
Being No.1, To Be No. 1...

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Focusing on quality parameter of edible oil segment, Gulab Oil had become No 1 edible oil brand of Gujarat. Being inseparable part of Gujarati food items, the edible oil sector of state has sustainable life cycle as well. Mukesh Nathwani, MD, Gulab Oil expanded Mangrol Oil Mill with a clear vision to come up as number 1 retail brand on quality aspect in branded groundnut oil market. With double filtration technology as well as product and packaging innovations, Gulab Oil captured Gujarat edible oil market with proper understanding of consumer expectation and preferences. “Diversification is the key of sustainability” were the words of Nathwani on talking about his market expansion strategy. **Being no 1** in Gujarat market, the company looked **to be no 1** in national market with ground-breaking strategy.

Key words: Innovation, strategy, product promotion.

BACKGROUND

In 1966, Mangrol Oil Mill was established with a little capacity of 600 tons/day at interior place of Gujarat, India where groundnut cultivation was being taken place. In 1984, Mukesh Nathwani joined his family business after completing his degree for chemical engineering. In 1987-88, state had undergone severe famine, which lead to drastic fall in groundnut production. To meet their raw material need, Mukesh and his team travelled across the neighboring states of Gujarat and procured quality groundnut at lower rate. Personal involvement of owners in raw material purchase created valuable relations in market expansion and proved as major strength of the company. The brand stepped in Ahmedabad in 1992 with establishing the filling center in the city. With the passing years, company set up their refining units at Kadi, Mehsana, Gujarat, India.

Gulab Oil adopted the concept of quality as its key factor in setting the price. The double filtration concept helped the company to sustain as quality brand in consumers' minds.

In the year of 2004, Mukesh lead the company at another mile stone. Company started to purchase raw sunflower oil, cottonseed oil and muster oil from bulk edible oil market and started refining, filtering and branding the oil under umbrella brand of Gulab oil. By 2013, the company developed two units for manufacturing oil. One plant is at Mangrol and the other is at Rajkot in Gujarat.

INDUSTRY IMPACT

The industry has developed manifold over the years in Gujarat and India as a whole considering the factors like consumer tastes and preferences, quality products and health friendly edible oils. The industry has always looked Gujarat as a major hub for the business, as maximum consumption of edible oil has recorded in this state. Because of traditional buying behavior of consumer, initially company sales graph used to shoot up during months of November and December. After 2000-01 company noticed a dramatic change in overall edible oil consumption habits and started to receive balanced market response throughout the year. In these years globalization had narrowed down the gap between tradition Indian food and global cuisine. Even consumer became more health conscious. They started demanding for variety of edible oil with lower MUFA (Mono Unsaturated Fatty Acid) which is responsible for removing harmful cholesterol form human body.

PRODUCT & PACKAGING INNOVATION

In 1992, Mukesh took initiative to establish the company's operations in Ahmedabad, Gujarat, India as major marketing hub of the state. At the outset, he identified the quality issues like sedimentation faced by consumers with the existing edible oil brands. To address this issue, the company introduced the concept of double filtering the groundnut oil for the first time in Gujarat. This not only helped the company to overcome the quality issues but also established Gulab Oil as a high quality edible oil brand in the mind of consumers. Apart from improving technology, it emphasized procurement of quality groundnut seeds from Gujarat, Maharashtra and other states of India, knowing the fact that the quality of seeds was the prime requisite to maintain their brand image in the market.

The company also introduced new packaging for their products continuously to address changing consumer preferences. Initially edible oil used to be sold in tin container (called 'dabbas') of 15 kg which were difficult to handle. Company noticed that consumers were facing the problem of spoilage whenever they try to take oil out of this container for consumption. With this insight in mind, the company came up with two innovations. They changed "man-hole" seal into "spout seal", which lead to easy opening of the container. Another milestone, the company established was introducing the plastic container, locally known as "jar" with a tap at the bottom to take out the oil easily without disturbing the quality of the product. Further, as consumers were shifting from their old habits of purchasing & storing more quantity of edible oil, to the purchase of small and convenient packaging products, the company started marketing oil in small sizes in pouch packing, tetra packs and smaller plastic bottles.

After 2004-05, the company seriously faced an issue of increased market range of edible oils. The number of consumers in Gujarat, who were purchasing other variety of edible oils like Cottonseed oil and Sunflower oil, was started to increase, which made Mukesh and his management team to give a second thought on their existing product. They analysed the market on consumers' feedback and decided to increase product line under the umbrella brand of 'Gulab' as Gulab Sungold (Sunflower Oil), Gulab Health (Cottonseed oil), Gulab Prime (Corn Oil). The idea was to en-cash the already existing image of the brand as high quality edible oil. By the end of 2013-14, the company had the target to launch rice bran oil in state market.

PROMOTIONAL STRATEGIES

Perfect usage of various promotional tools had played pivotal role in the emergence of Gulab oil as a brand. Mukesh Nathwani said, "Direct marketing is the best way to promote the brand". To sell the big bucket of product range they had selected to promote products to both retailers as well end customers. Free samples with existing products of edible oil, promotion through all media vehicles were some of the ideas for marketing. The celebrity endorsement of famous television stars amongst the house wives was turned out to be the milestone in this journey. Company every now and then comes out with skims, complementary gifts and discounts for retailers. Sample sales outside the malls and selected outlets had boosted the sales. They analyzed the consumer tastes and preferences across different location to find out the diversities and supplied as per the existing demand. Unique packaging and uncompromised quality were the USP for promoting the products.

CHANNELS OF DISTRIBUTION

Placing product at right time was always been key of success for Gulab oil. The selection of unique distribution system in this industry had lead Gulab Oil to be the trend setters. Removing multiple layers from channel of distribution was the idea. They had selected several retail outlets across Gujarat as well came out with company retail depot in Ahmedabad which had attracted customers for assurity of original quality products. Free home delivery across Ahmedabad and Gandhinagar was another thought which they had encash in form of generating more revenues. To tab the markets like Rajasthan, Madhya Pradesh and Maharashtra where they had present, they selected to stick with multiple layer distribution system as they were new to the market.

DIVERSIFICATION

Survival might not be the primary issue for the company, but they knew that reflections of market forces always been dynamic in nature. Mukesh Nathwani knew that cutting edge competition and changing consumer preferences may create big hurdles for the company. To overcome this issue company looked forward to diversify in another product line in agro products. They had started it by placing various agro food products range in malls and selected retail outlets across their coverage area. For promotion of this whole new product range they had launched skim of providing free packets of these products with their existing product line, i.e. edible oil. Again diversification may help them in building brand at national level which they were looking forward to.

After identifying revolutionary consumer preference and market need, the company had launched different varieties of edible oil with different packaging material. Mr. Nathwani experienced positive entry in Mumbai market, but also realized that similar strategy might not going to work in other Indian Market. Even he had an idea to tap the rural market, which was virgin for branded edible oil segment. With considering the fact that edible oil is the product which is indivisible from Indian food industry, edible oil may not have the question of sustainability. At national level, market competition is gaming on the basis of extensive range of oil. Though, Gulab oil had also brought different variety of oil with higher quality standards, what strategy the company should follow to gain and maintain number 1 position at Indian market?

QUESTIONS:

- 1) Critically evaluate the Product design strategy adopted by the company.
- 2) Discuss the factors which have lead the company to face of market fluctuation during product market expansion.
- 3) What strategy the company should follow to gain and maintain leading position at Indian market?

Objectives of teaching the Case

The case will help the students in understanding following topics:

- Importance of quality Focus
- Consumer insight as a driving force of marketing innovation
- Product line extension and Brand extension
- Use of Promotional tools to support product launch
- Different strategies for different markets
- Impact of changing market forces and consumer habits, preferences and lifestyle on marketers' decision

Major Issues involved in the case:

- Product line development
- Expansion
- Understating the market

- Maintaining market position

Time given to the discussion of each issue: 10 mins.

Expectations from students in advance:

To get a brief idea about edible oil industry and its stakeholders