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Volatility in FMCG Market: Exploring Patanjali Brand

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Abstract

In the past few years Patanjali has seen epic rise in intensifying market war in FMCG space especially Ayurvedic products. Patanjali is an Indian brand of Ayurvedic and wellness products and currently has more than 400 products ranging from Household to Healthcare and Personal Care products. Its meteoric rise, achieved in less than a decade has posed a serious challenge to the companies dominating FMCG space for years. Not only MNCs like Colgate-Palmolive, HUL and Nestle but also other old horses like Emami, Dabur, Baidyanath who started the legacy of 'Vedic Sciences', and original Ayurvedic formulations are now scrambling to compete with Patanjali in their own way. Further it has also propelled Sri Sri Ravi Shankar's Ayurveda to now aggressively launch their portfolio of consumer products.

Keywords: Ayurvedic products, Competitive brands, FMCG, innovation strategies, volatility.

1. Introduction

According to Oslo Manual "an innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations". Patanjali Ayurved Limited, a Haridwar based Indian FMCG company founded by Baba Ramdev and Acharya Balkrishna in the year 2006, recognizes the growing concern of people towards natural and organic products in recent decade and came up with high quality innovative herbal products at attractive prices. It didn't mean earlier herbal products didn't exist in the market. However, various factors such as lack of credible players, prevalence of herbal home remedies, costly commodity and poor labeling are responsible for low growth of herbal category. Patanjali launches various consumer and healthcare products in FMCG market and has registered an y-o-y stellar growth in the last five years. In 2015, Patanjali's registered revenue of around ₹ 5000 crores in 2015-2016, growth of 150% over the previous year and is now targeting for ₹10,000 crores in 2016-2017.

Seeing the immense potential of herbal products and its growing awareness about ancient science and its benefits, other rival companies like HUL, Emami, Dabur, Colgate-Palmolive, etc. has also jumped into this space to reap the benefits from the emerging "Herbal Trend".

Suresh Narayanan, Director of Nestle India specifically speaking about Patanjali as a brand said, "That is the kind of competition we would positively call disruptive competition. They come and redefine the rules of the game".

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2. Patanjali – Innovative Strategies

Patanjali, with its Ayurvedic product line, has capitalized well to the changing preference of consumer towards organic and herbal products. According to Nielsen, the health and wellness segment is worth a sizeable ₹33,000 crores business. Various key factors attributed to Patanjali success involves

Strong Patriotism – Make in India Campaign

All the products that Patanjali manufactures have a “Made in Bharat” label. “Humara ek simple funda hai: MNCs ko replace karna hai,” said Ramdev.

Political Support

Modi Government commitment to promotion of Swadeshi goods and “ancient” practices has further helped in exponential growth of Patanjali. Recently, Prime Minister inaugurates Research Institute at the Patanjali Yogpeeth in Haridwar.

BJP after winning in Assam announced a grant of few hundred acres of land for setting up of Patanjali enterprise.

Strong Distribution Network

Patanjali shunned the conventional distribution network, instead follows a two-stage distribution strategy.

Stage 1–Penetrating new markets through trial and consumption of the Patanjali products via dedicated Kendras. They are of three types – Arogya Kendra, Chikitsalaya and Swadeshi Kendras.

Stage 2–Building of sizeable consumer base through these dedicated store results in demand of Patanjali’s products to be available at various general stores, grocers and chemists forcing retailers to stock up on Patanjali’s products for fear of losing out on a customer’s goodwill.

Pricing Strategy

Patanjali products are generally 10-25% cheaper as compared to its rival brands in most of the product categories except for few categories like Patanjali ghee, which is priced at a premium. For example Patanjali sells 1000 ml Aloe Vera juice at 200 rupees which is quite cheap as compared to its peers.

Unique Promotion Strategy

Baba Ramdev adopted a very unique strategy for Patanjali promotion – Instead of bombarding potential customers with the notion that his brand is best he focused on informing the consumers about the evils of MNCs, virtues of products made in India, exploitation of farmers, cancerous effect of fertilizers and chemicals, benefits of herbal products and left them to explore his products and decide.

Brand Strategy

Patanjali strategy can be termed as ‘Branded House’ strategy whereas of its rival consumer goods companies like P&G and HUL as ‘House of Brands’ strategy. In the Brand House, the company is the brand and all the products produced will be promoted under one brand where as in latter, the focus is on development of sub-brands rather than one parent brand so as to remove the dependency on one single brand. Patanjali says “Choose us, we are same as others with no harmful chemicals”.

PAL aims to double its turnover from the ₹5000 crores in the fiscal year 2015-16 to over ₹10000 crores in 2016-17. Baba Ramdev's plan is to make PAL the country's largest FMCG Company and attract the attention of private Equity and venture capital fund companies.

3. Patanjali Competitors

Growing awareness of Herbal and Ayurvedic products and meteoritic rise of Patanjali market has prompted rival companies to revamp their strategy and invest in new products and make new acquisitions to reap the benefits of emerging herbal trends.

Hindustan Uniliver Limited (HUL)

HUL, the largest fast moving consumer goods (FMCG) firm in the country and among the 'India's Top 500 Companies' admits the new competition in Patanjali and said that the company has plans to launch new products in the "natural" space to fight it.

The company has taken on a similar desi challenger before also. In mid-1980s, Ahmedabad-based Karsanbhai Patel's Nirma, a detergent brand, overturned sale of HUL's Surf from the shelves of middle class and lower middle class Indian homes. The Indian unit of the Anglo-Dutch FMCG Company has then rolled out Wheel, a low-priced option resulting in Nirma Vs Wheel market battle.

Recently, in order to counter Patanjali, HUL came out with three ayurvedic shampoos - Ayurveda Care Triphala shampoo under the Clinic Plus brand and two Tresemme Botanique items- Nourish & Replenish and Detox & Restore. Further company has revived its Ayush portfolio of brands apart from getting back into the herbal hair oil category, one that it had moved away from not so long ago. Ayush was launched in 2001 as a premium brand but had lost momentum by 2007. In addition to this, HUL acquired Kerala-based hair oil brand Indulekha which has strong credentials in ayurveda in December 2015.

Emami

S.K. Goenka, MD, Emami said in company's annual report that "When our sectoral peers promote ayurvedic products, they raise the level of water for the entire category by enhancing consumer awareness. Being one of the most prominent players in this category, we stand to gain from developments like these"

Emami's acquisition of Kesh King brand of medicinal hair oil marked company's foray into Ayurvedic hair and scalp care. It was also in the race to acquire Indulekha (a herbal hair oil brand) before bowing out to HUL. Company also has big plans around the Zandu brand, well aware of the fact that people are looking at Ayurveda as a long term help to treat lifestyle disorders, with little or no side effects.

Dabur

Dabur is in the process of modernizing its Ayurveda portfolio to make it relevant to its modern day consumers. To start with company is introducing traditional Ayurvedic post-natal health tonic and menstrual pain relief tonic Ashokaristha in fruit flavour further to be followed by health and baby care segments products.

Colgate-Palmolive

Colgate-Palmolive also admits that herbal market in India has been growing significantly and the company needs to capitalize on it. They recently launched Cibaca Vedshakti herbal toothpaste and are aggressively advertising their active salt neem & charcoal based toothpaste to battle Patanjali's Dant Kanti.

Nestle

Nestle India is planning to expand its portfolio with the launch of 25 new products across several categories to battle against International brands as well as local brands such as Patanjali. It include a new variant of Maggi called 'Hot Heads' catering to the young adult population, as well as 'Grekyo' a Greek yogurt brand and 'Pro-Go', a protein growth brand.

Himalaya

Himalaya having an 80-year-old experience in herbal pharmaceuticals is also aggressively positioning and branding its products across categories like facewash, toothpaste and shampoos to adapt to the changing business needs. Rajesh Krishnamurthy, business head of consumer products division at the Himalaya Drug Company said "There is an affinity for herbal products amongst consumers and Patanjali will help grow this segment,"

L'Oreal launched a new hair care range with "natural ingredients" under - Garnier Ultra Blendsto cash on growing popularity of natural products.

Godrej

Vivek Gambhir, managing director, GCPL points out that company is stepping up on the pace of product launches in the herbal and ayurveda category and will provide a lot more herbal options. GPCL has launched neem based low smoke mosquito repellent coil, a henna creme hair colour that contains coconut oil, new variants in natural's soaps etc to counter Patanjali substitutes.

Sri Sri Ayurveda (SSA)

SSA under the flagship of Sri Sri Ravi Shankar's is slowly building a portfolio similar to that of Patanjali. Various launches include ghee, toothpaste, ayurvedic energizers, ayurvedic medicines, juices, herbal tea, anti-diabetic tablets, syrups, etc-all under the Sri Sri brand. These products are primarily sold through 600 franchise stores and so-called 'Divine Shops'.

It aims to open around 2,500 stores across India by 2017 so as to sell series of modern, daily consumption products with the essence of ancient wellness. Further, tie-ups with retail chains across the country (which has been a major growth driver for Patanjali) are also in the works.

Other spiritual leaders such as Sadhguru Jaggi Vasudev's Isha Foundation could follow the footsteps of Patanjali in selling ayurvedic products. The latest one being launch of plethora of products by Saint Gurmeet Ram Raheem under MSG brand, i.e., portfolio of around 160+ products.

4. Challenges – Real Threat Ahead for Patanjali

There is no confusion regarding Patanjali being a disruptive force and credible threat to other established players in the FMCG market space segment, still Patanjali faces challenges to its aggressive growth strategy

- a) Realizing the potential of herbal products in near future, now almost all the consumer goods companies have embrace ayurveda and natural to the centre stage of their product development strategy, posing threat to Patanjali stellar growth. Further, FMCG companies have also adopted aggressive pricing strategy for their ayurvedic products to counter down Patanjali competitive pricing strategy.
- b) Experts believe that Patanjali, to a large extent, has already penetrated the target group for its products base and further gaining new consumer base will not be easy.

- c) Rural market in India still remains untapped, even for Patanjali. Rival brands like Hindustan Unilever (example Project Shakti) have already started setting partnerships with suppliers/ farmers to tap this opportunity. Some of the initiatives include, promoting entrepreneurship, creating jobs, expanding manufacturing and distribution and imparting training to farmers and rural folk on new age technology.
- d) One of the prominent threats to Patanjali is that more than 40% of the turnover has come from only four products (Ghee, Tooth Paste, and Shampoo & Hair Oil). Some of the product categories are not doing as well as they were initially predicted to do.
- e) In addition to above challenges, company is also mired in numerous controversies in addition to quality issues, some of which are
 - Recent tussle with Food Safety and Standards Authority of India (FSSAI) on the issue of necessary approvals required for its noodles brand.
 - A Tamil Nadu based Muslim organization- Thowheed Jamat issued a fatwa against PAL products, claiming that Ramdevs Patanjali products are based on cow urine which is considered “haram” for their community. Acharya Bal Krishan, Managing Director, replied to the allegations by clarifying that only 5 Patanjali products out of its ~700 products contains cow urine.
 - Recently, canteen stores department (CSD), the retailing platform for India's defence forces, suspended sale of Patanjali Ayurved's amla juice after receiving an adverse state laboratory test report.

In view of the above challenges and increasing volatility in FMCG market Patanjali should focus on

- a) Strengthening its distribution channel by ensuring the availability of Patanjali products everywhere and at any time to fulfil consumer needs.
- b) Focus on Quality is utmost important for success of the company. Patanjali shouldn't compromise on quality of its product whatsoever the reason may be.
- c) Innovation is one of the major ingredients for staying connected with the market. Patanjali should ensure that in order to keep pace with changing times and consumer preferences, it should continuously innovate its product and strategies, and shouldn't just stick with traditional way of marketing and promotional strategies.
- d) Strengthening its R&D capability to counter multinationals attack who boasts of their R&D and further work towards setting up of Swadeshi Kendras in villages to provide a base for rural empowerment and self sufficient system and life.

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Teaching Note

1. What are the various key success factors responsible for PAL growth in FMCG space?
2. How can Patanjali continue to sustain its growth momentum in face of competition by other established players who have also launched similar Ayurvedic products and coming up with new business models?
3. What are the various stumbling blocks Patanjali might face in future which can adversely impact its stellar growth?
4. If you were a CEO of Patanjali what steps should you take to strengthen the brand against competitors?