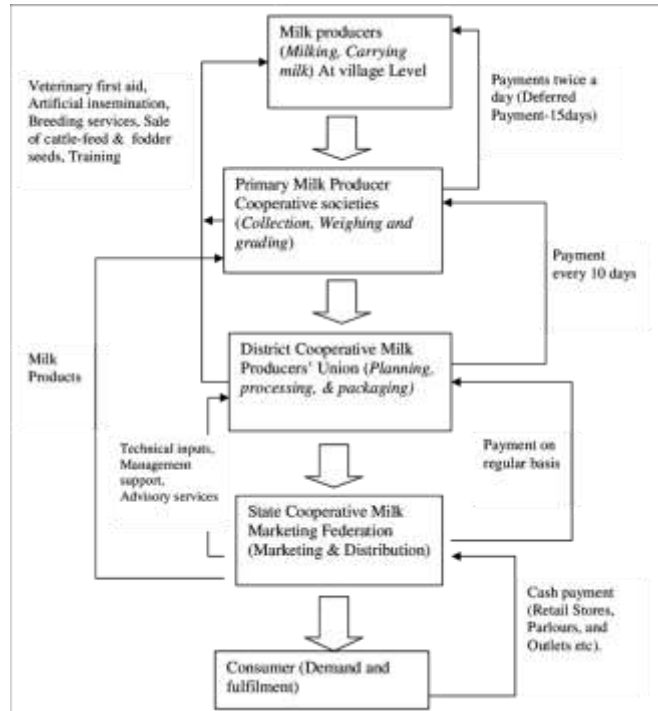
Amul's slogan is – “The taste of India” and their advertising and branding campaign is the longest running in the world and has entered the Guinness book of records.

Despite being a bit controversial at times, Amul has never shied away from its tongue in cheek slogans and advertisement posters which address current affairs with a twist.

Amul's branding has stayed true to who they are as a brand and that is why it has stood the test of time and they spend only 0.8% of their total turnover on advertising and branding.

Make sure that your branding and advertisements reflect who you are as a company and culture – This is the best way to relate to your target audience at a deeper level

Incentive structures & organizational alignment eventually determine long term success over decades



Amul's organizational structure

Amul realized that the only way to ensure inclusive success for all their stakeholders is by carefully designing the organization and incentives from the ground up.

Their initiatives include:

- Having majority of their board comprised of members from the farming community
- Publicly declaring that they will limit the profit that they make
- Decentralized three tier system with completely digitized supply chain to ensure transparency
- Profit sharing is done in proportion to the contribution

Amul has consistently grown every year by ensuring that all stakeholders are aligned and incentives are designed keeping long term objectives in mind



Thank You
