

# ***An Analytical Study of Marketing Mix of Selected Brands of Vegetable Oil in Northern India***

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## **Abstract**

*Edible oil industry happens to be the key player in the economic development of the country. It is a sector that provides revenue not only through industry but also through the agricultural sector. The country is becoming more self depend in the production and consumption of edible oils. Innovative and scientific method of oil production is one of the basic aspects of oil industry. The continuous process of oil manufacturing through research and development making industry more viable the industries are using upgraded technology for making oils. The government is also taking good number of steps for better promotion of domestic oil industry. India is country where 25% of the population is suffering from cholesterol and heart related diseases. Maximum number of deaths is due to heart congestion and heart related attacks, which is duly recognized by oil industry by providing double and triple refined oil to protect the human heart. However there is a need for the government to take necessary steps to punish culprits of duplicate oil business. This will enhance the confidence of the people and the government to further boost the oil industry.*

**Keywords :** ARIMA model, forecasting, export, tea, India.

**Classification-JEL :** C53, F17, F23.

## **1. INTRODUCTION**

The demand for edible oils in India has shown a steady growth at a CAGR (Compound annual growth rate) of 4.43% over the period from 2001 to 2011. The growth has been driven by improvement in per capita consumption, which in turn is attributable to rising income levels and living standards. However, the current per capita consumption levels of India (at 13.3 Kg/year for 2009-10) are lower than global averages (24 kg/year).<sup>1</sup> The Indian edible oils market continues to be under penetrated and given the positive macro and demographic fundamentals it has a favorable demand growth

outlook over the medium-to-long term. In terms of volumes, palm oil, soybean oil and mustard oil are the three largest consumed edible oils in India, with respective shares of 46%, 16% and 14% in total oil consumption in 2010.

Given the high price consciousness and varied taste preferences of Indian consumers, ICRA (Internet Content Rating Association) expects these three oils to continue to account for the bulk of edible oil consumption in the country. There has been a significant gap between demand and supply of edible oil because of limited availability of oil seeds and shifting of acreage to other crops in the

domestic market. This gap has been met through imports, which account for almost 45-50% of the total oil consumption.

The following points may be put forth in support of its importance :

- India is the world's fourth largest vegetable oil economy after US, China and Brazil.
- India is blessed with many agro climatic zones allows us to cultivate groundnut, mustard/rapeseed, sesame, safflower, linseed, castor seed, coconut and palm oil.
- After since India is the second largest produces of rice in the world next to China, there is good scope for rice bran oil production.
- India is a leading player in edible oils, being the world's largest importer and the world's third largest consumer.
- The scientific research has given many edible oils free from cholesterol and good for heart.
- The oil industry is given not only economic support but also the agricultural support.

## 2. OBJECTIVES OF THE STUDY

Following are the main objectives of the study :

- a) To study the concept and importance of vegetable oil industry.
- b) To study the positioning of the product.
- c) To study the past and existing pricing policies for the product.
- d) To study the consumers attitude regarding vegetable oil.

## 3. SCOPE OF THE STUDY

Despite such a pivotal role of vegetable oil industry in Indian Economy, vegetable oil is often not available to consumers in adequate quantity at fair prices and on a regular basis. Naturally, it is a matter of great concern for all. The consumers seem to be the greatest sufferers. Not only they have to bear with ever rising prices but also have to face shortages. Not less affected are the producers and

intermediaries, which serve as a link between the producers and consumers. Producers often find the main raw material, namely, vegetable oil itself in shortage which tends to hamper their production targets. It is for this reason that the Government has been trying various methods for regulating vegetable oil industry with a view to ensuring its uninterrupted production and easy availability to consumers at reasonable prices throughout the year.

## 4. REVIEW OF LITERATURE

Review of literature forms an integral as well as an essential part of modern research studies no research study is considered complete unless an extensive literature review is made by the researcher. The basic purpose of undertaking this exercise is to find the research gap between, studies conducted so far or literature available, and also to finalize precisely the topic of research and to get insight into the research topic selected for study. In this sense this exercise becomes a sort of exploratory research.

Refined oil refers to the oil obtained from the seeds or nuts of vegetable growth. Some of these are "drying oils," such as linseed, soya, tung and oiticica, which are used as binders for oil-based paints and varnishes.

Refined vegetable oils are the oils obtained from plants. Vegetable oil consists primarily of large molecules called triglycerides.

Suneeta Narayana, Director, Centre for Science & Environment (CSE) Delhi says, "Laboratory tests conducted by CSE on 21 different brands of refined vegetable oils reveal that refined vegetable oils, used by virtually all middle class Indian families for cooking, have negligible trans fat and are, therefore, safe.

Dr. Ashok Seth, Chairman, Escorts Heart Institute and Research Centre says, "The human body cannot break down the trans fats, so they accumulate and increase the risk of heart attack and diabetes by raising levels of bad cholesterol and triglycerides in the blood. Several states in the US have banned trans fats from restaurant

products and bakeries. No amount of trans fat is safe and it should be completely eliminated from the diet.”

## 5. FINDINGS

The findings on the basis of extensive study of selected brands of vegetable oil units are as presented in paragraphs :

Edible oil are the processed vegetables oils that are extracted from plants and are composed of triglycerides. These vegetable oils are processed in order to minimize the quantity of unwanted compounds like free fatty acids, metals, carbohydrates etc.

The demand for edible oil in India has shown a steady growth at a compound annual growth rate (CAGR) of 4.43% over the period from 2001 to 2011. The growth has been driven by improvement in per capita consumption, which in turn is attributable to rising income levels and living standards. However, the current per capita consumption level of India at 13.5-14 kg/year are lower than global averages 22 kg/year.

India is country where 25% of the population is suffering from cholesterol and heart related diseases. Maximum number of deaths is due to heart congestion and heart related attacks, which is duly recognized by oil industry by providing double and triple refined oil to protect the human heart.

Vegetable oil industry is the second largest food processing industry in India. It is responsible for the direct and indirect employment to lakhs of people. It also provides a great contribution to the tax revenues of the govt. in the form of excise, custom, vat and service tax etc. in earlier July 1, 2017 after July 1, 2017 it is converted in GST.

The total availability of edible oil in the year 2005-2006 was 124.07 lakh tonnes whereas total availability of edible oil in 2014-2015 reached to 217.09 lakh tonnes. There has been 75% increase in the total availability of edible oils in last 9 years. The share of palm, soyabean, rapeseed and other edible oil market is

estimated at 46%, 16%, 14% and 24% respectively.

India is the world's fifth largest oil seed producing nation currently contributes 6-7 percent of the global oil seed production. India happens to be the leading country in the production, consumption and marketing of edible oils. The scientific research has given the country many vegetable oils free from cholesterol and good for heart.

The oils industry is not only industry economic support but also the agricultural support. The competition in oil industry limits the price structure of different brand structure of edible oils. The oil industry happens to be the main player in the export business in India.

India has been an importer of edible oil for long years because of a mismatch between demand and domestic production. In recent years, the supply shortfall has widened rapidly, driven by rising incomes and population pressure.

The overall import of edible oils has increased around 78% in the last 8 years i.e., in 2015-2016 as compared to 2008-09. Zone wise consumption of edible oil in India is 24.5% in north zone, 20% in south zone, 26.1% in east zone and 29.4% in west zone. The overall consumption of edible oil has increased by 48% to 20810 lakh tonnes in last 8 years whereas it was 14059 lakh tonnes in 2008-09.

Since there has been a huge gap between edible oil production and edible oil consumption, India is importing a huge quantity of edible oil from the world market. According to an estimate India is responsible for the 16% global vegetable oil imports in 2010-11, making it world's largest importer. Imports represent about 60% of India's edible oil consumption.

The edible oil industry is the most closely monitored food processing industry in the country. There are surprise checking inspections and sampling by qualified technical officers of the government which ensure the purest and most nutritious edible oil is produced. Branding,

packaging and labeling has to be as per the norms laid down by the government.

There are various players in edible oil industry in India. Major among them are Adani Wilmar Ltd., Marico Ltd., Agro Tech Foods Ltd., Cargil Foods India, Amrit Banaspati Co. Ltd., Bunge India Ltd., and National Dairy Development Board.

In edible oil industry most of the companies are following multi level channel of distribution. They are using 1 level, 2 level & 3 level channel of distribution.

55% of the consumers were of age group 25-40 years. 63.6% of the consumers were either graduate or post graduate, 51% consumers were government servants or private servants. 45.56% consumers belong to lower & lower middle income group whereas 54.44% consumers belong to middle & higher income group. 27.2% consumers were having family size of 3 members whereas 41.7% consumers had 4 members in their families.

37.77% consumers had their own house whereas 21.22% consumers were having car as a symbol of their social status. 75.88% consumers had either mobile or dot phone. 92.22% consumers had scooter or motorcycle. 40% consumers were the income tax payee. 15.23% consumers were owning credit cards.

Saffola is positioned on 'Losorb Technology, Sundrop is positioned on 'Oryzanol', Nature Fresh on 'DMPS' and all other oil brands are positioned on 'OMG-3' (Omega-3 fatty acids). First three brands i.e. Saffola, Sundrop and Nature Fresh ensure lesser fats intake due to these technology/ingredient. Other brands focus on tissue growth & immune system.

Saffola and Sundrop refined oils are differentiated from other selected edible oil brands on the basis of composition. These two brands have Rice Bran and Safflower combination whereas other brands are having Soyabean, Sunflower or Rice Bran with Sunflower combination. According to the health experts, Ricebran and Safflower combination in

the ratio of either 80 : 20 or 90 : 10 which both the brands have is ideal for consumption.

Out of the selected edible oil brands, except Dhara & Ginni, all other 5 brands are having tie-up with the organized retailers. So, these brands are positioned in the minds of consumers as they are available at the modern retail formats such as super market, hyper market, etc. besides traditional retail outlets.

Selected edible oil brands are positioned on the basis of high health consciousness. As is clear from their advertising tag lines like for Saffola—"Dil Ko Rakhe Jawaan" and for Sundrop—"A Healthy Oil for Healthy People" or for Nature Fresh—"Tase Yum Saal Mein 5 Litre Fat Bhi Kam" etc. Thus, these edible oil brands offer a healthy diet without compromising on taste. Edible oil price is controlled by Government of India. Though there is a change from time to time in the Policy of Government in order to ensure price regulation like licensing policy, import policy, storage control & tax policies etc.

In 2015-16, average price per litre of different brands are as follows. Naturefresh Rs. 90-95 per litre, Fortune Rs. 95-100 per litre, Saffola Active Rs. 115-130 per litre, Sundrop Rs. 130-140 per litre, Dhara Rs. 110-115 per litre, Ginni Rs. 105-110 per litre, Dalda Rs. 100-105 per litre.

Social factors affects the consumer choice for edible oil. These factors include opinion leader, person's family reference group, social class and culture. 12.3% consumers out of 900 reveal that their purchase decision for edible oil is influenced by opinion leader. 55.8% consumers say that their own family members have a great influence on the edible oil purchase followed by 12.2% consumers to be influenced by reference group. Social class and culture has the less impact on edible oil purchase being 11.2% and 8.4% respectively.

Soyabean oil among all edible oil combination is most preferred cooking oil as it is

favoured by 39% consumers followed by sunflower - ricebran oil which is preferred by 32% of the consumers. Sunflower oil alone and safflower - Ricebran combination is preferred by 15% and 13% respectively. Ground nut oil is preferred by 2% consumers whereas cotton seed & corn oil alone or in combination has a negligible demand in the market.

## 6. CONCLUSION

Among the selected edible oil brands Nature Fresh and Fortune refined oil is preferred by majority of consumers among all income groups. Majority of consumers are influenced by Television and News Paper advertisement for purchasing edible oil. Among all Income groups, majority of consumers purchase edible oil on monthly basis.

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