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Measuring the Cost of Quality at GollaKrishna Milk Company (GMC)

By: Anand Ellur, Vinay K S & Anand Sasikumar

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Region: Southern Asia
Country: India, Nepal
Industry: Manufacture of beverages | Manufacture of food products | Manufacturing
Organization: GollaKrishna Milk Company
Organization Size: Large
Online ISBN: 9798348830823
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Abstract

GollaKrishna Milk Company (GMC), one of India's largest dairy enterprises, has built its competitive strategy around two key pillars: quality and cost. GMC enjoys a strong base of loyal customers, largely driven by trust in the superior quality of its diverse milk products. To uphold this trust and maintain its market reputation, the company places great emphasis on the cost of quality.

In the dairy industry, sustaining consumer trust, brand reputation, and profitability hinges on maintaining high quality standards. While GMC has implemented several initiatives to enhance the quality of the milk products, it is crucial to assess whether these efforts are effectively reducing the costs associated with quality failures. This case study exposes students to various types of costs of quality and also to the criticality of certain types of quality issues in the dairy industry. GMC faced strong competition from Amul and Milma in Kerala. Milma alleged that GMC was selling lower-quality products at higher prices. Additionally, GMC encountered multiple instances of supply of spoiled toned milk in certain regions of Karnataka. In response, the company took extensive measures to address these quality issues. While this resulted in a slight increase in quality-related costs, there was still a year-on-year decline in overall cost of quality.

The Production Manager, Raju Kulkarni, consistently emphasized the importance of controlling quality costs. He assigned the new Management Trainee (MT), Sujith, to conduct a detailed study on quality costs at GMC.

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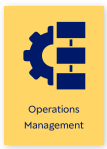
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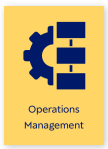


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