

Strategic Marketing Approaches to Boosting Milk Consumption: Unleashing the Power of Demand in the Dairy Industry

Hyenjo Kimm
 degree1682@gmail.com

ABSTRACT

There are fifty states in the United States and most of states do not impose tax on food products for all citizens. However, foods served in restaurants and fast-food chains are levied by state government of federal authorities. There is abundant output of foods in the United States and its population is somewhat limited. Milk is well supported by public sector as public schools serve milk for lunch for students without taxation. To increase its milk consumption, each citizen is in need of consume more milk. In capitalism market system, supplies and demands are always looking after equilibrium which over supplies causes lower manufacturing eventually by over stock. Problem with these daily products is that it is not available to be stored in warehouse for long term. By researching how to increase these daily products by economics perspective would bring about major understanding of economics study.

INTRODUCTION

Milk is considered a healthy product when it comes to nutrition for citizens. With respect to the market structure to come up with economic or marketing ideas that could increase consumption, critically discuss how that would affect products that are considered substitutes and/or complements. Milk has not only significant benefit for public health, but also tremendous economic advantage.

Milk related products such as milkshake, ice-cream, cheese, cream and so on maybe lucrative not only in domestic market, but also in global market. In capitalism economics with positive inflation, prices are tends to be rising little by little, however price of milk can be dropped and looking into why this can be caused is major academical curiosity (Nicholas M. Odhiambo, et al, 2017). How could price of milk decrease in market place is the question for this research. When, price dropped, most likely, market could expect higher demands, but product is inferior product and it did not create higher demands in the market yet. With marketing approach, milk could be more developed as daily eatery but how economics would approach is ideas for these chapters (Kim, 2020).

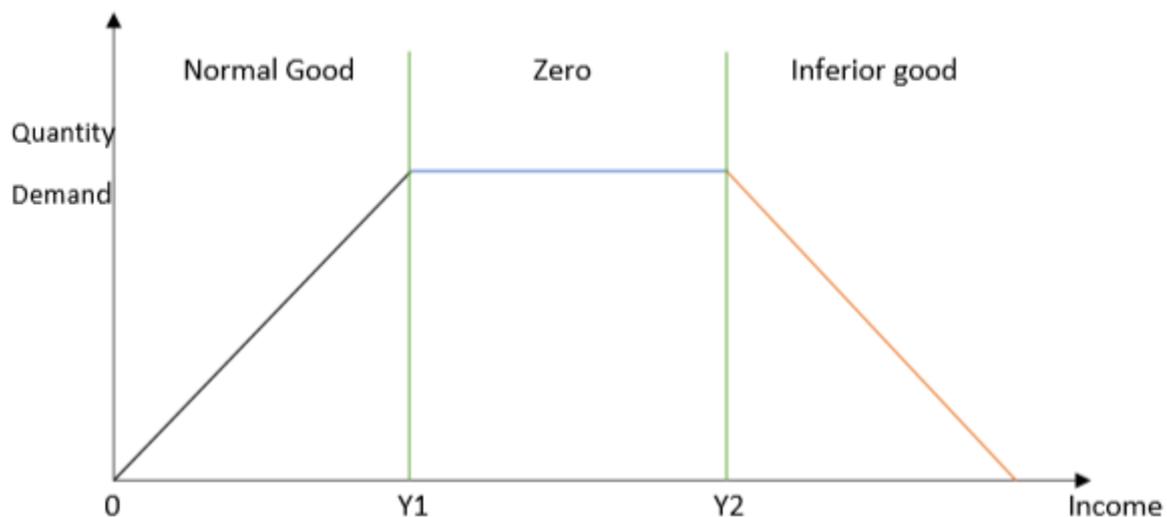


Figure 1: Income elasticity of demand for milk and dairy products (Kim, 2020)

If people get richer than those of present time, will they consume more milk? The answer is very negative about this question. The reason is milk can be identified as inferior goods. Earning more income does not affect

drinking more milk or eating more daily products. The consumption for milk is very limited and it can be mostly influenced by population when people have more money, people are more likely to purchase or spend their money on luxurious products which is more income can directly decrease its demand curve (Alan Griffiths, et al, 2008), (Kim, 2020).

Applied theory of tariff and quota on crude oil import and export

Oil is one of most important trading goods in our market and it is being traded constantly and it has tremendous power on our market system and economics which influence not only our social system, but also our behavior (Investopia, 2017). Previously, we have significant experience and testing on fluctuation of supply and demand curve in terms of couple of oil shocks in the past period. However, government does not levy on raw food products and milk is one of them (George A. Hay).

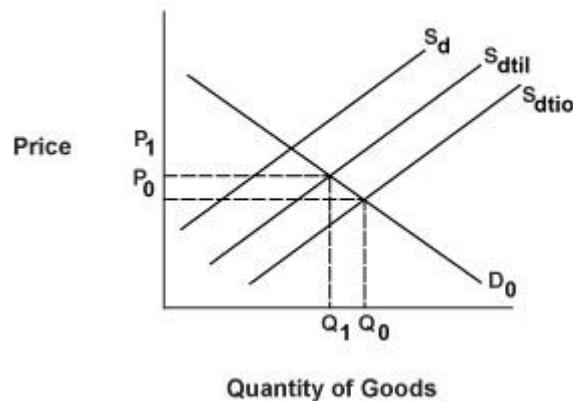


Figure 2: Effect of Quotas on the Supply Curve (Investopia, 2017)

As figure 2 indicates that introducing government's quota policy would decrease price of milk products and increase quantity of distribution for milk. Quota is simply political policy that is setting restriction for limitation. Previously, US government tried to control oil market by setting import quota on oil. Similar with this policy of economics control, this can follow quota system as putting mandatory purchase amount on buying raw milk. Making secure transaction between farmer and daily product manufacturer would deliver more secure supply then avail to go further expansion of demand. As chart above shows quota can influence on supply and demand curve clearly, quota can be one of significant boost for demand of milk. It indicates effect of Quotas on the Supply would controls market significantly (Daniel Yergin, 1992).

As well as, by setting minimum order quantity (MOQ) and quota for minimum order requirement by federal authorities would bring about secure consumption of milk in terms of 'quota for mandatory milk purchase' then milk production can have secure or more than minimum amount of demands from manufacturers. Currently, there are plenty of daily manufacturer in US market. Minimum quota for purchase limit can derive them for more competitive situation and the manufacturers will have to figure out how to approach to current market and develop their daily products. Meanwhile, suppliers would increase their production rate with secure demand. With more supply of milk, its price would be dropped. According with economics news in 2016, One of daily producers lowered its milk price by pressures from more supply and competitive market situation (Han Econ, 2016).

When the firms have certain amount of milk productions, they will try to figure out for product diversity and development in terms of creating complement for milk and marketing approach strategy However government policy that government controls over milk products (Kim, 2020).

Public sector control with mandatory milk consumption

US schools take subsidized program from Federal assistance in offering milk for school children, starting from 1940. Not only government subsidies could deliver lower price for milk significantly, but also it could encourage more demand tremendously (Gordon W. Gunderson, 2017).

How government subsidies on goods in market place

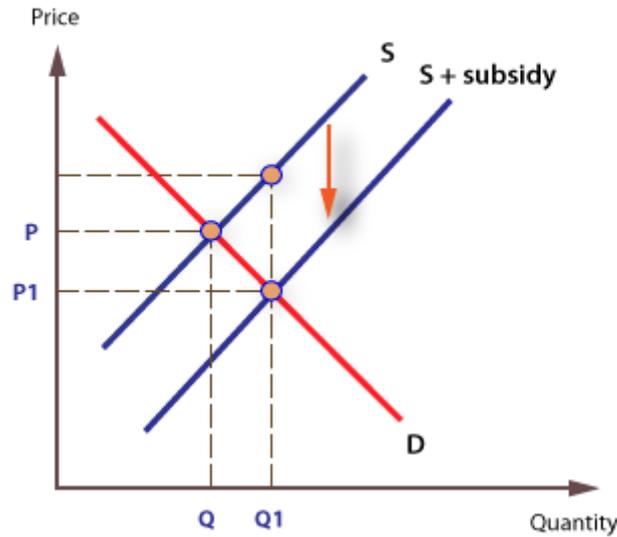


Figure 3: Supply and Demand Curve (Economics Online, 2017)

If price of milk is P and government subsidy is between P and P_1 . The Price of Milk goes down from P to P_1 . When price is more competitive than that of other drinks, there would be more demand that quantity of supply will be increased (Economics, 2017). After introducing government subsidy, the competitive price will effect on demand and supply of milk. The quantity supplied to market place would be Q before subsidy introducing. After subsidy introducing, the amount of supply would be increased from Q to Q_1 . Thus, introducing subsidy boosts additional demand of $Q \sim Q_1$ on Quantity (Economics, 2017).

As well as, regulation for mandatory drinking milk policy in public schools and military would bring about secure demand for milk consumption. There are many choices for drinks in public schools such as soda, water, coffee, tea, juice and other drinks can be selected. As known as milk is healthier than others drinks and this can be regulated as milk only policy at lunch. This regulation would create certain amount of demand. At first, there is no certain demand for milk. So quantity of demand would be between from 0 to Q . After introducing regulation, demand will increase between from Q to Q_1 . This regulation would increase supply as well. In the theory of supply and demand curve, the price would go down (Alan Griffiths, et al, 2008).

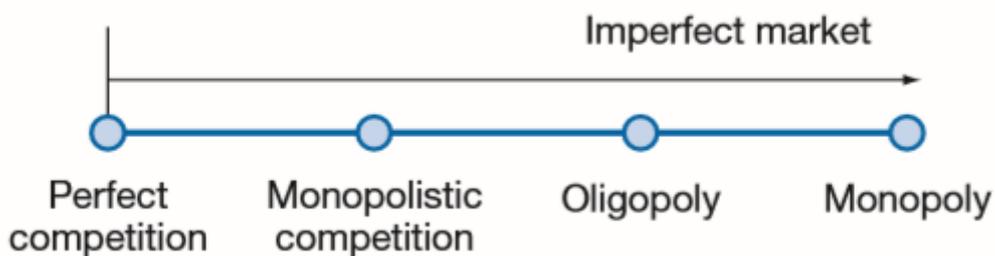


Figure 4: Spectrum of market structures (Alan Griffiths, et al, 2008)

However, government regulation on mandatory supply for milk at public sector will disrupt fair trade. This is advantage but it maybe not competitive advantage. Regulation would loosen fair competition among drinks manufacturers which might cause domination or monopoly phenomenon in market place. In monopoly market system, there can be less competition which might cause increase the price of milk and dairy products (Alan Griffiths, et al, 2008). The situation of imperfect market for milk products would cause massive side effects and cause distortion of drinking products' distributors, suppliers, and manufacturers.

Regulation for drinking milk policy at public sector in terms of public health would bring about more demand than demand without policy. However, as it was discussed above, milk is inferior product. Population at public school is limited and capacity for milk drinking per person is limited. There would be limitation on

consumption of milk. Consumption would be stable and demand curve would be looking more like horizontal line (Kim, 2020).

Restriction or taxation on other drinking

In these days, there are tremendously plenty of kind of drinks in the existing market places. Consumers have uncountable choices to choose for drinks in the conventional market. However, setting restriction on certain drink can affect, more consumption on other drink. Banning on sodas, energy drinks, fruit drinks and sweetened teas by state judge was blocked in New York City (Lawrence O. Gostin, 2013). Simply banning soda and other drinks would affect public school directly. There would be no choice for student who attend cafeteria for lunch. Choice for drink would be disappear and students would have to choose milk for their lunch drink. This concept is similar with banning competitor in the market and it would affect more demand on milk.

As graph above shows that supply and demand curve with subsidies can affect economic shift on supply and demand tremendously. However, taxation would affect reversely on supply and demand curve. Imposing taxes on sweet sodas such as soft drink, fruit drink and sweetened teas would take supply curve to left side. Going left side from original supply curve would cause rising price and lowering total quantity of supplies eventually. With higher price in the market would bring about disadvantage over students' decision for lunch drink. Eventually milk would have more competitive advantage in terms of price competition (Alan Griffiths, et al, 2008).

Influx of migrants and free movement

In present societies, many people are moving for better opportunities such as job, education and marriage. There were approximately 13,180,000 lawful permanent residents in 2014 in the US. Majority of migrant is from Mexico and they are from almost all over the world such as China, Philippines, India, Cuba, Vietnam, Canada, Korea, UK, Germany and so on. These foreign born population are changing domestic demographic and consumption patterns. Number of migrants is tremendously greater for current market for milk and it can directly affect demand curve shifting to right side (James Lee, et al, 2014).

When number of 13,180,000 is added demand curves applied on supply and demand curves graph, it would cause large impacts on skyrocketing demand on any products from added numbers from migrants. More demand on milk seems to be clearly realistic in real situation. This phenomenon would drive demand curve shifts right side and would cause equilibrium price goes up. More demand will cause higher price then higher price will cause less demand. This unstable fluctuation of price will finally find settle down in near future without government regulation. However, Problem of price increase would be reduced by Government's subsidies on milk products.

Adam Smith's theory of Invisible hand indicates that great demand is leading economics activities. When certain market faces massive migrant influx, milk price can be rising with more demand in action. However, because of supply and demand curves always look for equilibrium and move toward the point that is perfect price, this can be temporary phenomenon. Eventually milk supply will rise to the market and it will let high price plunge. More supply of milk would shift supply curve to go right side and it will affect price down (Adam Smith).

Vice versa, in United Sate, some states lose their citizens to other states. If population decrease, demand curve would move to right side and decrease milk price logically. However, decreasing population does not affect price down in short term or long term perspective. In order to produce milk, there is initial cash burnout which is minimum investment on build up infrastructure for supply milk. As well as, there is difficulty in reaching economy of scale for long term perspective with paucity of population (Alan Griffiths, et al, 2008).

Substitutes and complements at Starbucks

The reason Starbucks was selected is that is most popular brand selling drinks in global scope. In marketing theory, substitutes can decrease sales of certain product and complement can increase sales with certain product (David Jobbers, et al, 2013). There are 8 kinds of milk served at Starbuck coffee shop such as Almond, Coconut, Nonfat milk, Whole Milk, 2% Milk, Soy (United States) and Soy (Canada). Customers are available to order a cup of milk at Starbuck (Starbuck Website, 2017).



Milk



Skim, 2%, soy or coconut milk is served chilled or

Grande 16oz		2% Milk
Nutrition Facts Per Serving		
Calories 260		Fat 90
		% Daily Value*
Total Fat 10g		15%
Saturated Fat 5g		25%
Trans Fat 0g		
Cholesterol 40mg		13%
Sodium 250mg		10%
Total Carbohydrate 25g		8%
Dietary Fiber 0g		0%

Figure 5: Alternative milk provided in Starbucks (Starbucks Website, 2017)

For example, coconut milk is not made of actual cow milk, but it comes from coconut water. Coconut milk is substitute for milk products which can cut off demand for real milk products such as nonfat, whole and 2% milk. Starbucks' diversified milk strategy for both of milk only drink and coffee with milk can tremendously affect actual milk product's demand curve. In fact, there are 11,457 stores inside the US in 2013 and number of stores keep growing. Starbucks' market dominance can be one major demand for milk and coffee consumption. (Statista, 2017).

Starbucks can be one competitor to milk manufacturers, but Starbucks consumes milk products for its coffee. Adult males prefer to whole milk for morning coffee and adult females prefer to nonfat milk. Starbucks' coffee is one of complement product for milk. Consumer's choice on cream for coffee and actual milk affect supply and demand curve. With Starbucks' sales of its coffee product, demand curve for milk can shift toward right side which generates more demand with complements.

However, if customers' reference is substitute such as almond and coconut milk, then demand curve would go left side and actual demand would diminish. In order with increasing demand for milk, market dominance of Starbucks can affect positively on milk demand enlargement in terms of complement.

CONCLUSIONS

There are various ways to increase demand curve for milk product. Decent income but not too high is required for high demand. Government regulation for quotas for manufacturer would impact on secure and more demand. Public sector control and government subsidies on milk products cause more demand. Imposing sales tax on competitor's drink might bright about more demand. Population movement and migration can affect more and less demand. And substitute product can cut off demand for milk but complement can increase demand for milk. Politically, government might control and influence demand for milk by quota, taxation, subsidies and regulation of public sector. Within economics range, income would influence demand for milk. Consumer company as Starbucks' business strategy as substitutes and complements directly impact on demand for daily products. It may be viable to expand demand by political economics, wage economics and business economics.

REFERENCES

- Alan Griffiths, et al, (2008). Economics for Business & Management (Pearson)
 Alan Griffiths, e. a. (2011). Economics for Business & Management. Third Edition, Pearson Education Limited, Presentation 2.12.

- BAKER, J. L. (January 2014). Estimates of the Lawful Permanent Resident Population in the United States. 1-9.
- David Jobbers, e. a. (2013). Principles and Practice of Marketing, seventh edition . McGraw-Hill Higher Education.
- Econ, H. (2016). Drop of Seoul Daily's milk price. Han Econ, <http://www.hani.co.kr/arti/economy/consumer/762242.html>.
- Gostin, L. O. (March 13, 2013). Banning large sodas is legal and smart. CNN.
- Gunderson, G. W. (National School Lunch Program (NSLP)). National School Lunch Program (NSLP). USDA Food and Nutrition Service, 05-23-2017.
- HAY, G. A. (n.d.). Import Controls on Foreign Oil: Tariff or Quota? 688-691.
- Hoofstat, R. V. (Summer, 2012). Demand side subsidies can boost supply in a more efficient way. HOUSING FINANCE INTERNATIONAL, 43-47.
- Investopedia. (2017). Tariffs and Quotas. Investopedia, <http://www.investopedia.com/exam-guide/cfalevel-1/global-economic-analysis/tariffs-quotas.asp>.
- ODHIAMBO, N. M. (9/25/17). Inflation and Economic Growth: a Review of The International Literature. EP Ipswich , 41-56.
- Online, E. (2017). Subsidies. Economics Online, NEWS COMMENT ANALYSIS THEORY, http://www.economicsonline.co.uk/Competitive_markets/Subsidies.html.
- Starbucks. (2017). Starbucks Website. Starbucks, <https://www.starbucks.com/>.
- statista. (2017). Number of international and United States Starbucks stores from 2005 to 2016. statista, <https://www.statista.com/statistics/218360/number-of-starbucks-stores-in-the-us/>.
- Kim, Hyeonjoo. (2020). Analysis of how Tesla Creating Core Innovation Capability. International Journal of Business and Management.42~61
- Yergin, D. (1992). 1959 U.S. Quota on Foreign Oil Imports. The Prize.