

## Growth of Ayurved Case Study on Patanjali Ayurved Limited

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### Abstract

With a population of around 1.31 billion, India is the second largest market in the world in terms of consumers after China. This has resulted in an intensely competitive FMCG space, with many established domestic and multinational players vying for supremacy. Patanjali Ayurved has risen amidst this competition riding on innovation, alternate marketing techniques and cheap good quality products. Baba Ramdev of Patanjali Yogpeeth along with Acharya Balkrishna envisaged entering into the FMCG sector through their Patanjali brand. The following report is an analysis of Patanjali Ayurved and its performance and impact in the Indian FMCG space. The report first analyses the FMCG Industry of India in terms of major players, segments, growth trends etc. The position of Patanjali Ayurved is then investigated with special focus on product range, market share, revenue trends, marketing strategies, distributor network, export analysis etc. It further highlights areas where the company needs to work on to sustain its growth and develop into a major force in the Indian FMCG space.

**KEYWORDS :** Ayurved, Financial performance, FMCG, Marketing, Patanjali.

### INDIAN FMCG PRODUCTS:-

#### Overview

The FMCG OR Fast Moving Consumer Goods industry is the fourth largest sector of Indian Economy with an estimated market size of around \$49 billion or 2.5% of India's GDP. FMCG goods, popularly known as consumer packaged goods, include all consumables (other than groceries/pulses) that people buy at regular intervals. Most common household items including toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories and certain electronic goods belong to this category. The organized FMCG sector of the country has shown a significantly high growth rate over the years with its size tripling in the past decade. The focus till now, however, has only been urban FMCG sector. However as the urban market growth subsides, the focus is now shifting towards rural India which has largely remained untapped. The growth of the industry in Rural Areas has continuously trumped that in urban areas in the past few years and presents a golden opportunity in terms of increasing penetration across the country.

### PATANJALI AYUURVED LIMITED

#### 1.Introduction

Patanjali has grown from strength to strength and is giving big player FMCG companies a run for their money. With recording net sales worth Rs. 2000 crores last year and

targeting net sales worth Rs. 5000 crores this financial year ending in a few days, Patanjali has really come a long way. Everything is working right for them. This type of growth is very astonishing for an Indian company competing with foreign players like HUL, P&G and Nestle. It has already crossed the sales of many established players. Baba Ramdev, price and quality are the three most important factors working for them. With trade analysts estimating that Patanjali will cross the Rs. 20,000 crores mark by 2020, it is definitely a force to reckon with and take notice of before it's too late. With strategic alliances with many e-commerce business and supermarkets like Big Bazaar and Reliance Fresh Direct, it has increased its value chain. Patanjali has realized that to succeed they have to enhance their distribution from the traditional Patanjali Arogya Kendra or Chikitsalyas. Patanjali has a diverse product portfolio from having nutrition and supplements to grocery, from home care to personal care and health care. It has just entered into the health juice products trying to compete with Real and Tropicana. Cow ghee is its most famous product. With expansion plans in Maharashtra, Patanjali wants to step up its production so that it can meet the growing demand of products and avoid shortage. It is also thinking of setting up a food plant somewhere in south of India. With low advertising spends, Patanjali has still been able to carve a name for itself. But in recent months it has amplified its advertisements. The price of Patanjali products are around 20% lower than that of their competitors and it is a huge reason why it is gaining popularity besides eating into the market share. On the quality front also it is excellent as it leverages its image of being ayurvedic and swadeshi factor. The recommendations of Patanjali are working very good for the brand itself as people are recommending it to their friends and family members. It seems that there is more acceptability of the brand amongst older people than younger people but it won't take time for that to change. With demand so great that people at Marine Lines pull up the shutter after 7 pm to get the products even after the shop is closed for the day for counting cash, it can be seen that it has carved a place for itself amongst the consumers. It is the next Indian Body Shop.

## **2 Product Portfolios**

It is involved in manufacturing as well as distribution of products ranging from food, beverages to cosmetics and fabric care. Since its inception in 2006 the company has made rapid advances in expanding its reach across many segments and currently operates a plethora of brands. Its many products include.

**Table 1. Patanjali Product Catalogue**

<b>Grocery and Staples</b>	Dals and Pulses	
	Edible Oil & Ghee	Ghee, Mustard Oil
	Flour / Atta	Atta, Besan, Others
	Staples / Spices	Spices, Salt, Rice
<b>Ready Food</b>	Confectionery	Biscuits, Cookies , Candies
	Snacks & Breakfast	Honey, Papad, snacks, Namkeek
	Sauces & Pickles	Ketchup, Pickles
	Sweets	Murabba, Soan Papdi
<b>Beverages</b>	Juices & Fruit Drinks	Apple, Amla, Litchi
	Sharbat & Squash	Squash, Sharbat
<b>Perosnal Care</b>	Face Care	Face Cream, Lip Care, Face wash
	Body Care	Body Wash, Foot care, Lotions
	Hair Care	Shampoo, Conditioner, Hair Oil, Hair Color
	Soaps & Hand wash	Hand wash, soaps
	Oral Care	Tooth brush, paste
	Make up	Kajal
	Shaving and Grooming	Shave Gel, Shave cream
<b>Health Care</b>	Health Drinks, Chyawanprash, Nutrition & Supplements, Digestives	
<b>Households</b>	Worship related, Cleaning & Washing, Herbal Gulal	

*Source: Company, Edelweiss research*

### 3 Business Principle/USP Analysis of Patanjali Ayurved

Patanjali though incorporated under the Companies Act, does not follow regular corporate ideologies. Rather than the top-line, the company focuses on revenues and customer base. The products of Patanjali have found widespread acceptance among consumers for three broad reasons

- (1) Belief of the consumers on the products“ high quality in terms of ingredients as well as health benefits.
- (2) Products from Patanjali are available at around 15-30% cheaper costs than similar products from peer companies.
- (3) Marketing the products on the lines of Made in India.

### 3.1 Consumer Belief:

The Indian FMCG market especially the food and beverages segment has recently been flooded by adulterated goods which have severe detrimental effects on health of the consumers. Patanjali Ayurved, led by Baba Ramdev has since its inception stressed upon the pure and adulteration free nature of their products. [13] This has bought them consumers looking for quality products with no detrimental effects on health. Further, the company's insistence on using good quality fresh ingredients is also getting them new buyers.

### 3.2 Cheaper Costs:

Patanjali's relatively newer production line has state of the art manufacturing and packaging facilities which allow it to be highly competitive in terms of production costs. Further, it works on low margin, high volume model and keeps advertisement costs to bare minimum. The products are thus available at a much cheaper costs as compared to its peers. A comparison of prices of similar goods is given below.

**Table 2. Comparison of price of Patanjali goods with competition**

Product Name	Qty	Patanjali Comparable		Comparable Company	Discount
		Products Prices	Price		
Special Chyawanprash	500 gm	115	160	Dabur Chyawanprash	28.1%
Pineapple Juice	1 Ltr	85	99	Dabur Real Juice	14.1%
Cow Ghee	1 Ltr	450	710	Parsi dairy farm Cow ghee pure	36.6%
Honey	500 gm	135	199	Dabur Honey	32.2%
Patanjali Saundraya Face Wash	60 gm	60	80	Pears Face Wash	25.0%
Patanjali Kesh Kanti Anti Dandruff Shampoo	200 gm	110	159	Head & Sholders Anti Dandruff Shampoo	30.7%
Patanjali Dant Kanti (Tooth Paste)	200 gm	68	84	Pepsodent Germicheck	19.0%
Patanjali Kanti Neem Bathing Soap	75 gm	15	24	Himalaya Neem & Turmeric	37.5%
Patanjali Super Dish Wash Bar	175 gm	10	15	VIM Dish was Bar	32.8%
Patanjali Corn Flakes Mix	500 gm	145	182	Kelloggs Corn Flakes - Original	20.2%
Patanjali Detergent Powder Popular	250 gm	13	19	RIN Detergent Powder	31.6%

### 3.3 Made in India, for India

Baba Ramdev has continuously pitched Patanjali as a „swadeshi“ alternative to all the MNC products “which help source Indians“ money abroad”. The pitch has resonated well among many Indians who now prefer to buy Patanjali's products rather than other companies”.

## **4 Marketing Analysis of Patanjali**

### **4.1 Ayurved**

Marketing is used as a tool to generate traction for any given product, commodity or service. Though Patanjali has traditionally shied away from mainstream advertisements, it has utilized alternative forms of marketing quiet effectively to bolster its presence in the market.

### **4.2 Word of mouth publicity**

According to a study by Forbes, when a company makes a claim, its believability is merely between 20 – 49%. But when real people speak favorably about a brand – the believability jumps to 70%; when friends speak about a brand’s goodness the believability jumps to 90%. Patanjali’s products have been marketed by its customers for their benefits and advantages over other competition.

### **4.3 Publicity in Yoga Camps**

Baba Ramdev consistently organizes yoga camps across the country. These have been estimated to attract around 70 million people till date. Further many times this number also witness these shows on television. Many Patanjali products are marketed by Baba Ramdev in these yoga camps along with details of their benefits and usage. This has proved to be an excellent marketing tool.

### **4.4 Mainstream Advertisement**

The Company has lately shifted to conventional advertisements on national broadcasting networks. This further pushes the company’s products in the market.

## **5 Distributor Analysis**

A good and wide distribution network plays a vital role in the sale of any company’s products, especially in a country as large as India. Patanjali is relatively new in the Indian FMCG space and thus has a comparatively smaller distributor and retailer base as compared to its peers. Currently Patanjali’s products are available through several channels:

**5.1. Exclusive Retail stores:** Around 15000 across the country.

**5.2. Patanjali Chikitsalaya and Arogya Kendra :** 3000 across the country.

**5.3. Retail Chains:** Patanjali products are available at Big Bazar, reliance Fresh, Big Basket etc.

**5.4. Future Group outlets:** Patanjali has a tie-up with Future group to retail products in 245 cities and towns of the country.

**5.5. Online retail:** Patanjali products are available at patanjaliayurved.net as well as other e-commerce sites such as Flipkart, Amazon etc.

**5.6. Mobile Distribution:** the company maintains a fleet of tempos for selling its products in rural areas.

As the demand of Patanjali's products is increasing across the country, the company is making efforts to make Patanjali products available at general stores across the country.

## 6 Export Analysis

Patanjali has now made a name for itself on foreign soil as well for the quality of its products. This has culminated in its expanding export reach across the world. Patanjali currently exports its products to most major countries by partnership with other companies. It aims to make India a sourcing hub for its product exports overseas. Around 1000 crore rupees have been earmarked for development of a manufacturing base in South India to bolster its export capabilities. It will start tapping export markets USA, Canada, UK, Mauritius in 2016-17 Fiscal with its new manufacturing facilities expected to be functional by that time. Currently the exports of Patanjali ayurved are limited with products being sold overseas in partnership with several other companies.

**USA:** Available online through ramdevmedicines.com .

**Canada:** Available online through ramdevmedicines.com .

**Thailand:** Available in partnership with Singh Group of Companies.

## 7 Future Strategy

Patanjali Ayurved has grown strongly in the past decade. But to sustain its momentum, the company would have to tick a few boxes:

### 7.1 Rural Push

Rural market accounts for over 70% of India's 1.21 billion population but contributes only 9% in the FMCG Industry. Thus increasing distribution and support infrastructure in rural areas is a key area where it needs to focus.

Increase in Research and Development: FMCG brands would need to focus on R&D and innovation as a means of growth. In this age of extreme competition, companies that continue to do well would be the ones that have a culture that promotes using customer insights to create either the next generation of products or in some cases, new product categories. Thus Patanjali would have to invest a lot of capital and effort into significant research and development of newer product categories.

### Focus on Exports:

Patanjali has largely focused to cater to the domestic market. Exports thus remain to be a very low fraction of the total sales. It is thus imperative to focus on exporting products using Indian operations as sourcing hub for the same.

### 7.2 Outlook on Marketing

To gain more perspective of the rise or evolution of Patanjali as a brand amongst it's other FMCG counterparts, we need to understand it through Ansoff's Matrix (Ansoff, 1957) as shown in Figure-1 below. Ansoff's matrix, is a great contributor to understand the diversification strategy of the organization (Richardson and Evans, 2007). It can be clearly seen that PatanjaliYogpeeth is diversifying itself from Ayurvedic medicine to FMCG products. Looking at the current growth rate followed by the variety of products that had flooded Patanjali shelves, it is adopting the diversification strategy by foraying into New products targeting the New Markets.



Ansoff's Matrix for PatanjaliYogpeeth

### Objectives of The Study

- To identify the evolution of Patanjali as a brand
- To analyse and interpret the strategies adopted by Patanjali
- To study Patanjali as a brand
- To compare Patanjali with other FMCG brands and to hereby figure out the
- marketing strategies involved in the making of it

## Review of some related literature

- Layak and Singh (2015) report “Desi bustle v/s MNC muscle” stating how Ramdev’s Patanjali is setting trend for HUL and how Baba Ramdev’s unconventional marketing and strong follower base coupled with aggressive pricing has helped him overtake established players in ayurvedic FMCG like Emami and Himalaya.
- Vyas (2015) believes Patanjali instead of outsourcing like established, listed FMCG firms, it has flourished on a backward integration model, using large tracts of land to cultivate and run its factories. Patanjali’s revenues have more than quadrupled in the past three years. Despite undercutting competitors, PAL’s operating margin is around 20% — higher than many of its peers which advertise aggressively.
- According to Pittie (2015), Patanjali is not just targeting its own distribution Chikitsalayas, but also big retailers like Reliance Retail, Big Bazaar, Hyper City and Star Bazaar are stocking Ramdev’s FMCG products. But the real play is online. While Patanjali’s products are already available at e-commerce site BigBasket, Ramdev is now aiming for Amazon too. To allow the consumers to locate nearby outlets that are selling Patanjali products and also to facilitate online ordering of products, Patanjali has launched its mobile app. Patanjali also sells its products through the Patanjali Arogya Kendras, Swadeshi Kendras and Patanjali Chikitsalayas. The company has 10,000 franchisee model of Chikitsalayas and Arogya Kendras and around 2 lakh outlets that are selling Patanjali products. The company operates through 100 super distributors.
- Kumar (2014) reports that the Patanjali Mega Food Park (PMFP) has been envisaged to help in creation of infrastructure for food processing and a ‘farm-to-plate’ supply chain system. It helps in maximum value addition by backward and forward integration between the farmers, factory and the market. The supply chain doesn’t have any intermediary in between but rather it’s a direct from supplier to producer to consumer. This also helps in reducing the cost because it avoids the unnecessary commission cost and other related charges of the intermediaries.
- Trend of Patanjali products: Singh and Rajni (2015) reports that PAL perhaps lacks most ingredients for building a large-scale consumer goods business, be its negligible A&P (advertising & promotion) spends or distribution network. Yet, the brand power of a yoga guru has brought PAL into the top league with topline reportedly in excess of Jyothy Labs and Emami.

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