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## **Patanjali: Reinventing Competitive Strategies in Indian FMCG Market**

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### **Abstract**

*Patanjali Ayurveda Limited, established in 2006 has proved to be a revolutionizing force in FMCG sector with its recorded revenue of Rs. 5000 crore in the year 2016. Patanjali has witnessed this exponential growth through its threefold strategy of Yog, Ayurveda and Nationalism, and through the huge following of its dynamic brand ambassador Baba Ramdev. Patanjali hugely benefitted from its strategic entry into the FMCG sector, after Baba Ramdev had built a market for himself in the form of his Yoga disciples. Use of natural ingredients, low pricing and word of mouth publicity proved to be key drivers of Patanjali's success. Patanjali's association with Indian culture immensely helped the brand and created a fervor of patriotism in the consumers and helped them express their allegiance to India by the use of Patanjali products which are truly Indian unlike most of its competitors. Such associations proved very helpful for the brand, considering the growing awareness about rich Indian heritage and the emergence of highly nationalistic environment in the country. These definitely were instrumental in helping Patanjali to be a brand that has given market giants like HUL, Dabur etc. sleepless nights and forced them to rethink and revamp their strategies.*

**Keywords:** Indian FMCG Sector, Make in India, Strategic Brand Management, Strategic Positioning Social Marketing

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### **1. Introduction**

Patanjali Ayurveda limited (PAL) was established in 2006. It has its headquarters at Haridwar, Uttarakhand. Acharya Balkrishna, a renowned medicinal plant expert and skilled in Ayurveda is a major stakeholder in the company. However, one personality who played a key role in the establishment of the brand and who can be rightly called the driving force behind the brand is Yogrishi Swami Ramdev. Baba Ramdev had in fact been in the Indian households for almost a decade before the formation of Patanjali Ayurveda Limited. He was single handedly responsible for reinvigorating yoga into the lives of Indians, through his Yoga programs which were telecast on spiritual channels. Baba, who had now become a rage in India along with demonstrating the Yoga postures, would talk about the benefits of Ayurveda and the harmful effects of MNCs and how they were looting the Indian money and taking it abroad. Further by highlighting the importance of Indian herbs and singing patriotic songs during his Yoga sessions, he enthused a fervor of patriotism and national pride in his Yoga disciples. And now, when he had built for himself a market which placed great importance on health, Yoga and most importantly Baba Ramdev, it was strategically the right time for Baba to enter into the FMCG space, to provide natural, cost effective products for everyday use.

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## 2. Indian FMCG Scenario

India is expected to become the third largest consumer market in the world by the year 2025. This growth can be attributed to the rise in income level, increase in purchasing power, changing lifestyles, increased awareness and exposure and change in consumption patterns of the Indian population. The FMCG industry which includes products like toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories is the fourth largest sector in the Indian economy contributing 2.5% to India's GDP. The sector is characterized by high volumes, low margins and extensive distribution networks. For years, India's FMFG sector has been dominated by players like HUL, ITC, Dabur, Britannia, Nestle P&G etc.

Baba Ramdev, entered this opportune market with his threefold strategy based on the pillars of Yog, Ayurveda and Nationalism. His organization (PAL), envisions to make India a healthy country by incorporating the wonders of nature into the lives of people. It aims to make India an ideal place for the development of Ayurveda and set an example for the world. The organization claims to offer healthy and quality products manufactured with natural ingredients and reasonable prices. Such out of the box positioning and unique image of Patanjali evidently had a significant impact on the dynamics of the market and can be said to have revolutionized the market in all major aspects as we shall further study in this case.

## 3. Strategic Brand Management of Patanjali

Patanjali followed a very unique strategy of promoting their products in the market. They did not follow the practice of blindly barraging the consumers with the advertisements highlighting the ways in which their product was better than the others. Patanjali, however, very smartly analyzed the current environment, realized its deficiencies, made consumers aware of it and tried to inculcate a need within the consumer which is not being met. Instead of directly promoting their products, the company followed a strategy which highlighted the concerns like the exploitation of farmers at the hands of MNCs, health hazards of chemicals and fertilizers being used and most importantly the virtues of Indian products. Such practices tried to evoke fear of diseases and a strong sense of patriotism in the consumers. This resulted in a consumer who was ready to look beyond the current array of products and explore any alternatives which would be free from such evils, hence creating a market for Patanjali products. Patanjali offers products in four main categories- natural healthcare, natural food products, ayurvedic medicine, herbal homecare, and natural personal care.

Once this was done the next task was to let consumers know what its product were about and create a healthy and positive image for itself in the minds of the consumer. Patanjali while designing its positioning strategy has tried to target the health conscious middle and upper middle class families who prefer ayurvedic products. Patanjali designed its marketing and promotional mix in a way that it was able to carve, in the consumer's mind the intended associations with ayurveda, yoga and with ancient Indian scriptures. The name clearly signifies the Indian-ness of the brand. The logo of the brand which comprises of the colours of the Indian flag underlying the name Patanjali also further underlines the proximity of the brand to India and invokes patriotism. The symbol of the brand which is composed of a "OM", Tusli leaves, a traditional Indian pot for mixing herbs and a figure in Yogic position, once again builds around the traditional and cultural image the brand seems to build for itself. Patanjali tried to differentiate it's product from those of the competition by emphasizing on its use of pure raw materials and selling only Ayurveda Based products. The brand claims to be the healthiest and safest brand in the FMCG sector. Its tagline "Prakriti ka aashirwaad" highlights the pure and natural aspect of its products. Also the brand tries to create a strong health association in the

minds of the consumer due to its association with Yoga Guru Baba Ramdev and Acharya Balkrishna. Such an association proved to be very helpful for the brand, considering the growing awareness about rich Indian heritage and the emergence of highly nationalistic environment in the country.

Patanjali faced major competition in the market in the form of entrenched players Dabur India, Procter and Gamble, Nestle India, Hindustan Unilever Limited and Himalaya Herbal Health care. Table 1 below shows the various competitors of Patanjali in different product categories and the lower price (discount it offers on its products *vis-à-vis* competitors).

**Table 1: Competitors for Patanjali products**

Category	PAL Discount	Key Competitors
Balm	41%	Amrutanjan, Zandu, Vicks(HUL)
Biscuits	0-33%	Britannia, ITC, Oreo
Cereals( Cornflakes	9-20%	Kellogs
Chywanprash	15%	Dabur, Zandu
Detergents	2-41%	HUL, P&G
Dish wash	4-21%	HUL, P&G
Face Wash	17-62%	Lakme, HUL
Ghee	At premium	Govardhan, Mather Dairy
Hair colour	2-77%	Godrej, Garnier
Hair Oil	13-29%	Emami, Marico , HUL, Dabur
Honey	43%	Dabur
Juice	29%	Real, Tropicana
Noodles	36%	Nestle, ITC
Shampoo	34%	HUL, P&G, Dabur
Skin Care	7%	Nivea
Soaps	4-30%	HUL, P&G, Godrej
Wheat Flour	5%	ITC

\* PAL- Patanjali Ayurveda Limited

So, another point of distinction that Patanjali uses to differentiate itself from competition is, its competitive pricing strategy. Patanjali products are priced ten to thirty percent lower than those of its competitors, clearly endangering their market share. The table below shows the relative price differences of Patanjali products from its competitors.

**Table 2: Price comparison of products of PAL and its competitors**

Category	Patanjali price (Rs.)	Competitor Price (Rs.)
Chyawanprash	115	160(Dabur)
Pineapple juice	805	99 (Real)
Honey	135	199 (Dabur)
Face Wash	60	80 (Pears)
Shampoo	110	159( Head and Shoulders)
Neem soap	15	24 (Himalya)
Dish wash Bar	10	15 (Vim)
Cornflakes	145	182 (Kellogs)
Detergent Powder	13	19 (Rin)

Patanjali provides the consumers with a reason to believe for their economical prices by claiming that they source directly from farmers. Patanjali further asserts that they seek minimum profits as they do not believe in earning profits for their health products which are for the benefit of their patients. The brand apparently believes in the philosophy of “vyapar nahi upkaar”. As is evident from above Patanjali clearly tries to target the consumers by offering them safe and healthy products by an honest, authentic, and pure brand.

The brand clarifies its intent to promote Ayurveda instead of only making profits and competing with other corporations, by taking initiatives like the cultivation of saplings of medicinal herbs like Tinospora, Amla, seeds of Tulsi and plants of Aloe Vera. It also provides farmers with necessary technical aid and information in order to help increase their income. Such endeavors help Patanjali to build and further accentuate the image of authenticity and social responsibility.

Patanjali chose to distribute its products through three types of medical centers- Patanjali Chikitsalayas, Patanjali Arogya Kendras (health and wellness centers) and non-medicine outlets called Swadeshi Kendras. Patanjali, itself provides and trains medical practitioners for these stores which lends credibility to the stores. Consultation facilities are provided to consumers and appropriate ayurvedic product or medicine is suggested which helps in early adoption of the products. These early adopters help in bringing in further customers through word of mouth. Patanjali entered into tie ups with various retailers like Big Bazaar, Reliance Retail, Hypercity, Star Bazaar, D-Mart, Appollo Pharmacy etc. It has also tied up with various e-commerce websites like Amazon, Big Basket etc.

Through its intelligent marketing strategies and quality products with a wide reach across India, Patanjali has made a significant place for itself in the market in a very short period of time. The following table shows the growth of the brand over the last few years.

**Table 3: Growth of PAL**

	Revenue (Cr.)	Net Profit (Cr.)	Net Profit Margin (%)
2011-12	453	56	12.36
2012-13	849	91	10.72
2013-14	1191	186	15.62
2014-15	2006	317	15.80
2015-16	5000	N/A	N/A

Source: Registrar of Companies, Ministry of Corporate Affairs.

The table clearly shows how Patanjali has grown in terms of its revenue and profitability over the last years. In addition to the above, Patanjali has also succeeded in reserving a decent market share for itself. According to Indian Market Research Beureau (IMRB), Patanjali sales increased 64% to reach 731 crores in the last six months of 2015. The organization claimed that it also registered an 80% growth in penetration.

At this pace, Patanjali is expected to reach a revenue of 10,000 crore in the year 2017 which could make Patanjali, the fifth largest FMCG Company in the country. Owing to its immense growth, Patanjali has become a cause of worry for its competitors. The values and ethics promoted by Patanjali have taken the market by a storm and has caused all the major players to rethink and revamp their strategies. Patanjali products which have already left behind quite a few of the leading companies has generated a stream of new product launches and old product revivals in the FMCG sector. Patanjali has successfully marched ahead of Colgate-Pamolive in oral care with its Dant- Kanti. As a result Colgate-Pamolive has tried to attract customers by bringing in indigenous flavors like charcoal, salt-lemon and neem. It has also revived its brand Cibaca to check the increasing market share of Dant-Kanti.

Further, as a response to the market reaction to the Ayurveda based products of Patanjali, global major HUL has decided to revive its Ayurvedic brand Lever Ayush, which had been abandoned earlier, as it failed to gain market and the marketers believed that the concept of an ayurvedic brand inside modern packing offered by an MNC was way ahead of time then, in 2001. Now, with the growing market for natural- herbal products, thanks to Patanjali, it is only logical to relaunch the brand as a direct challenger to Patanjali products. HUL has further strategized to extend the brand into new segments at affordable prices so as to target the value conscious consumers. It has tried to add some freshness and uniqueness to its offerings with products like Ayush Freshness Gel, Cardamom toothpaste which eliminates bad odour and imparts fresh breath, Ayush Natural Fairness Saffron Soap which has healing properties, and Ayush Anti-Dandruff Fenugreek Shampoo which has medicinal properties.

The responses and reactions of the giants in the FMCG sector confirm that Patanjali is proving to be a threat for these organizations and if not checked may eat up there place in the market. Various statistics further confirm the growth potential of Patanjali. According to Baba Ramdev, the brand has been registering 100% growth for the last four years and is expected to reach the target of one lakh crore by the year 2020.

In spite of its success, Patanjali has been involved in a fair share of controversies and problems over time. It ran into a tiff with Food Safety and Regulatory Authority of India (FSSAI) when the latter claimed that the Patanjali Atta noodles were not certified by the agency. Patanjali was caught in the FSSAI scanner again in 2016 when it was alleged that it's edible oil advertisement mislead the consumers. In February 2017 Patanjali found itself amidst the allegations by Life Sutra that claimed that Patanjali Ayurveda products consist of chemicals and it is only fooling people with claims of natural products. Again in April 2017, Patanjali was in news for a twice-bounced cheque given for a land deal. Apart from this Patanjali seems to have been facing major issues in the distribution department. Patanjali is available in 2 lakh traditional retail outlets which is only 1/30<sup>th</sup> of the market leader HUL. The consumers complain of Patanjali products not being available in Patanjali Chikitsalya itself. Biscuits and juices are the products which are found to be usually available but most advertised products like atta, sugar, pulses are mostly out of stock. Therefore there's a huge gap in demand and supply of Patanjali products. When availability of products is the single largest driver of FMCG products (33%), this gap could be a huge setback for Patanjali. Further the distributors shy away from stocking up Patanjali products because of the low margins with a maximum of 10%, in contrast to HUL which provides a cumulative margin of 50%.

Patanjali is well aware of these issues and therefore plans to set up new processing units, add new product lines and is making efforts to tie up with major e-commerce firms to showcase and sell its products online. Though the task Patanjali has set ahead of itself seems to be huge, it shall not be taken lightly considering the growth the brand has witnessed in the previous years and the manner in which it has been able to become a challenger to the leading brands in the market, in a period of mere ten years from its launch. Also, now that the companies like HUL and Dabur have taken to the Ayurveda route to counter Patanjali's key points of difference, Patanjali needs to gear up and try to find new grounds for establishing a superiority over these giants.

### Questions

1. What do you think are the growth opportunities for Patanjali in the future?
2. Suggest a long term survival strategy for Patanjali in face of big firms like HUL.
3. Pave a roadmap for the Patanjali to reach the leadership position in the FMCG sector.

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