Healthy Oils India:

Cooking Up a Success in the Indian Edible Oils Market

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Introduction – Diffused and Confused

Rehaan Roy, Chief Marketing Officer of Healthy Oils India, frowned at the survey report in front of him. Commissioned by Healthy Oils to see how its various edible oils were faring in the Indian consumer market, the report did not paint an encouraging picture. While Healthy Oils' four offerings in the edible oils market – Alpha, Beta, Gamma and Omega – were recognized by consumers looking for cooking oil, they were not amongst the top five in terms of brand awareness (Exhibit 1), nor were they the top choice in the 'most often used' category (Exhibit 2), except for Beta in the groundnut category. Having spent a considerable amount over the past six years to acquire a 'suite' of edible oils from other market players, the multi-brand strategy being to move from a bulk business to a consumer-facing retail business, Healthy Oils' products remained second-tier offerings in terms of consumer preferences.

With the all-important 2012 Executive Committee meeting on the horizon, where they would be demanding results, he had been charged with coming up with a new plan of attack over the next few months. India being such a large and diverse market, Roy had a lot to consider, such as: who were the target consumers for each of their brands, in which category did Healthy Oils' strength lie, and what would drive them to Healthy Oils' category? What should the brand promise be in order to be differentiated and sustainable, and what should the marketing strategy be? These were key questions that would be keeping him up at night.

Background – Healthy Oils

Ranking amongst the world's top 100 companies, Healthy Oils was an international producer and marketer of food and related products with over 100,000 people located in over 50 countries. It provided high-quality ingredients, meat and poultry products, and health-promoting ingredients to food and beverage manufacturers, foodservice companies, and retailers. Healthy Oils India Limited was founded in the 1990s, where it started out selling packaged vegetable oil. The business expanded rapidly over the next decade and a half and by 2011, Healthy Oils had a portfolio of 4 packaged oils as well as other products.

The Indian Consumer Market

As the second most populous country in the world after China, and on the way to becoming the most populous,[1] India combined several attributes making it one of the most important consumer markets globally: a young population, rising incomes, a fast-expanding middle class, and rapid urbanization. It was these factors that underpinned the growth of the market, particularly in fast moving consumer goods (FMCG), and attracted consumer goods companies looking for sizeable markets.

Backed by robust economic growth, the FMCG industry in India had been growing at a healthy compound annual growth rate (CAGR) of 11% over the last decade, accelerating to 17% in the last five years.[2] Despite the recent slowdown in the economy, and more cautious consumer spending, the FMCG market was still expected to do well due to the everyday

1 Current population was about 1.22 billion, and forecasted to be 1.43 billion by 2025, surpassing China.
2 Source: Equitymaster Agora Research Private Limited

nature of the goods. Valued at US$36 billion,[3] impulse food and essentials dominated the FMCG consumption basket (Exhibit 3). Exhibit 4 shows the value of FMCG goods consumed in urban and rural areas, and growth by category. 66% of FMCG goods were consumed by urban consumers, driven by the metropolitan cities and small towns (population of less than 1 lakh[4] to 10 lakh) since 2002. In "middle India" the fastest growth in consumption cut across rural and urban segments, and was forecast by Nielsen to expand 14-fold from 2010 to 2026.[5] Rural India, home to 70% of the population, accounted for only 33% of FMCG consumption. While urban consumers showed greater spend at higher price points, rural consumers favoured lower price points.

FMCG goods were retailed through two primary sales channels – traditional trade (TT) and modern trade (MT). TT comprised of the ubiquitous *kirana* stores (Exhibit 5), unorganized small stores which represented the largest sales channel, forming 95% of overall retail sales. MT stores were larger format, organized retail stores (Exhibit 6 shows the difference between the two). Among top players in the food and non-food FMCG sector, MT's contribution to sales was at most about 13%, and it was essentially an urban phenomenon. However, the growth of consumer goods retailed through MT was outpacing that in TT due to factors such as a comfortable and modern store experience, access to a wide variety of categories and brands under a single roof, and compelling value-for-money deals. MT was expected to become an increasingly important part of the FMCG landscape, with more and more brands fighting for the same space.

Exhibit 7 highlights the changes in consumer trends expected as a result of changing demographics. A key trend shaping the FMCG industry was a shift towards premium and lifestyle categories. Where previously consumers had gone for the lowest cost alternative, there was a move towards products that promised better quality and offered convenience, which were higher priced than conventional alternatives. This "shopper evolution" was reflected in FMCG sales dynamics, such as:

- 60% of FMCG sales could be influenced in the retail store
- increasing shopper sensitivity to promotions
- Re-launches in smaller packs received higher acceptability in reaching new outlets
- 2 out of 5 shoppers actively looking for premium products
- more shoppers looking for new products while shopping
- emergence of the "cross-over" shopper - shopping at both TT and MT

Given these developments, distribution penetration was critical to make inroads into the customer's mindspace. Edible oil, for example, still had a long way to go in terms of distribution (Exhibit 8).

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3 Source: Nielsen
4 1 Lakh (lac) is used to refer to the numerical value of 100,000 in India, like a million is used to refer to 1,000,000.
5 Source: Equitymaster Agora Research Private Limited

The Edible Oil Industry in India

Demand and Supply

Edible oils constituted an important component of food expenditure in Indian households. Used mainly for cooking and frying, demand for edible oils had shown steady growth, with annual per capita consumption steadily increasing from 4kg in the 1970s, to 10.2kg in the late 1990s, to a current level of 13.5-14kg,[6] on the back of strong per capita income growth and rising living standards.

According to USDA estimates, India was the third largest consumer of edible oils (after China and the EU-27 countries), accounting for about 11% of global edible oil demand (Exhibit 9) and 16% of global imports in 2010-2011. However, per capita consumption still lagged significantly below the world average of 22kg/year, and even that of developing neighbours such as China and Pakistan (20kg/year) due to lower incomes and a small urban population relative to total population (Exhibit 10). This was expected to change as the proportion of the middle-class with adequate purchasing power for consumer staples like edible oils was forecast to rise from 5% of the population in 2007 to 40% by 2025 – propelling per capita consumption to the level of other countries like China, and potentially exceeding it by 2020.

The domestic production of edible oil, on the other hand, had remained stagnant, with a CAGR of only 0.2% from 2004-2009 on account of low productivity in under-irrigated areas, prohibition of genetically modified crop use and the shifting of acreage from oilseeds to other crops. The significant demand-supply gap, which was expected to widen given demographic and economic trends, had so far been met through imports, constituting about 45-50% of total edible oil consumption. Imports were restricted by duties: between 2001 and 2008, import duties on imported crude soya/palm oil were prohibitively high at between 40% and 90%. But the widening gap between production and consumption resulted in the government rethinking its protectionist stance and revising duty downwards to 7.5% for refined palm/ soybean oil and 0% for crude palm/soybean oil. Refined and crude palm oil accounted for 74% of imports in 2009-2010), mainly due to relatively low prices and ample availability.

Given the high reliance on imports, domestic edible oil prices were largely linked to international prices. As demand rose for biofuels (in view of the high price of crude oil), edible oil prices were expected to remain firm.

Preferences for Edible Oils

India's edible oil consumption patterns were heavily influenced by regional preferences (Exhibit 11), driven by taste and availability. For example, soybean oil was mainly used in northern and central parts of India due to the availability of soybeans locally. Mustard oil was largely consumed in north-eastern, northern and eastern regions of India, as its pungency was a desired and inherent part of the local cuisine, particularly for seafood. Palm oil, considered the "common man's oil", was increasingly the oil of choice in southern India due to the warmer climate (which prevented it developing a cloudy appearance and becoming unfit for consumption) and easy availability from Southeast Asia. Sunflower oil was popular amongst the affluent classes, especially in southern India.

6 Source: ICRA

Regional oil consumption also varied as a result of differing culture and food habits. In the north (e.g. Delhi, Gurgaon, Amritsar, Lucknow), food preparation was more elaborate during the weekends, and oil consumption tended to be heavier than the other regions, especially during winter. In the west (e.g. Mumbai), there was a fair mix of oily/heavy items as well as simple items, so oil consumption was moderate, while in the east (Kolkata), Bengalis were primarily rice eaters and oil usage was much less compared to the north. Other eastern cities like Bhubaneshwar rejected rich, oily food as their eating habits were simple and light, even for the higher social classes who could afford more elaborate food. In the south (Chennai, Bangalore), though they consumed a lot of fried snacks, main meals did not require much oil, so consumption was low.

With increased health awareness due to rising living standards, more attention was given to the suitability of cooking oils. Palm oil had one of the highest percentages of saturated fats (~51%) which was perceived to be bad for the heart, whereas mustard oil had only ~7%, the lowest of the major oils. Soybean oil offered a more balanced composition, with ~62% of polyunsaturated fats, considered to be beneficial. Alternatives like olive oil, canola oil, rice bran oil and other refined oils were gaining popularity among affluent households. Exhibit 12 shows the expectations of the consumer of an “Ideal Oil” and the benefits associated with refined oils.

Nonetheless, price still played an important role in determining consumer choice, given that it formed a significant portion of the household budget. In volume terms, palm oil (46%), soybean oil (16%) and mustard/rapeseed oil (14%) were the top three oils consumed in India, and together accounted for 75% of the total edible oils demand.[7]

Competition

The Indian edible oil industry was fragmented, with a large number of unorganized participants and low capacity utilization in the processing of oilseed. Due to government polices regulating plant scale and incentives for building new facilities, oilseed processing was often carried out by small units using non-technologically advanced methods running at very low utilization rates (30%-40% compared to 92%-96% in the developed nations) – operating only during the harvest season.

The global financial crisis, several poor harvests and the reduction in import duties on edible oils forced several small-scale players to close down or be taken over by larger players. Multinational players in the domestic market included Adani Wilmar Limited, a joint venture between Adani Group and Wilmar International based in Singapore, Bunge, and Healthy Oils Foods.

India’s edible oil market was witnessing a gradual transition in consumer preferences towards branded and hygienic Refined Oil in Consumer Packs (ROCP). Branded sales of edible oil in India in 2010 at ~US$4bn had comprised only about 25% of the total edible oil market of INR750bn (~US$16bn), with most lower-income consumers, especially in rural areas, opting for cheaper oils sold in loose form. However, a major shift was evident in larger cities where consumers preferred branded packaged oils. Industry experts predicted sales would grow at 30% by volume over the next few years, as increasing quality consciousness, rising income

7 Source: ICRA

and industry consolidation encouraged a "premiumisation" in edible oil demand. Already, the sale of loose oil had dropped significantly from 74% of the total sales of oil in 2005 to 57% in 2011. Industry data showed that while currently, only about 31% of urban households and about 9% of rural households consumed branded edible oils, with the national average at about 16%, the branded market had a potential to grow to US$13.5 billion by 2015. Branded sales were expected to represent 55% to 60% of the total market volume by then (from 2010 to 2015).

Amongst the major edible oils, palm oil was still largely traded as a commodity and sold mostly in loose form, although players such as Ruchi Soya had their palm oil brands (Ruchi Gold). Sunflower and soybean oil, on the other hand, had a high proportion of packaged sales estimated at around 70% and 55% of total sales. Mustard oil was still sold 70% in unbranded form.

Exhibit 13 a-c shows consumers' perceptions of key competing brands like Saffola, Sundrop, and Fortune. From consumer studies conducted by Healthy Oils, it appeared that:

> *"…consumers seem to be flirting within the brands of similar price range as the benefit associated with most of the brands are very generic. Only Saffola and Sundrop have been able to communicate a clear brand differentiation among the refined oils whereas with the rest of the brands only generic category benefits*[8] *are associated."*

Saffola communicated a definite product benefit to the consumer as their communication clearly conveyed the emotional payoff of "free from heart disease, therefore assurance of good health and life". It was perceived as a specialized product for people with health problems. Sundrop's message "Good for health" was the preferred choice of the higher social economic classes. It was perceived as an aspirational brand, which encouraged consumers to try and thereafter to stick to it (trial and stickiness).[9] Fortune was regarded as more of a mass market brand, appealing exclusively on price.

The Segmentation Study

A Complex Market

India is a complex market. Not only is it massive in terms of size – with a total population of 1.24 billion people it is equal to the combined population of the US, Indonesia, Brazil, Pakistan, Nigeria and Russia – it is also non-homogenous. Within 28 states, 325 languages are spoken. There are four main castes, 3,743 sub-castes, and 4,635 identifiable communities, all different in biological traits, dress, language, occupations, eating habits, forms of worship and kinship patterns, largely living in villages (72%). Income distribution is uneven across the 28 states, with Goa and Punjab, the two richest states, having a per capita income of more than three times the poorest states like Bihar and Orissa (Exhibit 14).

8 Category benefits refer to the benefits that belong to refined oil as a separate category in the whole Edible Oils market.

9 Although Sundrop was fortified with vitamins as a product feature, the brand had not been recognized for this feature, according to consumer studies. However, consumers had commented that the use of children in its ads showed that it was good for the whole family, which resonated well.

Given such complexity, Roy told himself that marketing to such a diverse group of consumers required a choice: 1) either you try to be everything to everybody, which given limited resources meant spreading yourself very thin or 2) you narrow your focus and concentrate on the group most likely to appreciate your product and where you would make the most impact. To provide a clearer perspective, he hired Market Xperts, one of the top ten market research companies in the world, to do a segmentation study on India's cooking oil market.

Market Xperts' Research

A core part of Market Xperts' research was the use of the Censydiam Model, a modular suite of tools designed to help companies engage better with their consumers at an emotional level by using fundamental human motivations and drivers. Through identifying these fundamental motivations and drivers, companies would be able to figure out more effective brand stories to build a bridge between consumers and their products. The Censydiam model was based on the idea of what people need from a category. For example, people do not buy lipstick for itself; they buy "hope" – hope for "a more youthful appearance, for a hot date, for a new job."[10] As motivations can be difficult to articulate, the Censydiam model had a framework that sought to enable brands to understand people's motivations in relation to their brand positioning and communication. The Censydiam framework had been used in FMCG, financial services, automotive, healthcare and durables.

In Healthy Oils's case, given such a diverse set of consumers, one possible way of segmenting them was according to the underlying motivations for using cooking oil, drilling down from attitudes towards homemaking and, more specifically, cooking (Exhibit 15). Market Xperts thus conducted the segmentation research to explore homemaker psychographics and cooking oil needs in order to see which segment Healthy Oils should target and what messages would work with them. (Exhibit 16 shows the sampling frame of the segmentation study).

A two-phase approach was used. First, a qualitative phase to explore and gain an in-depth understanding of the different homemaker mindsets and needs with respect to edible oil. The second part involved quantitative research to identify, measure, size and profile the consumer segments and the interaction of each with the category and brands.

Phase 1

<u>The Users of Cooking Oil – What Are They Like?</u>

From the qualitative phase, 24 strong differentiating statements defining psychographic and home-making needs were identified (Exhibit 17), which were incorporated into a quantitative questionnaire for respondents to agree with (or not) on a 5-point scale. A cluster analysis was then run to arrive at homemakers' psychographic groups amongst the females, mapping into five groups comprising: 1) Conventional (30%); 2) Ahead of the Pack (24%); 3) Flexible, Fun loving & Sociable (18%); 4) Confident, Creative, Inspiring (17%); and 5) Judicious, Rational & Controlled (11%). (See Exhibit 18)

10 Source: Market Xperts

The Motivations Behind Cooking Oil Use – What Does It Do For Them?

While cooking at a rational level was about feeding the family, it was also intrinsically linked, on an emotional level with being a capable homemaker and taking good care of the family. Hence, in order to tap the emotionally charged aspect of cooking oil via the motivations of the homemaker, the segmentation study looked at cooking trends and cooking oil dynamics, as well as the influencers and purchase preferences of cooking oil users. Four major trends stood out that would influence cooking and the use of cooking oil:

Efficiency and less effort **–** There was an increasing move by homemakers towards reducing their time in the kitchen and minimizing the effort expended, e.g., easy/fast to cook dishes, use of microwave ovens, appliances to speed up cooking, use of convenience/ready-mix products

Demanding family and need for variety and expertise **–** The rising cost of living meant that eating out had become unaffordable, putting greater pressure on the homemaker to produce "restaurant-like food at home".

Growing health concerns and fads **–** With healthy living the current fad, homemakers started paying attention to cooking according to individual health specifications, freshness of ingredients, quality of product/brand name, type and quantity of oil used in cooking, as well as the amount of spices/salt used, etc.

Cooking as a fun activity **–** More husbands were helping out in the kitchen (higher among the younger, richer, nuclear households), and in some higher social classes, weekend family cooking was seen as a fun and entertaining activity.

In terms of cooking oil dynamics, the type of oil used tended to differ by dish type – for example, sunflower oil tended to be used for fried foods, while ghee[11] was used for parathas (pan-fried flat bread), rotis (bread) and sweets. The oils used also differed during different occasions – soybean, sunflower and mustard were commonly used for preparing regular meals, while during festive occasions, vanaspati and ghee were used more often. In fact, different edible oils had different product characteristics that fulfilled different needs (Exhibit 19).

The influencers of cooking oil purchase were mainly family recommendations and advertisements, although in North and East India, more than a third of the sample also listened to the retailer's recommendation, which was Fortune brand in the North, and Fortune, Ruchi Gold and Engine brands in the East. In the South, Gold Winner was the retailer's recommended choice (Note: sample size was too low for the West). Purchasing patterns were fairly similar – most purchased from the unorganized small stores (kirana and general stores), and usually from the same store, in bulk on a monthly basis, except in the East which preferred smaller packs. (See Exhibit 20).

11 Clarified butter traditionally used in Indian cooking, particularly in the North.

Phase 2

<u>Building the Framework</u>

From a sample size of 1,267 women, Market Xperts then built a motivational frame of reference for edible/cooking oils, mapping out the underlying reasons for the use of cooking oils, the inhabitants in that space (as classified earlier by the homemaker segmentation), what sort of oils they would use and when they would use them, where they came from, and what sort of purchasing pattern they had. Using this framework, six consumer segments based on cooking oil motivations were derived (Exhibit 21a). Exhibit 21b gives more details about each segment and Exhibit 21c gives the geographical spread of each segment.

Healthy Oils' Offerings

With a better understanding of the edible oils consumer market, Roy now had to take a look at Healthy Oils' own offerings, taking into account Market Xperts' market information about consumers' impressions of Healthy Oils' brands vis-à-vis competition in the market, and then decide on the new marketing strategy.

Healthy Oils India had four edible oils brands in the market:

- Alpha – the Alpha suite of oils was available as refined soybean and sunflower oils, pure mustard oil, refined palm oil and olive oil. Food cooked in Alpha refined oils were supposed to absorb less oil.
- Beta – a pioneer in sunflower oil, the Beta brand also spanned a wide range of edible oils like soybean, groundnut, cottonseed, filtered groundnut, mustard oil and vanaspati. Beta was positioned on a health platform and supposed to retain food freshness for a longer time.
- Gamma – Gamma had more than 50 years of presence in India as a vanaspati brand, and was a trusted name associated with cooking traditional Indian recipes and sweets.
- Omega – Omega refined sunflower oil was a blend of high oleic sunflower oil (HOSUN) for improved heart health. HOSUN contained higher mono unsaturated fatty acids (MUFA), which was good fat and provided health benefits, than olive oil.

Exhibit 22 gives more details on the attributes of Healthy Oils' 4 brands. Exhibit 23 shows the current brand footprints of Healthy Oils' oils under the motivation framework vis-à-vis competing oils. Exhibit 24 shows the factors that put a brand into the "for consideration" basket when shopping.

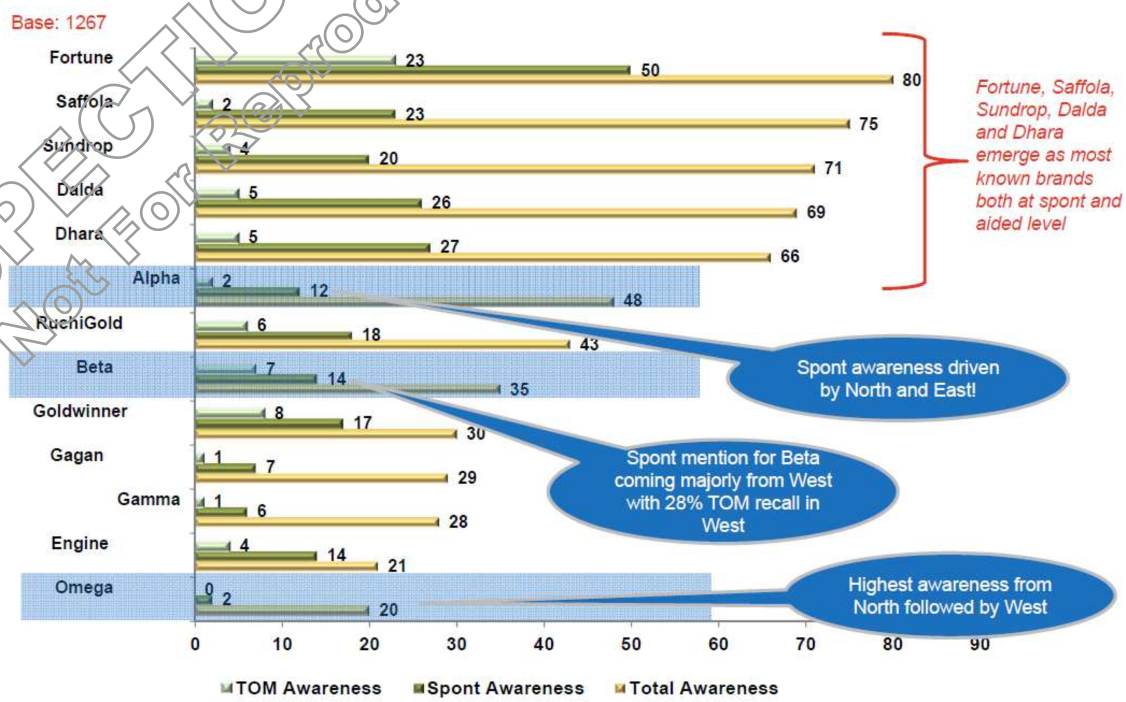
Conclusion

Looking at the attributes and consumer impression of Healthy Oils' own portfolio of brands, Roy had to figure out which battle to fight, i.e., which consumer segment to target, using the brand that had the strongest attributes to succeed against the incumbent leader, and with what marketing strategy. Should it be a multi-brand attack across a few segments, or should Healthy Oils focus its ammunition on one brand targeting a particular segment? Should it pitch its oils on a regional basis, or go for a national strategy? Should it go on a health platform, take advantage of the premiumization trend, or go after the traditional cooking oil consumer?

There were many factors to consider, from general economic trends to industry specific developments, to consumer-based motivations. What would be the best way to build a strong branded cooking oil to profitably meet the needs of India's millions?

Exhibit 1

Brand Awareness of Edible Oils in the Indian Market



NB: TOM refers to Top-of-Mind awareness – first brand recalled in response to the product category cue; Spont refers to Spontaneous awareness – unprompted recall of the brand name

Source: Market Xperts

Exhibit 2

Most Often Used Category

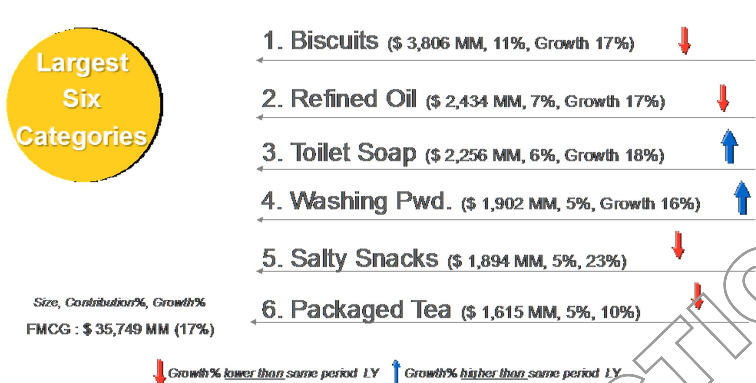
	Most Often Used Category in Past 6 Months							
	All	Soyabean	Sunflower	Mustard	Groundnut	Palamolein	Vanaspati	Desi Ghee
Base:	1198	211	268	268	169	165	71	46
	%	%	%	%	%	%	%	%
Any Mention (Net)	100	100	100	100	100	100	100	100
Fortune	34	78	16	51	11	8	32	30
Dalda	14	9	10	22	7	10	39	9
RuchiGold	11	2	7	9	1	47	4	4
Beta	10	13	13	1	21	4	4	11
Goldwinner	10	-	28	-	8	13	1	17
Sundrop	10	5	23	6	6	7	8	7
Dhara	9	6	3	21	4	10	7	-
Saffola	8	9	11	7	5	2	10	4
Engine	7	3	3	19	1	7	11	-
Alpha	7	14	6	9	2	6	6	4
Home made ghee	7	16	4	8	1	1	7	35
Vijay	6	-	10	-	11	16	1	-
Gagan	4	4	-	7	-	1	18	4
Gamma	3	3	-	5	-	1	20	4
SVS	3	-	2	-	12	5	-	2
Tirupati	3	-	2	1	11	-	3	-
Gold Drop	3	-	11	-	2	3	-	2
Omega	1	-	2	1	1	-	-	2

Source: Market Xperts

Exhibit 3

Components of FMCG Growth

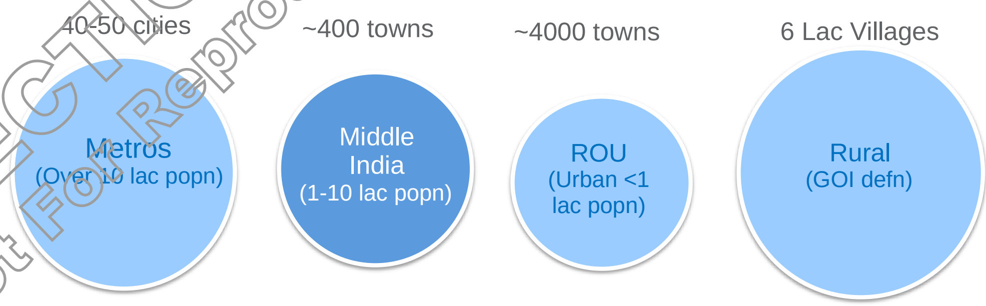
Impulse Food and Essentials dominate FMCG consumption basket



Source: Nielsen

Exhibit 4

Where Demand Resides for FMCG



50k+ Cr	36k+ Cr	31k+ Cr	59k+ Cr
15.6%	18.5%	18.1%	16.1%

MAT May '12 Val, 2 Year Val CAGR

NB: ROU = Rest of Urban
Row – 1 (i.e., 50k + Cr) – Size (value in INR) of the FMCG industry in a particular pop strata.
Row – 2 (i.e., 15.6%) – Value Growth of FMCG industry in a particular pop strata.

Source: Nielsen

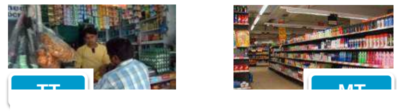
Exhibit 5

Kirana Store

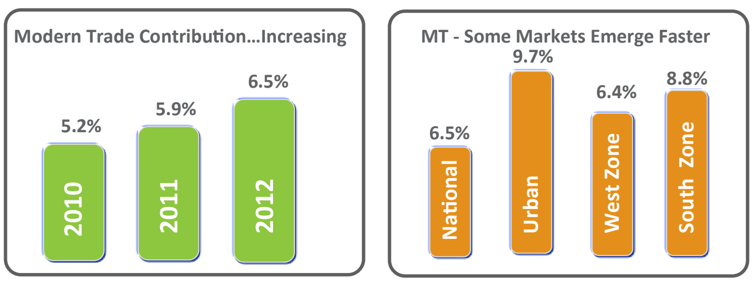
Source: www.flickr.com/photos/santoshwadghule/5192424608/

Exhibit 6

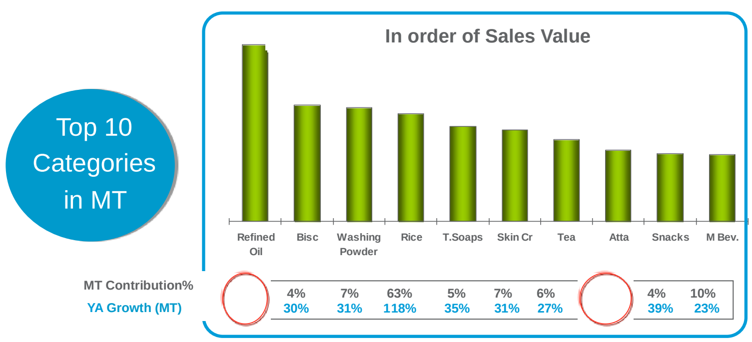
Modern Trade stores



	TT	MT	
Stores	99.9%	0.1%	
Turnover Per Store			/ Month
Store Density	7.4	0.05*	/ '000 Pop
Categories Per Store	25	72	
Companies Per Store	44	146	
Brands Per Store	110	706	
SKUs Per Store	190	1833	



FMCG Sales in MT grew by a high 30% in 2012.



Source: Nielsen

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Exhibit 7

Key Consumer Trends and Insights

Trends	2011	2016	2021
Consumer	**Consumer Market - Big in size but Small in Per Capita Consumption** •Currently India ranks 12th in the world consumer markets. •Consumption dominated by people in lower economic class •PCC of edible oil @ 13.8 Kg as compared to world average of 21.7 Kg. **Basic necessities dominate consumption** • Staples comprises of as high as 40% of total food industry in India • Packaged food as small as 3% of the total food Industry but growing rapidly at about 25% per annum • Kitchen is King. Food services industry 2% of the total food Industry **Growing health awareness** • Under nourishment a growing concern especially among children of deprivers • Growing preference for health and wellness food : strong desire for fortified foods with iron,calcium,vitamins etc. •Heart disease and Diabetes are the leading cause of death in rural and urban India	**Rapid growth in Per Capita Consumption** ▪ India to scale up in to the top ten in World consumer market. ▪ PCC of edible oils expected to grow to 16 .4 Kg. ▪ Bulge of lower class will work its way to income ladder **Discretionary items growing in Food category** ▪Younger population and high disposable income to drive consumption ▪ Packaged food estimated to reach 7% of total food Industry ▪ Organized food services industry expected to grow at a CAGR of 20% **Avoidance and Beneficial Health trend** ▪Increased incidences of lifestyle diseases will drive growth for health replacement of foods. ▪Stress and sedentary lifestyles continue to increase the rate of heart disease.	**Largest consumer market** •By 2025, India will become 5th largest consumer market by 2025 at $1.5 trillion. • PCC of edible oils expected to grow close to 21 Kg. •Transformed into a middle class nation **Value adds and out of home consumption driving growth (Decreasing role of kitchen cooking)** •Younger & urban population with high PPP & disposable income with willingness to pay more for convenience. •Packaged foods estimated to reach 12% of the food industry • Organized food services continue to grow at rapid pace. **Health** •To become the heart disease capital in 2025 by WHO

Trends	2011	2016	2021
Competitors	• Companies are focusing strongly on reducing cost to firm up profitability, and on price points and single serve packs for market penetration . For example, shift from milk fat to vegetable fat by GSK to penetrate rural market • Most companies competing on taste and nutrition platform. Some beginning to focus on basic health viz get more energy • Competitors unable to forecast health trends clearly and predict their requirements over a 5, 10 and 15 year horizon • Companies like Frito Lay leading the market with complete shift to rice bran in snacks to communicate benefit of Oryzanol	• Greater consumer demand, and govt intervention on health will force competitors to create health related food solutions to remain competitive •Companies start creating a dedicated basket of health products which address diabetes, blood pressure and heart problems	• Movement from direct to indirect consumption of oil substantial •Consolidation of Food Processing companies – more MNCs leading to a heightened sense of quality and health •Functional Foods becoming an integral part of the diet

NB: Customer here refers to FMCG companies
Source: Healthy Oils

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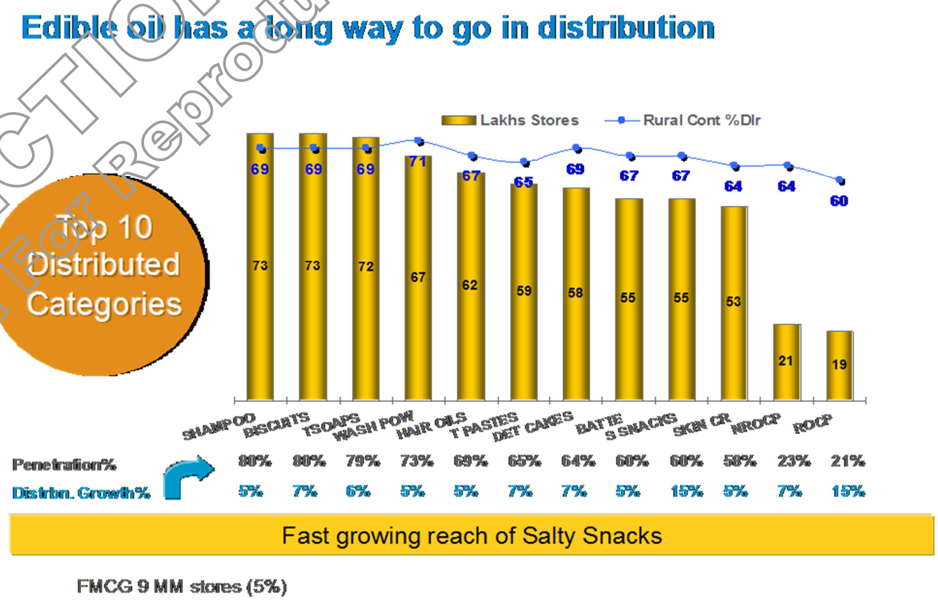
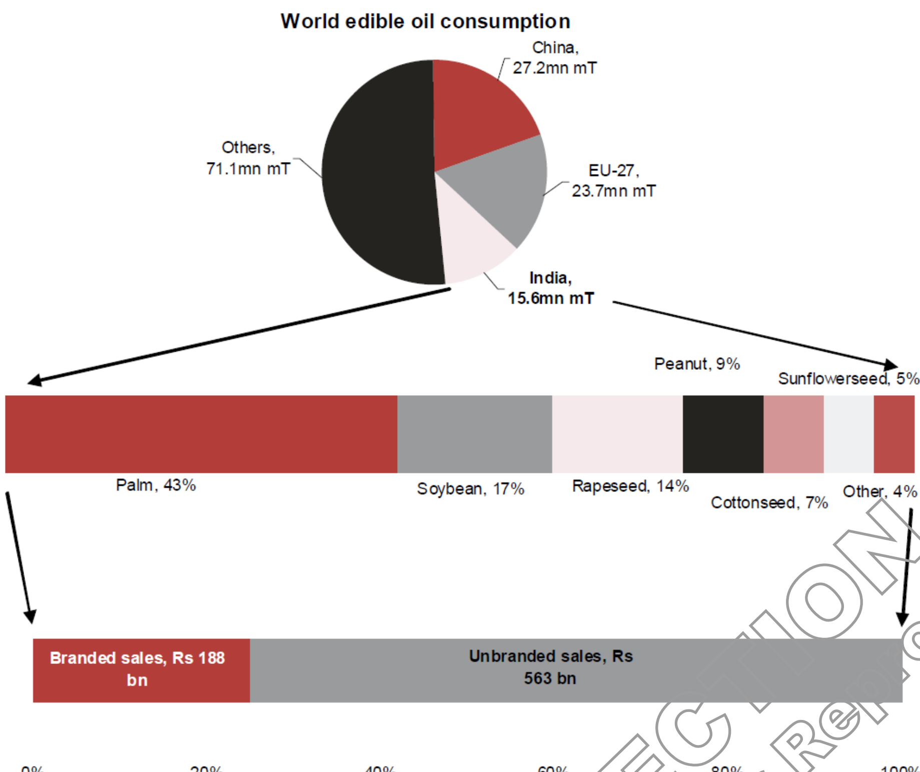
Exhibit 8
Top 10 Distributed Categories



NB: NROCP = Non-refined edible oils, ROCP = Refined edible oils
Source: Nielsen

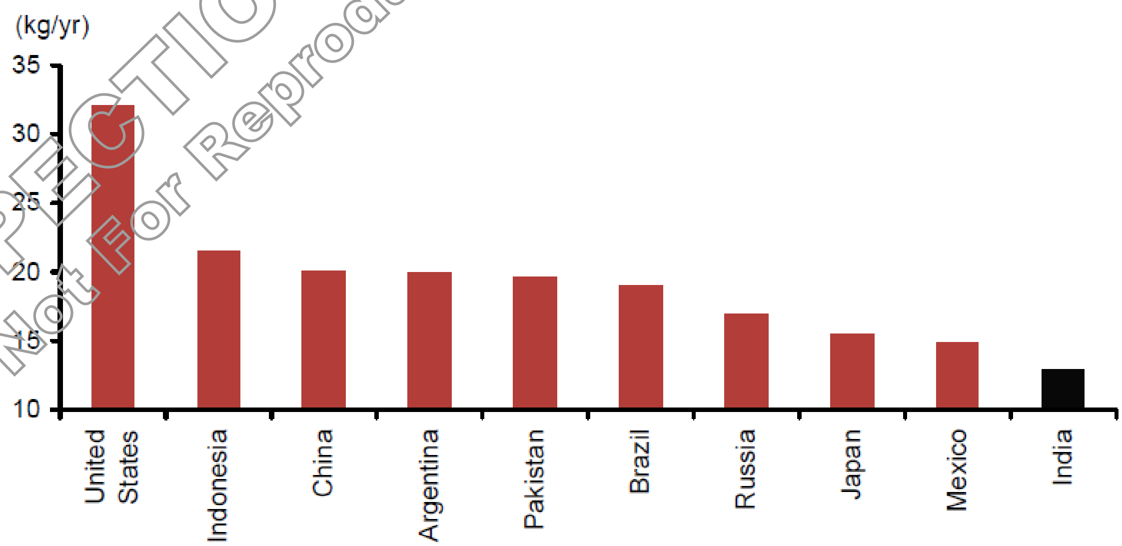
Exhibit 9
Edible Oil Demand in India



Source: Nomura Research

Exhibit 10

India's Edible Oil Consumption vs. Other Countries



Source: Nomura Research

Exhibit 11

Regional Preferences for Different Edible Oils

Type of oil	Preferred by
Mustard	North-east, Central, North and East India
Groundnut	West India
Palm	Central and South India
Soybean	North and Central India
Sunflower	Largely consumed in urban India, in small quantities

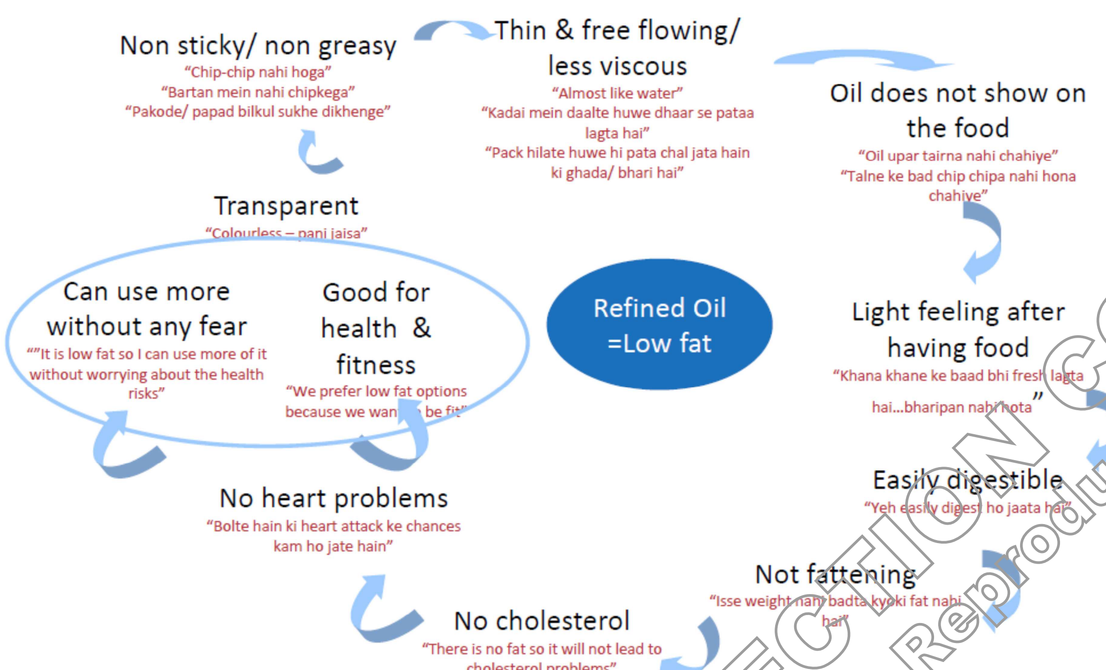
Source: Nomura Research

Exhibit 12

Housewives' Associations with Regards to Cooking Oil

Associations with the Ideal Oil

Associated Benefits of Refined Oil

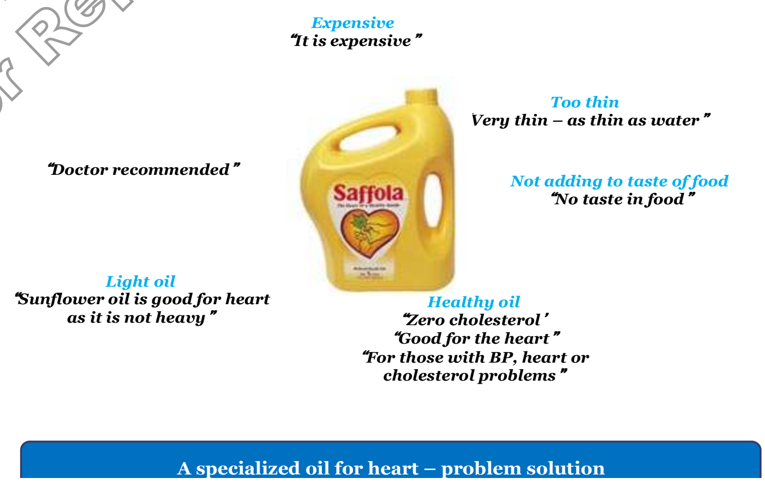


Source: Healthy Oils

Exhibit 13a

Major Brands Competing with Healthy Oils - Saffola

Perceptions about Saffola



Brand SWOT for Saffola

Strength Specialized High equity Has created a niche for itself	**Weakness** Alienates the mass Caters to a specific problem solution situation only Does not add to the taste of food
Opportunity Catering to the mass An oil that makes all types of food tasty	Threat Huge equity across consumer types & SECs

Source: Healthy Oils

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Exhibit 13b

Major Brands Competing with Healthy Oils - Sundrop

Perceptions about Sundrop

Good for health
"Even things like puri etc. are not harmful to health if cooked in Sundrop"

Aspirational brand
"We would like to use it if it is within our budget"

Keeps one active
"You will remain active & energetic after having the food cooked in Sundrop"

Good health associations with sunflower oil
It is sunflower oil which is good for health"

Enriched oil
"Has added vitamins A, D, E" – few Higher SEC

Light oil
"It is a light oil"

Low fat
"It has less fat"

Non sticky
"The food does not stick"
"The oil is non sticky & light in colour"

Tasty
"It has a good taste"

Reasonably priced
"Not as expensive as Saffola but more premium than Fortune"

Light so easy to digest
"Easy to digest"

Generic associations with refined oil category. Some are able to remember enriched with vitamins while for most it is a 'healthier' refined oil – superior to other brands except Saffola

Triggers to trial of Sundrop

Known & popular brand
"It is a good brand & is very popular so I prefer to use this oil"

Good for heart/doctor recommended
"Doctor suggested that it is good for heart as it is sunflower oil"

Good for taste, no side effects
"I use Sundrop because the taste of the food is good & it feels light, there is no acidity/ gas problem"

Less expensive substitute to Saffola
"It is also sunflower oil like Saffola but much more reasonable so I tried Sundrop"

Low fat/ low cholesterol
"It is a light oil & has no fat or cholesterol so I started to use Sundrop"

Enrichment is not a reason for trial

For the entire family
"I tried it because of the ad which shows active children, it means this oil is good for the children also"

Less fat
"My husband has BP problem so I use Sundrop as it is less fat"

Consumers see it as a good refined oil & in few cases, it is doctor recommended
Key reasons for trial are generic category benefits along with its imagery of a premium brand

Brand SWOT for Sundrop

Strength Communication – even for children Activeness Preferred by the lifestyle oriented Aspirational	**Weakness** Expensive Not able to cash in on enriched oil
Opportunity A better tangible benefit Price advantage	**Threat** It is seen as an aspirational brand

Source: Healthy Oils

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Exhibit 13c

Major Brands Competing with Healthy Oils – Fortune

Perceptions about Fortune

Light Oil
"It is very light"

Light & Non greasy
"It is not seen in the food when cooked"

Light, thin & non sticky
"Spreads easily in parathas"

Good for health
"The sunflower & soyabean oils are good for health"

Low fat/ No cholesterol
"Doesn't solidify in winter… does not cause cholesterol problem"

Reasonable price & economical to use
"The price is very reasonable & we do not need to use as much as other oils"

Light therefore easily digestible
"It is easily digestible"

Generic associations with refined oil benefits – reasonable price is its main USP

NB: USP = Unique Selling Proposition

Triggers to trial of Fortune

Popular brand
"It is a popular brand, it is there in any shop, big or small"

Not greasy/ Does not stick to the vessel
"It is not greasy…easy to wash off"

Offers/ discounts
"There was a discount on it thought I should try it"

Reasonable price
"It is also a refined oil like Sundrop but it is much cheaper so thought why not try"

Good for health
"There are no health problems from this oil"

Light & tasty food
"My neighbour suggested that I should use Fortune, it is tasty & very thin"

A popular brand which is much reasonably priced. No differentiating brand benefit seen. Any popular brand could be a replacement to this

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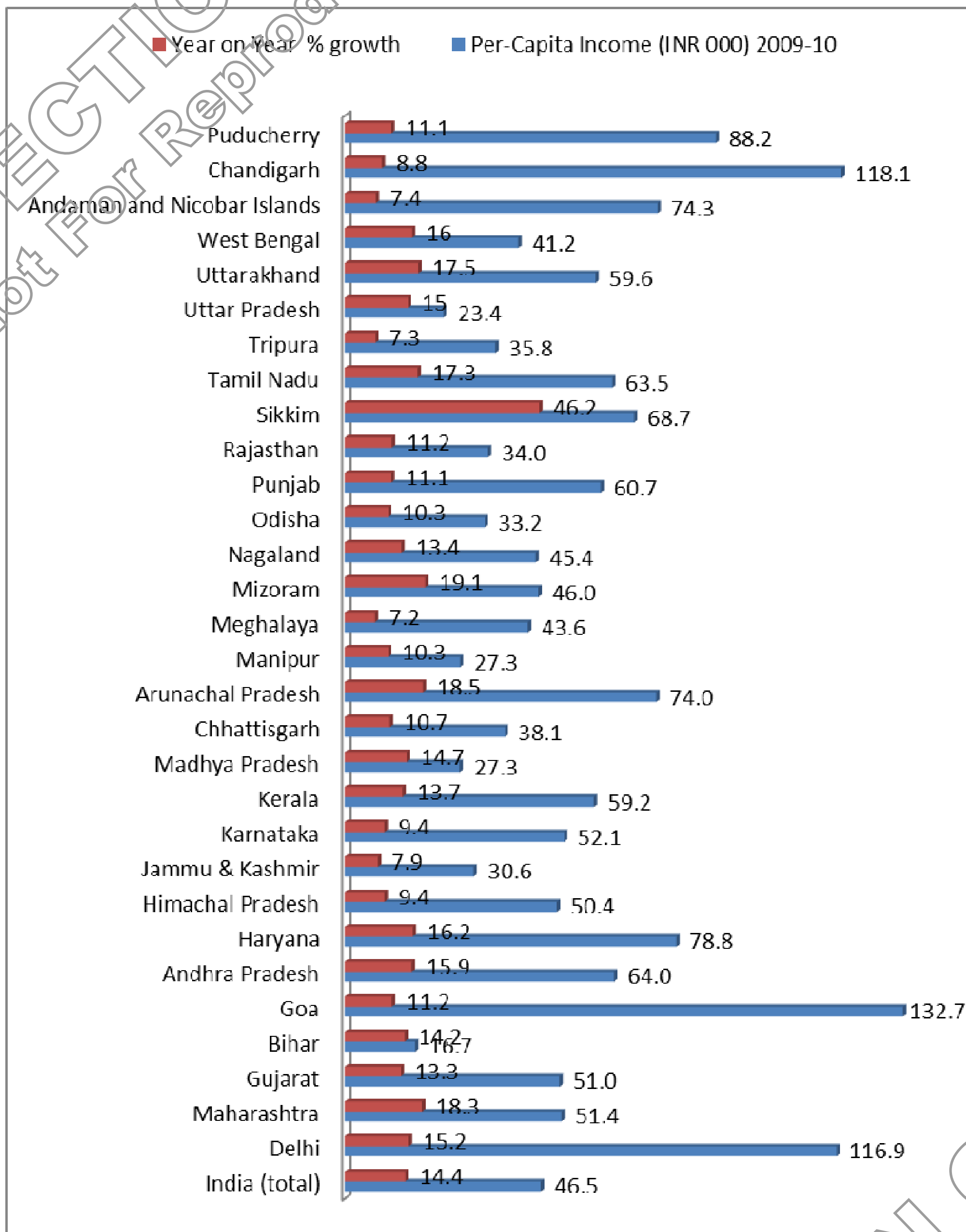
Brand SWOT for Fortune

Strength	Weakness
Mass appeal Market presence Reasonable price	Not differentiating – too generic to the category Very low impact of communication
Opportunity	**Threat**
A differentiated offering relevant to the consumers	Popularity across SECs

Source: Healthy Oils

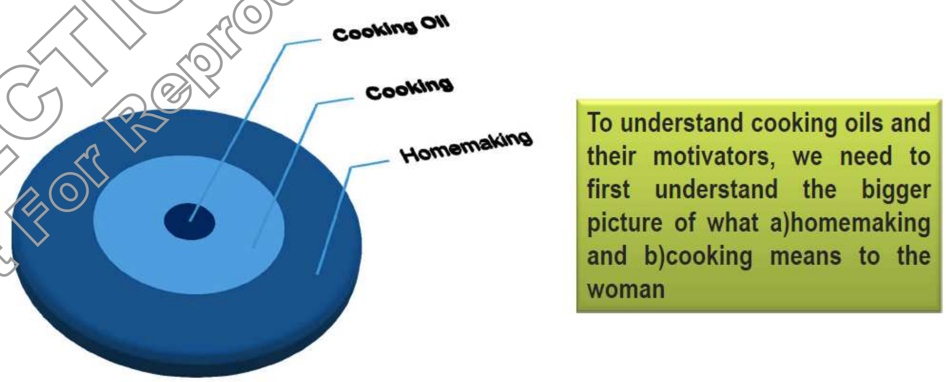
Exhibit 14

Per Capita Income by State



Source: http://en.wikipedia.org/wiki/States_of_India_by_size_of_economy, accessed February 15, 2014.

Exhibit 15
Cooking Oil Motivation



Source: Market Xperts

Exhibit 16
Target Group

- Women
- SEC A/B/C
- 24-45 years
- Decision maker on purchase of edible oils
- Women were classified
    - Life-stage
    - Married but not mother
    - Young mother with kids(s) up to 12 years
    - Mature mothers with kids of 13 years or more
    - Occupation
    - Housewives
    - Working women
- Consumers of groundnut, mustard, palmolein, and soyabean oil, as well
  as vanaspati and desi ghee—classified by category most used
- Mix of packaged and loose oil users

Source: Market Xperts

Exhibit 17

Quantitative Questionnaire to Segment Homemakers

1	It's fine to take help of maid for some household tasks
2	I prefer doing most household tasks on my own
3	I like to take advice from others about what to do and what to buy
4	I look for discounts while shopping for grocery
5	I willingly spend more on brands/ products that are worth it
6	I choose popular brands
7	I am quite certain about what I want to buy before I visit a shop
8	I look for products and brands that are special/ not commonly used
9	Cooking is a chore I do not enjoy much
10	My key focus while cooking is on health and nutrition
11	I am not very confident about my cooking skills
12	I focus on coordinating and managing all the people and activities in the home so that everything happens smoothly
13	Homemaking is about creating a place for myself in the family where I am valued and appreciated
14	I focus on creating a warm atmosphere in the home where all family members develop close bonds with each other
15	Homemaking is about sharing and spreading happiness among all family members and guests
16	I approach all tasks with a sense of fun and energy
17	I am flexible in my approach to various homemaking tasks and not being bound by a fixed routine/ method
18	I manage all my homemaking tasks efficiently so that I can take time out to pursue my other interests/ talents
19	I like trying out new ideas/products/ brands for homemaking tasks
20	Homemaking is a domain where I am in charge, I am the boss
21	I look to make a name for myself as an expert when it comes to homemaking
22	I manage my home in such a way that others get impressed
23	I don't like taking risks and prefer the tried and tested
24	I sacrifice my needs/ my dreams for the sake of my family

Source: Market Xperts

Exhibit 18

Summary of Homemaker Segments

Home making Segments	Attitude towards home-making	Who are they?	Where are they from?	Where do they buy?	Who influences ?
Conventional **30%**	*Homemaking to her is about fulfilling (conventional) her role and being valued within the home.*	*Middle class living in Joint families; Housewife/ self-employed/employed at manager level*	*North India*	*Mostly from Kirana stores.*	*Retailer & Ads.*
Ahead of the Pack **24%**	*She needs to be recognized as superior, an expert*	*SEC A living in a nuclear family*	*South & West India*	*Mostly order on phone or send the maid to buy*	*Family*
Flexible, Fun loving & Sociable **18%**	*She strives towards creating an atmosphere of togetherness, sharing, fun and joy in home*	*Mature mothers, over 35 yrs in a nuclear set up belonging to upper SECs; Most are housewives*	*South India*	*Mostly by personally going to the General stores*	*Friends and Doctors*
Confident, Creative, Inspiring **17%**	*She looks to express her individuality and creativity*	*Younger lot from lower SECs; Mostly working*	*South & West India*	*Generally shops at stores like big bazaar or buys loose oil from grinding mills*	*Family & Ads*
Judicious, Rational & Controlled **11%**	*Home-making to her is about discipline, planning, order and control.*	*Most of them married but not yet a mother; living with elders /family members; Mostly working*	*East India*	*Send maid or other family members go & purchase*	*Retailer, friends & Doctors*

NB: Joint families = many generational, includes uncles and aunts and their families. Nuclear families = husband & wife, children, possibly with one or more of the parents.

Source: Market Xperts

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Exhibit 19

Summary of Product Attributes of Different Cooking Oils

Category	Imagery	Product Characteristics	Key brands	Consumers	Variation by Dish types
Soyabean	Carefree	Thin/light, transparent oil	Fortune, Dhara and Alpha	Used by the conventional homemakers of middle income HHs living in joint families	Oil differs by dish types for 37% of Soyabean users; used for biryani , fried food , snacks and veg. gravy dishes.
Sunflower	Family focused	Light & non-sticky & low cholesterol	Sundrop, Goldwinner and Saffola	Used more by mature mothers of middle class living in Nuclear HH's	Differs for 21% of Sunflower users; used for fried food , snacks and veg. dry & gravy dishes
Mustard	Active & Caring	Has strong sensory associations- strong smell & used for multiple purposes!	Fortune, Dhara and Engine	Used by conventional and controlled females living in joint families	Differs for 42% of Mustard oil users; used for dry veg. dishes followed by dry non veg dishes and gravy dishes (veg & non veg)
Groundnut	Expert, Family focused & Health conscious	It's a good multipurpose cooking oil with good aroma	Beta, Vijay and Tirupati	Used by higher SEC, people who are more evolved; nuclear and young HH's	Only 13% of Groundnut oil users, said their choice of oil differs by Dish type – so GN considered a multi-dish oil
Palmolein	Family focused & Well accepted	Affordable price – key hook	Ruchi Gold, Gold winner. & Vijay	Used by Lower SECs and higher age groups – people wanting to experiment but in a rational & judicious way	Differs for 27% of palmolein oil users; used for frying; Used less for preparing non veg gravy dishes
Vanaspathi	Familiar and Efficient	Seen as a ghee substitute; Is thick with strong smell & taste	Dalda, Dhara, Gamma, Engine and Gagan	Used by lower SECs and conventional HHs; having more of elders at home	Differs for 50% of Vanaspathi users; used for frying, snacks, rotis & paranthas
Desi Ghee	Indulgent	Thickness & Aroma that gives 'richness' to food- Good for frying	Mostly home made	Used by Higher SEC, evolved, nuclear HHs	Differs for 50% of the Desi Ghee users. Used for rotis, Dal, paranthas, snacks, veg gravy dishes

Source: Market Xperts

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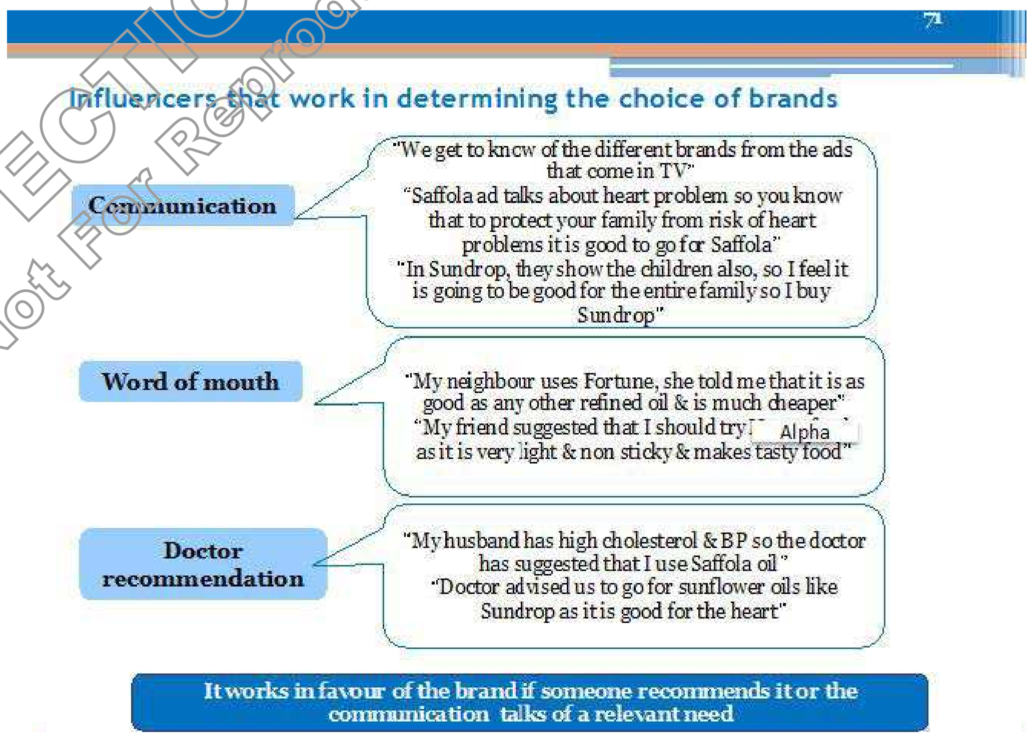
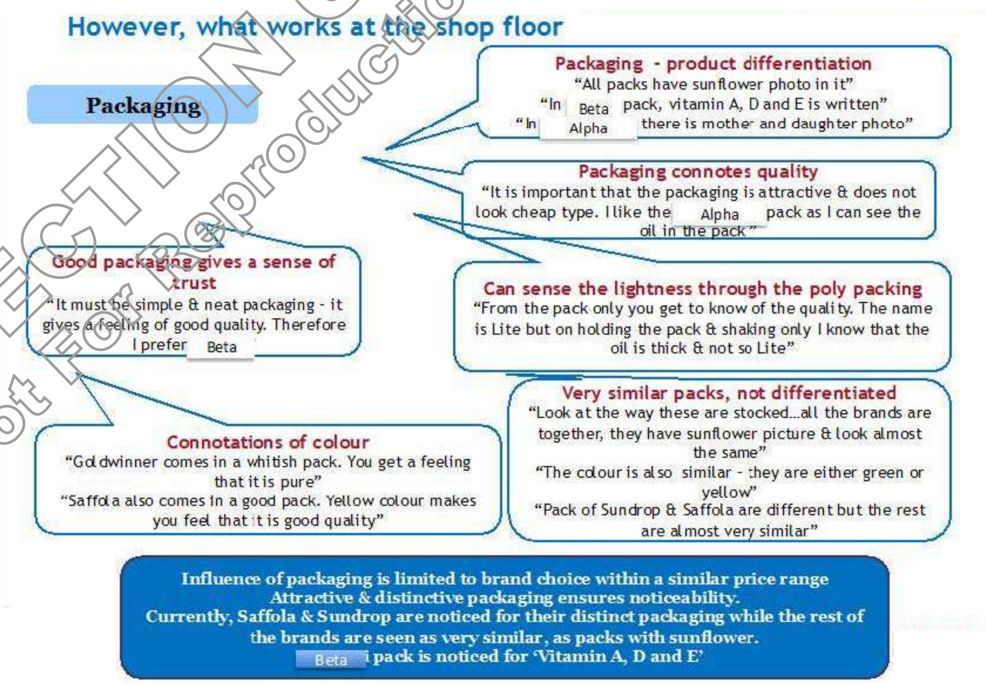
Exhibit 20

Influencers that Determine Brand Choice





Source: Healthy Oils

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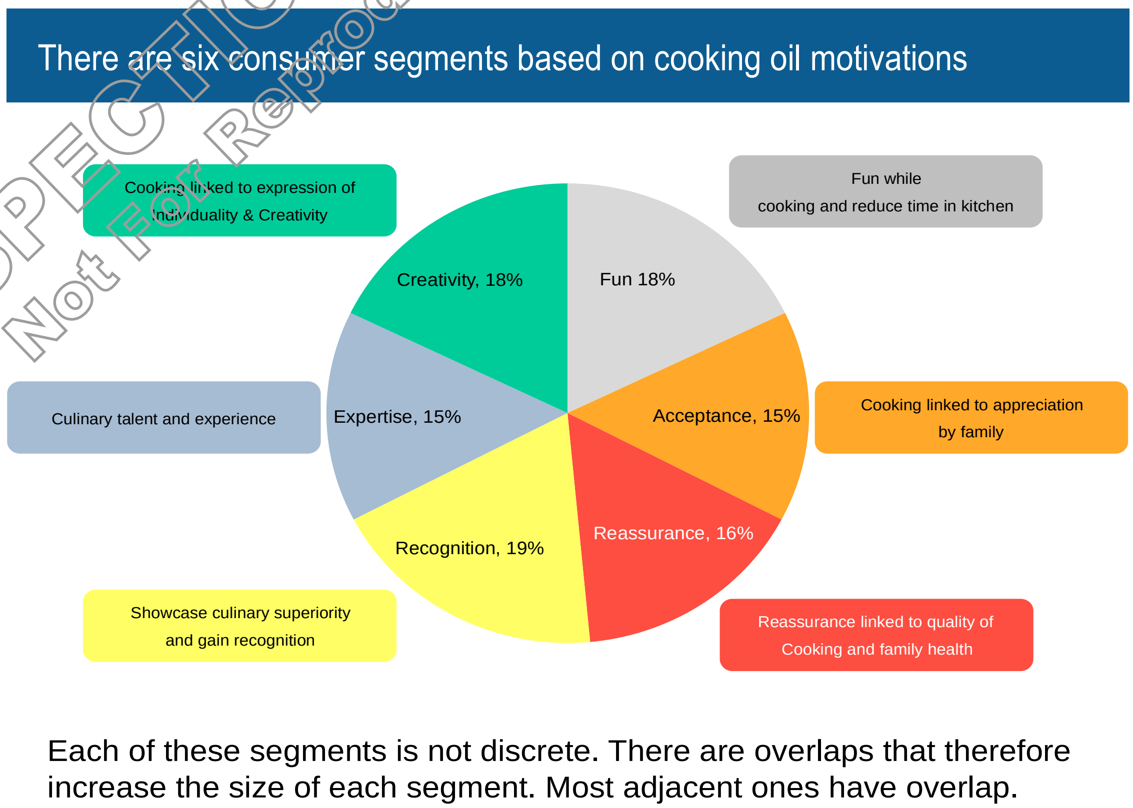
Exhibit 21a

Consumer Segments



Source: Market Xperts

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Exhibit 21b

Consumer Segment Details

Fun & Indulgence (Fun) *"Cooking oil enables fun while cooking and also indulges my taste buds"* 18%	• Cooking oil enables them to prepare food that excite/indulge their taste buds and makes meal times fun & enjoyable • Cooking oil differs by dish types, not so much by occasions • Typically look for an oil that is dark coloured, heavy and has a strong smell • Prefer mustard, vanaspati and groundnut oils • Popular brands: Dalda, Dhara • Type of homemaker – working women who are either married but not mothers, or mature mothers, spread across all social classes • Homemaker cluster: Conventional yet Flexible, fun loving & sociable • Personality type: Fun • Mostly come from smaller towns in the East • Purchase pattern: personally buy from TT stores and small percentage send maids to buy from military canteens, etc.
Family Acceptance & Nurturing (Acceptance) *"Enables me to make food that is appreciated by my family and is also "good" for them, which makes me valued and cements my place in the household"* 15%	• Makes food in the accepted traditional manner • Makes a variety of food suiting all preferences • Provides security about quality of food that the family eats • Cooking oil differs by dish types as well as occasions • Look for easily available products • Prefer mustard and vanaspati • Popular brand: Goldwinner (many smaller brands also being used, like Gokul, SVS, Raag, Kalaash, Ginni) • Type of homemaker – Highest % of housewives, 31-45 year olds, across all classes • Homemaker cluster: Flexible, fun loving & sociable • Personality type: Popular, family focused, familiar, practical • Mostly come from big towns in North and East • Purchasing pattern: personally order on the phone or buying at store. Shops at TT stores but also at MT stores
Reassurance & Control (Reassurance) *'Makes me feel reassured about what I cook and hence, secure and in control of my family's health"* 16%	• The type of oil reflects the family's health status and thus need a 'reassuring' oil • Cooking oil does not differ by dish type or occasion • No preference over type of oil, although relatively high on sunflower • Popular brand: Beta, Vijay • Type of homemaker – Upper class (SEC A1), mature mothers • Homemaker cluster: Ahead of the Pack, Judicious, Rational & Controlled • Personality type: Reassuring, Active, Multi-faceted • Mostly come from West India • Purchasing pattern: buys from TT and MT stores and a small percentage buy loose oil from oil grinding mills

Recognition & Appreciation (Recognition) *"Allows me to showcase my superiority and gain recognition/respect for my cooking skills and (healthy/modern) choices"* 18.8%	• Modern women who want to take care of cooking their own way and command respect and appreciation through it • Cooking oil does not differ much by dishes or by occasions. Except for making parathas, for which desi ghee is mostly used • Prefer sunflower, soybean, groundnut oils • Popular brand: Sundrop, Saffola • Type of homemaker – Upper class (SEC A1) young mothers, high on teachers • Homemaker cluster: Mix of Individuality & Creativity, Ahead of the Pack and Judicious, Rational and Controlled • Personality type: Modern • Mostly come from smaller towns of North and West • Purchasing pattern: other family members do the purchase, shop at MT stores and oil grinding mills
Cooking Expertise (Expertise) *"Standing apart and feeling a sense of superiority/pride due to cooking expertise – the "perfect cook", the "perfect homemaker"* 14.5%	• Wants an expert oil to help them standout as an expert cook • Oil to help control fat/cholesterol of family to avoid unpleasant surprise • Cooking oil does not differ much by dish type or by occasions • Look for oil containing iron • Prefer groundnut, palm • Popular brands: Sundrop, Saffola, RuchiGold • Type of homemaker – Middle income, young salaried professionals in age group 25-30 years, no kids or young mothers, nuclear families living with elders • Homemaker cluster: Individuality & Creativity • Personality type: Expert • Mostly come from smaller towns of South • Purchasing pattern: Go personally or other family members go, shops at both TT and MT
Creativity & Experimentation (Creativity) *"Provides the opportunity for expressing my individuality and creativity"* 17.9%	• Driven by exploration, variety, and indulgence • Cooking oil differs by dish types • Prefer Soybean, Vanaspati, Desi Ghee • Popular brand: Dhara • Type of homemaker – Middle income, females without kids, joint families • Homemaker cluster: Ahead of the Pack, yet Conventional • Personality type: Indulgent • Mostly come from North • Purchasing pattern: Mix of going personally or other family members go, shops at TT and other places like Military Canteen, etc.

Source: Market Xperts

Exhibit 21c

Geographical Spread of Consumer Segments

Region	Fun		Acceptance		Reassurance		Recognition		Expertise		Creativity	
	%	Index	%	Index	%	Index	%	Index	%	Index	%	Index
North	24%	99	27%	115	18%	75	26%	111	16%	69	31%	132
South	27%	105	28%	107	27%	102	30%	115	17%	65	28%	106
East	26%	116	25%	109	27%	118	20%	87	18%	81	20%	89
West	23%	83	20%	73	29%	105	24%	88	48%	175	21%	76

NB: % shows the proportion of women in that segment out of the total number sampled. i.e., the % penetration tells us weights of respective regions within each motivation segment. Index is a derived measure and indicates whether the motivation is differentiating for the geographic segment.

Source: Market Xperts

Exhibit 22

Healthy Oils' Suite of Edible Oils

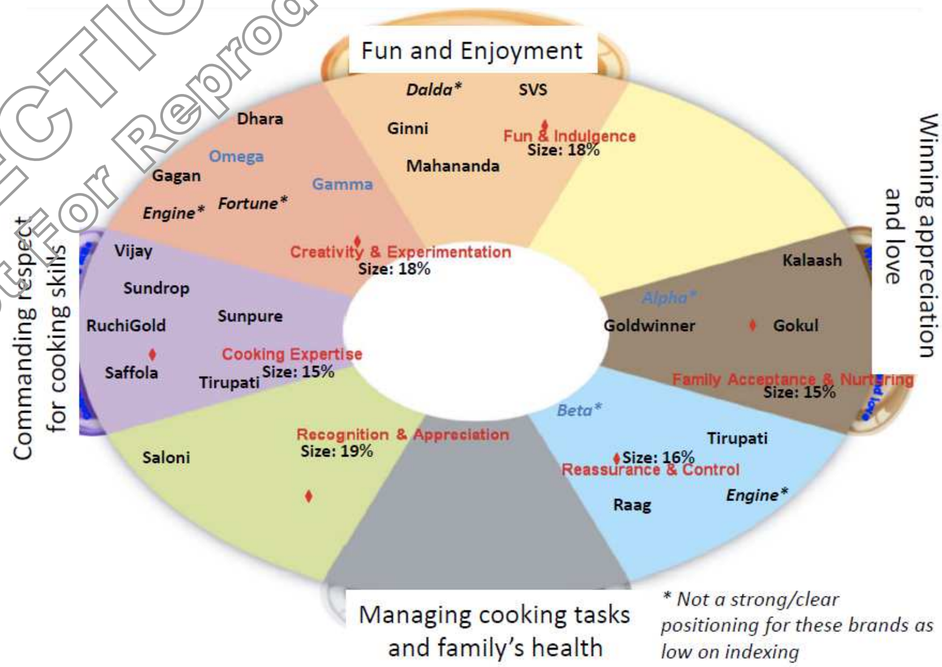
Edible Oils Brand	Attributes	Consumers
Alpha - all oils under brand	<u>Product Attributes:</u> • Refined cooking medium • Pure • Good quality • Premium • Light • DMPS – reduce absorption of oil by food • Vitamins <u>Functional benefits:</u> • Healthy oil • Low absorption	<u>User type:</u> • Higher class • Younger • Nuclear families <u>User impression of oil:</u> • Big on health plank • Modern • Accepted & popular • Similar quality as Fortune
Beta - sunflower oil	<u>Product Attributes:</u> • Refined cooking medium • Enhanced with vitamins • Light – so more oil is needed (less value for money) • High smoke point (good for frying) • Expensive • Good smell • Non-sticky <u>Functional benefits:</u> • Healthy oil	<u>User type:</u> • Expert • Wants to try different dishes • Middle income household • Young mothers • Nuclear families <u>User impression of oil:</u> • Oil that gives flexibility to their life (speeds up cooking) • Trusted brand • Modern and new brand
Gamma - vanaspati	<u>Product Attributes:</u> • Smooth white texture • Softness • Desi Ghee-like feel • Good taste • Solidifies in winter • Heavy/strong smell <u>Functional benefits:</u> • Inexpensive • Traditional • Creates crispier fried foods	<u>User type:</u> • Lower income • Younger users vs. Dalda • Nuclear families with elders <u>User impression of oil:</u> • Trusted brand • Traditional • Make mealtimes enjoyable and as per family tradition • Wanna-be of Dalda

Omega - sunflower	<u>Product Attributes:</u> • Refined cooking medium • Large SKU size for 15 litres (convenience of fewer purchases) • Relatively expensive <u>Functional benefits:</u> • Cook in a traditional manner/restaurant-like tasty food at home • Healthy oil from HOSUN blend (more MUFA than olive oil)	<u>User type:</u> • Want to display cooking skills • Wants to cook variety of dishes • Upper class • Mature mothers • Nuclear families <u>User impression of oil:</u> • Makes tasty food in accepted traditional manner

Source: Market Xperts, Healthy Oils

Exhibit 23

Brand Footprints under the Motivational Framework



NB: Under the framework, an index was used to determine how strong and differentiating a brand was versus its competitors.

Source: Healthy Oils

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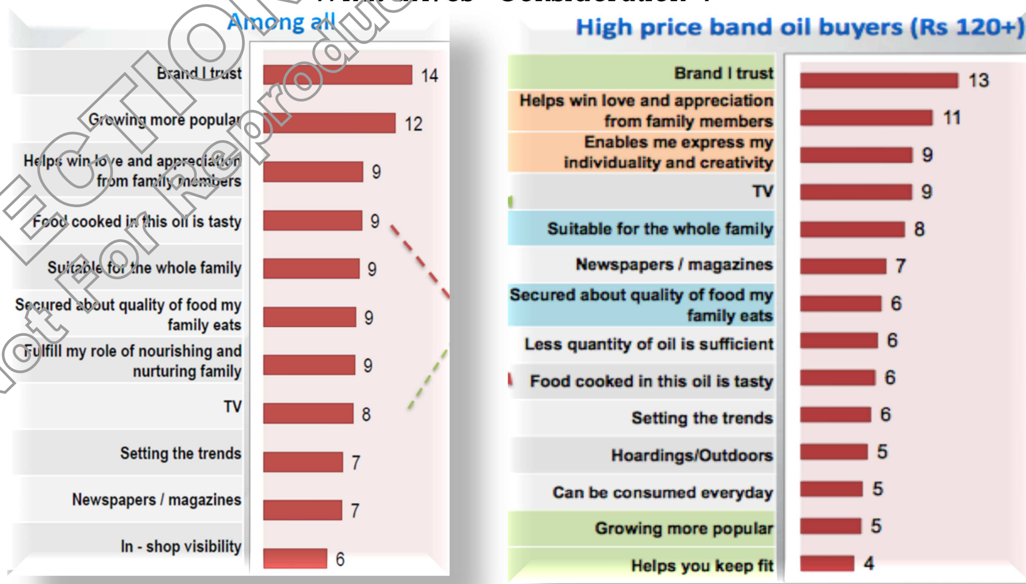
Exhibit 24

What drives "Consideration"?



Source: Millward Brown.