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Sample Chapter

MILK DISTRIBUTION

ENTERPRISE

A Case Study

By Momekh

A note from the author:

“Thank you for your interest in this case study. This is written with the best of intentions to help you start your own milk brand. Also note, many of the principles found here can be applied to any type of business.

All information can be converted into knowledge with action: so I hope you will take action after reading through the case study. God willing.

I wish you the best and I pray and hope that you find this useful.”

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THAT FATEFUL CUP OF TEA

200 kilometers away from home, my Mehran parked under the shade, I watched as the tractor pulled away. The trolley being pulled by the tractor was filled with bags of wheat. On its way to be sold to the government.

Agriculture was profitable back then, and I was happily – and silently - thanking God for the good harvest and it was safe to say, I was in a good mood.

“*Mubarak ho sir jee,*” Afzal says, “this is good,” nodding toward the bags of wheat that were huddled together in my crop shed. He's the *munchee* – the manager – of the landlord. Tall, fat and an uncontestedly-elected Nazim of the area, Afzal was always helpful. And courteous.

“*Chai ho jai!*” he says. Yes. Tea would be nice. He knew, from the two years or so of my sporadic visits, my weakness: I can never turn down tea.

So from my small crop shed, we get out of the car and start walking towards the milk center.

Now consider this for a moment: Pakistan is in the top 5 milk producing countries in the world. Punjab is, by far, the largest milk producing province within Pakistan. And two districts in Punjab produce the most milk. In one of those districts, one of the *largest* milk contractor had his *largest* milk collection center right next to my leased land. He collected thousands upon thousands of liters of milk every day at this milk center alone. Collecting the milk to sell it to

the big milk marketing companies.

It was at this milk center that we sat. The manager of the milk center comes out, greets us and without asking or being told, straight away orders three cups of tea. Wheat is our staple diet, tea is our staple drink.

We talk about the wheat crop, the weather and the milk business. I tell him how I got a 49 maund average over 140 acres and how my partner is pleased with the cash flow. Maybe now I would upgrade from the Mehran to a Baleno. That'd be nice. He tells me that anticipating the summers, he's operating on a one point five rupee margin, bringing in some serious cash for the milk center.

I tell him that it's impressive how his hard work's paying off. He nods, happy with the praise.

During our engrossing discussions, we are told that the small kitchen – that was within one of the largest milk center in the largest milk-producing province of one of the largest milk-producing countries in the world - is out of milk.

“You guys out of milk! Now *that* is impressive,” I say. Even Afzal manages a giggle.

But then something remarkable happened: the milk center manager told the tea boy (who was really an old man, not a boy), to go to the tea stall in the nearby market and get some milk.

I couldn't help but ask, “why not take a quarter liter from the thousands that you have in store?”

“O no sir *jee*,” he smiles, “this milk is not fit for consumption.”

THE PROBLEM

Pakistan is primarily a rural landscape, but we do have a sizable urban population. The urban population faces a problem of getting quality milk at an economical price.

The rural population has their own cows, their own buffalo, their own tea stalls. Urban population finds it harder and harder to access quality milk at a reasonable rate.

The primary problem was the corruption in the milk this early in the supply chain. The readily accepted story was that the milkman, the guy delivering milk to homes was adding water to the milk, because greed and dishonesty and what not.

The Problem that unfolded in front of me was that the big marketing companies were conveniently turning a blind eye to procure more milk.

Focus was quantity, not quality.

That was the problem, at least that's what I thought at the time. **All Problems need to be tested in one way or the other.**

You don't want to get a product that solves a Problem, only to find out that the Problem really didn't exist (that is, you make a product that no one wants).

Marketing being one of my favorite subjects, I thought there was a gap in the market. At one hand, expensive UHT *dabba*-packed milk, and on the other the milkman with questionable-quality milk.

The idea – which now seems very common – was to start bringing in milk direct from pre-selected contractors. This was to ensure higher quality. There was room, I figured, for a branded *dodhi* (milkman).

But the real instigator was that fateful cup of tea. Digging deeper, I found the ugly, dark, massive underbelly of the milk supply chain. How the milk marketing companies were buying not milk but a liquid that was “chemically equivalent” to milk. Horror stories upon horror stories.

Seeing their ads on television – their claim of “hundred percent pure” - made me sick. **I realized that the biggets opportunity would be to at least be**

honest. Let's start from there. My USP – my unique selling point would be honesty (USP is covered in detail later in this case study).

The situation is much better today. I had that cup of tea around 2002. It's now 2014. The milk marketing companies have “upgraded” their procurement methods, the consumer is wiser and most importantly, there is now an influx of a lot of small-scale milk distribution companies serving major cities all across Pakistan. Companies like the one this case-study is based on.

Milk is still in short supply. The much touted “white revolution” may be under way, but the consumer still wants quality milk at a good price.

And most importantly, the customer always responds to honesty (more on that in the Customer Relationships section).

But there was no sign of the “milk revolution” back then. In 2002, I had no inclination nor the resources to start a dairy farm to improve the milk quality. In 2002, I only knew that I had a problem to solve.

So I investigated the Problem of milk even more.

Here were some observations at the time (which now I know were really guesses – most observations are usually just guesses and assumptions waiting to be tested):

- People were buying the more-expensive, UHT milk because they did not have any other option.
- Milk is a need, not a luxury. Most children are fed milk, and given the tea culture in Lahore, pretty much all households use milk.
- People using UHT milk would always first try out the milkman, and finding his quality to be inconsistent (and in some cases downright hazardous!), switch to UHT milk. I assumed this on anecdotal research (hearing from family members living in different parts of town).
- The UHT milk available in stores was very, very low in quality. Given that it was packed in 7 layers of protective covering blah blah blah helped sell the milk, but the milk itself – the product – was below par. In fact, on a good day, the milk from the milkman was way better.

So, in hindsight, my hypothesis was that *people will buy milk that is cheaper than UHT packed, and had consistent quality.*

Note: hypothesis is a scientific term. It is just a fancy way of saying “guess”. But using scientific language improves our chances of treating our businesses and projects as experiments, which is how we should approach most ventures.

So armed with my assumptions about the Problem, I tried to find people who had this problem!

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Questions to Get YOU Started:

What problem am I solving? Is it expensive milk that people are complaining about? Or quality milk that people can't find? Identify the problem itself.

Can you make it personal? Can you make it a mission to start your distribution, instead of "just another business"?

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Note, this was a sample section from the case study.

You may buy the case study at <http://mmkh.co/milkbrand>

If you have any questions regarding this, do not hesitate to email me at mmk@momekh.com

You can also reach out on Twitter: @momekh