

## VINDER OILS LTD.: BALANCING QUALITY AND MARKET DYNAMICS

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In January 2022, Aditya Agrawal, the chief marketing officer of Vinder Oils Industries (Vinder), was considering a critical issue that could significantly influence the company's future. Vinder, based in the industrial district of Ramgarh, Jharkhand, India—which housed mineral-based industries including steel, sponge iron, cement, refractory, and thermal power plants—manufactured and sold edible mustard oil products. Founded by Agrawal's father, Rajesh Kumar Agrawal, the company had grown from a modest start-up to a name synonymous with quality in the mustard oil market. The company thrived on its commitment to providing pure, high-quality mustard oil, directly procuring mustard seeds from local farmers and processing them with stringent quality controls. This dedication, however, had led to a critical dilemma: the company's products were priced higher than those of many competitors, who offered lower-quality blended oils. This posed a significant challenge in a market where price sensitivity was paramount.

As Agrawal sat in his office, the hustle of Ramgarh outside his window, he pondered this conundrum. How could Vinder continue to uphold its legacy of purity and quality while competing with lower-priced alternatives? Was there a way to justify the higher costs to a market driven primarily by price? How could Vinder strategically segment its market? These were not just rhetorical questions but pressing realities that needed strategic answers.

With dawn approaching, Agrawal realized that the resolution to this dilemma would require more than just conventional thinking; it would demand a comprehensive understanding of the nuances of the mustard oil industry and a bold, innovative approach to sustaining Vinder's legacy.

### ABOUT VINDER OILS INDUSTRIES

Nestled in the bustling city of Ramgarh, Jharkhand, Vinder stood as a testament to the pursuit of quality in the mustard oil industry. Incorporated in August 1981, this family-run business began its journey with just three oil-processing machines. The company's unwavering dedication to producing pure, high-quality mustard oil swiftly earned it a reputation for reliability and excellence within the local market.

Over the years, Vinder had expanded its operations, growing from its initial modest set-up to an operation with seven advanced processing machines. This expansion involved not just machinery but also market reach. The company gradually cemented its presence not only in Ramgarh but also in the surrounding suburban areas. The secret to its success lay in its steadfast commitment to quality. By focusing exclusively on edible mustard oil, a staple in Indian cooking, Vinder carved a niche for itself in a market bustling with competition.

The company's distribution strategy played a crucial role in its growth. Vinder employed a dual-distribution model, catering to retail outlets and wholesalers. This approach ensured that its high-quality mustard oil reached a broad spectrum of consumers, from household kitchens to bulk consumers like restaurants, food service companies, and caterers. Notably, about 60 per cent of the company's sales were channelled through retail stores, emphasizing the brand's strong presence in everyday households.

However, Vinder needed to be more resistant to market dynamics. Vinder's mustard oil was known for having a unique flavour and distinctive, robust aroma. This was because the company carefully processed the oil using a meticulous method that involved multiple stages of pressing to extract the oil, ensuring purity and potency. Unlike blended oils, which mixed different quality oils to save money, Vinder's method put quality first at every step, from the cleaning to the refining of the seeds, which made a high-quality product (see Exhibit 1). Because blended oils were cheaper, they often contained lower-quality oils that made the flavour and health benefits less noticeable. This was why they were less expensive than Vinder's pure mustard oil, which was more expensive because it had better quality and taste. This pricing strategy had different impacts on various consumer segments. Non-urban, lower-income consumers, who resided primarily in rural or semi-urban areas where income levels were typically lower than in urban centres, were highly price-sensitive due to their limited disposable incomes. Affluent consumers, who were brand-conscious, health-conscious individuals found in high-income urban or suburban areas, valued products that reflected purity, quality, and their social status. Middle- to high-income urban individuals were mostly health-conscious consumers and were actively engaged in healthy lifestyles, valuing products that aligned with their wellness goals, even at a premium price (see Exhibit 2). While higher-income households tended to remain loyal to the brand, appreciating the consistent quality and unique flavour profile, lower-income groups were more price-sensitive and often switched brands based on affordability. Moreover, the company noticed that its sales were seasonal in nature, reflecting the fluctuating demands of the market. Bulk consumers always searched for the most economical deals, often negotiating prices through brokers. This aspect of the business demanded constant attention and strategic pricing decisions to maintain profitability while catering to a diverse customer base.

As Vinder stood at the crossroads of tradition and market pressures, the need for innovative strategies and a deep understanding of the industry's nuances became ever more critical. The challenge was to balance the company's hallmark commitment to quality with the realities of a price-sensitive market. This task now lay in the hands of Agarwal, as the chief marketing officer and son of the founder.

## THE EDIBLE-OIL MARKET IN INDIA

The Indian edible-oil market exhibited substantial growth in 2022.<sup>1</sup> The production of edible oils was dominated by mustard oil, which had an impressive output of 3.6 million metric tons in the financial year 2022.<sup>2</sup> This was followed closely by groundnut or peanut oil and soybean oil, which were ranked second and third in terms of production volume during this period (see Exhibit 2).

In 2022, the retail sales value of packaged edible oils in India amounted to a significant US\$23.3 billion. The sales value in this sector experienced a consistent upward trend from 2014 to 2019. However, a significant change occurred in 2020, indicating the first decrease in this otherwise increasing pattern (see Exhibit 3). The IMARC Group forecast that this market would grow to 26.7 million tons by 2028. The market was expected to experience a compound annual growth rate (CAGR) of 1.55 per cent from 2023 to 2028, reflecting its strong and dynamic nature.<sup>3</sup>

<sup>1</sup> Livemint, "India Registers Over 34% YoY Growth in Edible Oil Imports to ₹1.57 Lakh Cr in 2021–22 Season," Mint, November 14, 2022, <https://www.livemint.com/news/india/india-registers-over-34-yoy-growth-in-edible-oil-imports-to-rs-1-57-lakh-cr-in-2021-22-season-1166843553278.html>.

<sup>2</sup> DFPD, "Estimated Production Volume of Edible Oils Across India in Financial Year 2022, By Type (in 1,000 Metric Tons)," Statista, accessed April 11, 2024, <https://www.statista.com/statistics/1181708/india-edible-oil-production-volume-by-type/>.

<sup>3</sup> Abhay Rajput, "Edible Oil Industry In India to Touch 26.7 Million Tons by 2028, at a CAGR of 1.55%," LinkedIn, April 7, 2023, <https://www.linkedin.com/pulse/edible-oil-industry-india-touch-267-million-tons-2028-abhay-rajput/>.

India's status as the foremost global importer of edible oil was evidenced in its escalating demand, which was driven by factors such as growing disposable incomes, growing urbanization, changing dietary patterns, and the expansion of the food processing industry. The increasing health concerns of Indian consumers, particularly those related to ailments such as coronary heart disease, diabetes, obesity, and gastrointestinal disorders, were significant factors contributing to the demand for healthier alternatives in edible oils. The increasing recognition of the advantages of organic and low-cholesterol edible oils further reinforced this change in consumer preference. Regional manufacturers were launching health-focused products that were fortified with omega-3 fatty acids, vitamins, and natural antioxidants.<sup>4</sup>

Furthermore, shifting dietary habits and hectic schedules had resulted in a rise in the intake of processed foods, in which edible oils were utilized for preservation and enhanced taste.<sup>5</sup> This trend was a significant factor driving the expansion of the edible-oil market in India. Moreover, increasing standards of living and the impact of global culinary patterns were enhancing the need for premium oils such as olive oil, sesame oil, and flaxseed oil. The growth of this market was also dependent on the expansion of the agricultural sector and the implementation of initiatives to enhance oilseed production.<sup>6</sup> Significantly, the Indian government was actively endeavouring to enhance the availability of domestic edible oil and diminish reliance on imports. The National Mission on Edible Oils (NMEO) and similar endeavours strove to fulfil the nation's demand for different edible oils, thereby bolstering this upward trend.<sup>7</sup>

## THE MUSTARD OIL MARKET IN INDIA

In India, mustard oil had a deep-rooted presence, primarily in the northern, eastern, and northeastern regions, where it was a staple for cooking, pickling, and even as a traditional remedy for skin and hair care. The consumption of mustard oil was witnessing robust growth, with an annual increase of about 20 per cent. The oil was produced mainly in the winter season, with fresh stock hitting the market between February and April.<sup>8</sup>

India's mustard-oil processing sector was predominantly unorganized, with an estimated 7,000 to 9,000 manufacturing units, out of which only one-fifth were registered.<sup>9</sup> Over time, the number of small-scale processors had declined. Many had been edged out due to the rise of large companies, the competition from lower-priced imported palm oil, and shifting consumer tastes.

These small units traditionally used mechanical methods for oil extraction, which unfortunately led to a loss of about 10 per cent of the oil.<sup>10</sup> On the other hand, larger companies had gained an edge through technological innovation, reducing waste and improving efficiency. The by-products of this oil extraction were often utilized as cattle feed, ensuring minimal waste.

<sup>4</sup> Alok Patel, Sneha Sawant Desai, Varsha Kelkar Mane, Josefine Enman, Ulrika Rova, Paul Christakopoulos, and Leonidas Matsakas, "Futuristic Food Fortification With a Balanced Ratio of Dietary  $\omega$ -3/ $\omega$ -6 Omega Fatty Acids for the Prevention of Lifestyle Diseases," *Trends in Food Science & Technology* 120, no. 3 (2022): 140–53, 145.

<sup>5</sup> Gargi S. Kumar, Mrinmoyi Kulkarni, and Neha Rath, "Evolving Food Choices Among the Urban Indian Middle-Class: A Qualitative Study," *Frontiers in Nutrition*, no. 9 (2022): 844413, 2, <https://doi.org/10.3389/fnut.2022.844413>.

<sup>6</sup> Ministry of Agriculture & Farmers Welfare, "Steps to Increase Production of Oilseeds and Edible Oil," Press Release, PIB Delhi, February 9, 2024, <https://pib.gov.in/PressReleasePage.aspx?PRID=2004514#:~:text=The%20Government%20has%20been%20implementing,Palm%20&%20Tree%20Borne%20Oilseeds%20in.>

<sup>7</sup> National Mission on Edible Oils (NMEO) (website), accessed August 8, 2023, <https://nmeo.dac.gov.in/aboutus.aspxwebsite>.

<sup>8</sup> IMARC Group, *India Mustard Oil Market Report by Packaging Type (Pouches, Jars, Cans, Bottles), Packaging Material (Metal, Plastic, Paper, and Others), Pack Size (Less than 1 Litres, 1 Litres, 1 Litres - 5 litres, 5 Litres - 10 Litres, 10 Litres and Above), Application (Household Cooking, HoReCa, Industrial Uses), Distribution Channel (Direct/Institutional Sales, Supermarkets and Hypermarkets, Convenience Stores, Online, and Others), and Region 2025-2033*, 20, accessed February 9, 2024, <https://www.imarcgroup.com/india-mustard-oil-market>.

<sup>9</sup> Puri, "Lockdown Cripples India's MSME-Dominated Mustard Oil Industry; Recovery May Take Multiple Months," *Financial Express Aspire*, April 16, 2020, <https://www.financialexpress.com/business/sme-msme-exim-lockdown-cripples-indias-msme-dominated-mustard-oil-industry-recovery-may-take-multiple-months-1930749/>.

<sup>10</sup> Divine Bup Nde and Anuanwen Claris Foncha, "Optimization Methods for the Extraction of Vegetable Oils: A Review," *Processes* 8, no. 2 (2020): 209, <https://doi.org/10.3390/pr8020209>.

One unique aspect of mustard oil was its pungency, which many cherished as a flavour enhancer and appetite stimulant. This characteristic had shielded the mustard-oil market from the threat of other edible oils, as its distinct taste was complex and difficult to substitute. Despite this advantage, the pungent nature of mustard oil had limited its acceptance in certain parts of the country and as an export product due to health concerns associated with its high erucic-acid content.

Efforts by India's National Institute of Agricultural Marketing to reduce the erucic-acid content and viscosity of mustard oil aimed to widen the oil's appeal domestically and internationally.<sup>11</sup> Despite these initiatives, the mustard oil industry remained mainly within the unorganized sector and catered predominantly to lower-income consumers in rural and semi-urban areas. Consequently, mustard oil continued to be perceived as a more affordable option among various cooking oils.

### THE QUALITY QUANDARY

Vinder had built a strong reputation for providing high-quality mustard oil and emphasized its processes, which utilized traditional extraction techniques that emphasized purity and flavours. Renowned for its genuine taste, Vinder's mustard oil was a common ingredient in numerous Indian households. Nevertheless, Agrawal and his team faced a complex challenge: maintaining the esteemed quality of their mustard oil while contending with the price competition from lower-cost, blended oil variants that were flooding the market.

### THE PRICING PREDICAMENT

Although Vinder had a devoted customer base that recognized and appreciated the exceptional quality of its oil, there was an undeniable market segment that was highly price sensitive. This segment frequently chose less-expensive but lower-quality oils, and this posed a persistent threat to the market share held by Vinder. The competitive pricing tactics utilized by bulk purchasers, and the seasonal nature of mustard oil sales, made the pricing dilemma even more difficult to solve. Vinder's industry price was ₹130,<sup>12</sup> as high as that of pure mustard oil, and the competitor's price was ₹125. While the ₹5 per litre premium over competitors reflected Vinder's purity, even this small gap alienated price-sensitive buyers.

### THE COMPETITIVE LANDSCAPE AND STRATEGIC INITIATIVES FOR GROWTH

The presence of large corporations with advanced processing capabilities presented an ongoing threat. These competitors could undercut prices due to their lower production costs. Agrawal had to explore how Vinder could leverage its artisanal methods as a unique selling proposition while investing in technology that could improve its efficiency.

Considering strategic initiatives for growth, Agrawal had to weigh the options for expanding into new markets, where the unique attributes of the company's mustard oil could be appreciated. He also needed to contemplate how a rebranding exercise could position Vinder as not just a mustard-oil producer but also a health-centric brand that resonated with contemporary consumer values.

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<sup>11</sup> Ministry of Agriculture and Farmers Welfare, "Launch of Low (<2%) Erucic Acid Indian Mustard Edible Oil – First of Its Kind in the World," Indian Council of Agricultural Research, accessed January 12, 2016, <https://icar.org.in/node/4883>.

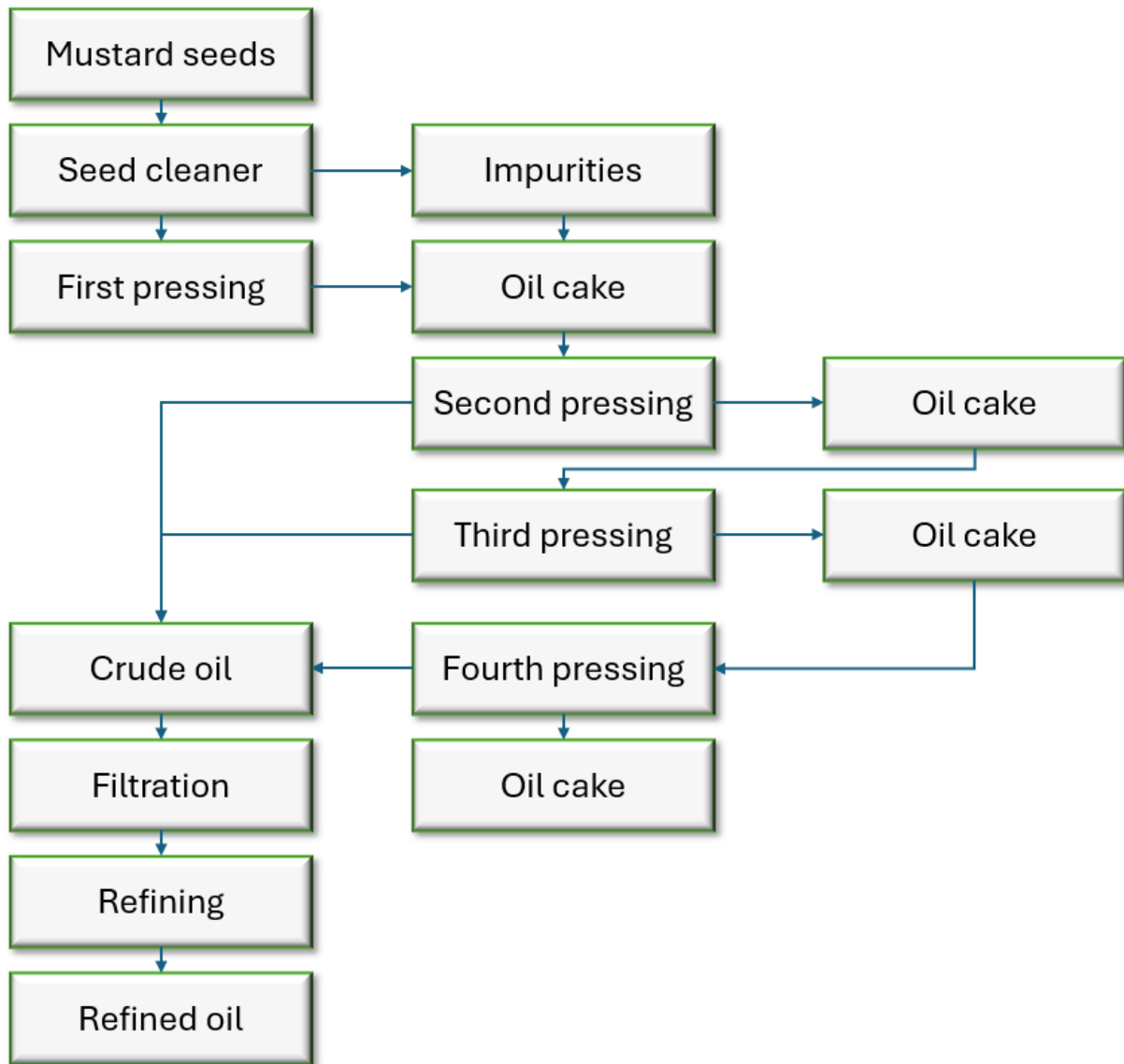
<sup>12</sup> ₹ = INR = Indian rupee; ₹1 = US\$0.0134 in January 2022; currency amounts are in ₹ unless specified otherwise.

**CONSUMER TRENDS AND HEALTH CONCERNS**

With an increasing number of consumers becoming health conscious, Agrawal could consider capitalizing on this shift by promoting the health benefits of mustard oil, particularly its proportion of unsaturated fats and the traditional belief in its medicinal properties (see Exhibit 4). However, he also had to navigate the concerns surrounding erucic-acid content—possibly by investing in research and development to develop a lower-erucic-acid mustard-oil variant.

**THE DECISION IMPERATIVE: THE TASK AHEAD**

The strategic decision Agrawal needed to make was complex and multifaceted. It was not merely about choosing one path over another; it was about crafting a multi-pronged strategy that aligned with the core values of Vinder Oils Industries while ensuring the company's economic sustainability in a competitive market.

**EXHIBIT 1: STAGES OF PRESSING TO EXTRACT MUSTARD SEED OIL**

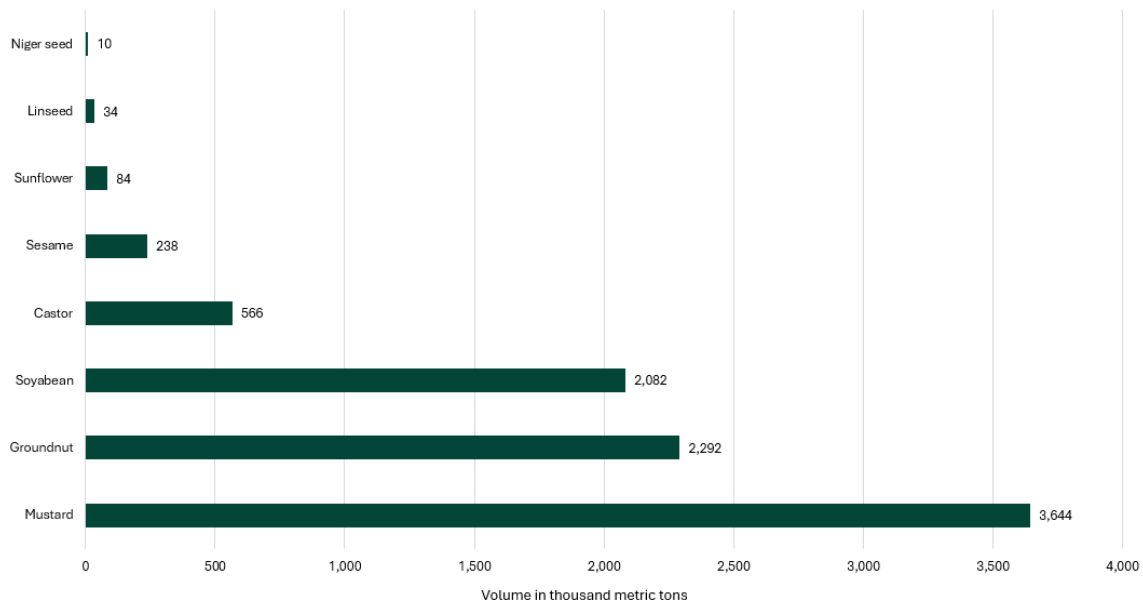
Source: Created by authors based on content from "Mustard Oil Manufacturing Process Flowchart," Goyum Screw Press, accessed February 2024, <https://www.oilexpeller.com/mustard-oil-manufacturing-process>.

**EXHIBIT 2: MARKET SEGMENTATION**

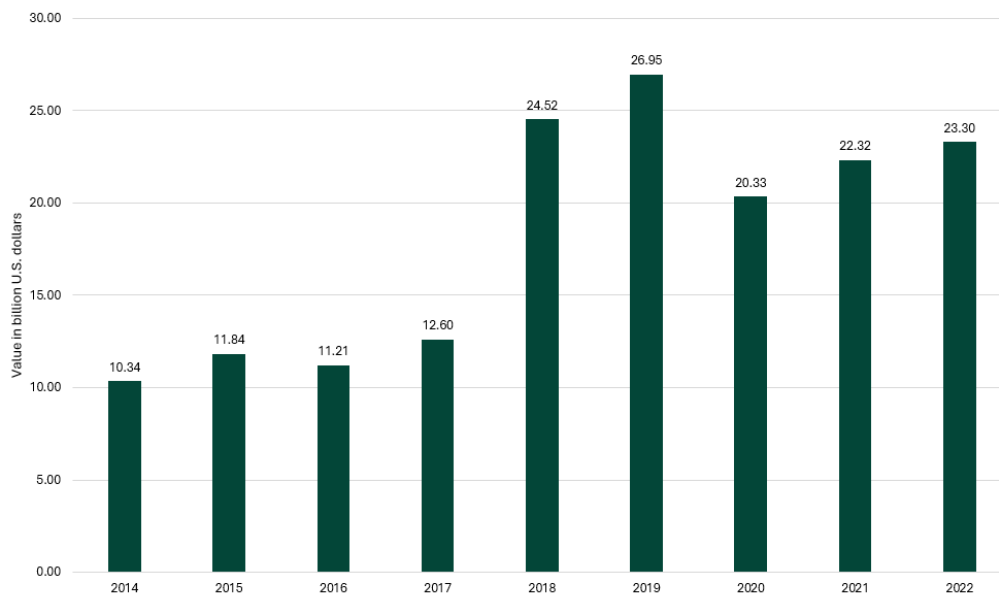
| Segment                           | Characteristics   | Needs and preferences   | Price dilemma   |
|-----------------------------------|---|---|---|
| <b>Affluent consumers</b>         | High-income urban/suburban individuals who were brand-conscious and sought premium products that reflected their social status. These consumers were health conscious and loyal to brands aligning with their lifestyles. | Valued purity, authenticity, and health benefits, were willing to pay a premium for organic, chemical-free oils, and preferred traditional extraction methods | Vinder's premium price (₹130) might be seen as justifiable by this segment, but it could limit reach compared to lower-priced alternatives.   |
| <b>Health conscious consumers</b> | Middle to high-income urban consumers engaged in healthy lifestyles, who sought products that contributed positively to their health.   | Sought health benefits like omega-3 fatty acids, heart health, and skin/hair care; preferred oils that were natural, non-GMO, and chemical-free               | These consumers' price sensitivity might be moderate; they were willing to pay for health benefits but could be deterred by Vinder's premium price compared to those of cheaper alternatives. |
| <b>Price sensitive consumers</b>  | Primarily lower-income, non-urban consumers who prioritized price over quality and were likely to opt for cheaper, blended oils.  | Sought affordable cooking oils; were less concerned about premium quality but might switch if the product proved its value                                    | Vinder's premium price was a significant barrier, as this segment generally sought the cheapest options available in the market.  |
| <b>Bulk and B2B buyers</b>        | Restaurants, wholesalers, and food processors who required large quantities of mustard oil; these buyers focused on price effectiveness and consistent supply.  | Required bulk oil at competitive prices; needed quality consistency for large orders but might negotiate pricing  | Bulk buyers' price sensitivity made it necessary for Vinder to offer special pricing, while maintaining quality to ensure repeat business.  |

Note: B2B = business to business.

Source: Created by authors.

**EXHIBIT 3: ESTIMATED PRODUCTION VOLUME OF EDIBLE OIL TYPES IN INDIA, 2022**

Source: Created by authors based on DFPD, "Estimated Production Volume of Edible Oils across India in Financial Year 2022, by Type (in 1,000 Metric Tons)," Statista, accessed April 11, 2024, <https://www.statista.com/statistics/1181708/india-edible-oil-production-volume-by-type/>.

**EXHIBIT 4: SALES VALUE OF PACKAGED EDIBLE OIL IN INDIA, 2014–2022**

Source: Created by authors based on USDA Foreign Agricultural Service, "Sales Value of Packaged Edible Oil in India from 2014 to 2022 (in Billion US Dollars)," Statista, accessed April 11, 2024, <https://www.statista.com/statistics/1067587/packaged-edible-oil-retail-sales-value-india/>.



**EXHIBIT 5: HEALTH BENEFITS OF MUSTARD SEED OIL**

| No. | Benefit                                    |
|-----|--|
| 1   | Was rich in omega-3 fatty acids            |
| 2   | Had anti-inflammatory properties           |
| 3   | Was high in monounsaturated fats           |
| 4   | Was a source of vitamin E and antioxidants |
| 5   | Contributed to cardiovascular health       |
| 6   | Improved skin and hair health              |

Source: Created by case authors based on content from Organic India, "The Goodness of Mustard Oil: Process, Benefits, and Uses," Organic India, accessed February 9, 2024 [https://organicindia.com/blogs/nutrition/the-goodness-of-mustard-oil-process-benefits-and-uses?srltid=AfmBOoxew2OSmJ\\_9fdTIXG8wWkgHZ3NuWq4PAIjDLwEuOWg1W1p983A](https://organicindia.com/blogs/nutrition/the-goodness-of-mustard-oil-process-benefits-and-uses?srltid=AfmBOoxew2OSmJ_9fdTIXG8wWkgHZ3NuWq4PAIjDLwEuOWg1W1p983A); Smarica Pant, "8 Health Benefits of Mustard Oil," *India Today*, December 16, 2023, <https://www.indiatoday.in/information/story/8-health-benefits-of-mustard-oil-2476688-2023-12-16>; Rachael Ajmera, "8 Benefits of Mustard Oil, Plus How to Use It," Healthline, June 3, 2020, <https://www.healthline.com/nutrition/mustard-oil-benefits>; Malia Frey, "Mustard Oil Nutrition Facts and Health Benefits," VeryWellFit, March 18, 2022, <https://www.verywellfit.com/mustard-oil-nutrition-facts-4165682>; Aaron Kandola, "What to Know about Mustard Oil," Medical News Today, October 8, 2024, <https://www.medicalnewstoday.com/articles/324686>; Mehak Shah, "Mustard Oil: Nutrition, Health Benefits, Uses and Side Effects," HealthifyMe, June 30, 2022, <https://www.healthifyme.com/blog/mustard-oil/>.