



GROWTH OF PATANJALI- IS IT A TEMPEST IN A TEA CUP??

KEYWORDS

Prof. Sonica Rautela

Asst. Professor, Symbiosis Centre for Management Studies, Pune (Maharashtra)

ABSTRACT Fast Moving Consumer Goods is an area where one can witness a lot of competition. However there are few players which change the rules for the game. They create ripples in the market. Last time the Indian market noticed such ripples, was when ITC entered into the market growing and expanding its business left and right. This time somewhat same has been refashioned by Patanjali Ayurveda Ltd. The company has forced the stock market experts and analyst to look beyond the boundaries of their so called listed companies and stock exchanges. Patanjali is growing and expanding at a phenomenon rate and is expecting revenue of Rs 5000-6,000 crores in FY-2016. At times when most of the FMCG are still confused about the pickup in consumption of the consumer and revenue, Patanjali forecast of this phenomenon growth rate has lead other players to be on their toes. Patanjali is now being seen as serious threats to national as well as international FMCG players by the experts. There are certain important factors which has made Patanjali a game changer and a surprise winner. The present article aims at analyzing these factors and also highlighting challenges in front of this retail shocker from the city of spiritual wealth Haridwar. It would also to interesting to see whether this will lead to FMCG rejig or not in near future.

Introduction-

Use of computers and latest technology has drastically changed the way of shopping by the consumers. We are now living in the world where almost everything is just a click away. Companies whether they are domestic or multinational has already make their presence in online world. More and more companies are now focusing to reach the consumer pocket in the form of mobile applications. Some company such has Ola, Amazon, Flipkart etc. has tasted the success also.

However, FMCG (Fast Moving consumer goods) has their own amaranthine stories to tell. FMCG, which are also popularly known as Consumer packaged goods, is the fourth largest sector in Indian economy. It is expected to grow to US\$ 74 billion by 2018. The key forces to drive this exponential growth are change in lifestyle, growing awareness among the consumers and easy access to product and related services. Beside this rural market has also come up as a new platform to increase the sale of FMCG. In case of the FMCG, the company which grabbed my attention is Patanjali Ayurveda Ltd. The main focus of this article is not to eulogize or to admire the company but to figure out different facts, strategies and tactics used by company to steal the spotlight. It can also give important lessons to other companies.

The Case-

Patanjali Ayurveda Ltd. is an Indian brand of Fast Moving Consumer Goods. The company was founded in 1997 by Yoga Guru Baba Ramdev. According to the leading brokerage IIFL, Acharya Balkrishnan is the main promoter of the company and owns 93 percent of the company; while the remaining 7 percent is owned by Sarwan and Sunita Poddar, an NRI couple. Baba Ramdev has no ownership in the company but plays an important role in attaining visibility to the brand.

Initially the firm used to manufacture Ayurveda medicine but later on it expanded it business to sell the full range of consumer packaged goods, from biscuits, noodles, edible oil, ghee, honey, spices, tea to toothpaste, skin and hair care products to groceries. The firm has glared attention from top players of FMCG in Indian market. At the time when sales growth is crawling and most of the companies are waiting for the tide the turn, Patanjali is recording an impression growth rate. It has seriously posing threat to the top players of FMCG regardless whether the other players are Indian brands such as Dabur, Godrej, Emami, ITC etc. or foreign players like Colgate Palmolive, Nestle or Britannia. In other words, it is swallowing the market share of age old giants of the market.

A report released by IIFL in January says, "Patanjali Ayurveda Ltd has

, in short span of less than a decade, recorded a turnover higher than what several companies managed to achieve over several decades. There is no doubt that Patanjali is disruptive force in the FMGC space and is a credible threat for the incumbents." IIFL is also of the opinion that due to the acceleration in the appeal as well as growing awareness among the people about the Ayurveda and 'natural' products, along with the factors like low prices, linking the products with "Made in India" movement in the present nationalistic environment, will help Patanjali achieve sales of Rs 20,000 crores by Financial Year 2020.

But there are a couple of vital question which need to be answered, so that the surprise winner secret is revealed.

- What gives a competitive edge to Patanjali over the other players in the market?
- How Patanjali has been successful in reaching the consumer?
- What factors contributed to the success of Patanjali in the market?
- Do branding play an important role and should a company always charge brands premium for its product?
- Is Patanjali association with the "Swadeshi Movement" or "Made in India" campaign has gathered laurel to the brand?
- Do Baba Ramdev being a public figure and a huge fan following has helped Patanjali product gain the market share?
- Will Patanjali be successful in near future and will it grow will the same pace?

In order to answer the above questions it is necessary to look back to the very fundamentals of our Marketing cognizance.

1.) Product Efficacy: The ultimate unique selling proposition (USP) –

"The product offering, the heart of an organization's marketing program is usually the starting point in creating a marketing mix" (Lamb, 2015). Patanjali has move forward because of its products. It has proved that it is not the noise of advertising which consumer want but it is the value for the money spent by the consumers. Patanjali has been so far successfully delivering value to the customer. Ghee and toothpaste are the two popular products which are flying off from the shelves.

2.) Price: An Important Profit Factor –

The prices of most of the Patanjali products are low when compared to other FMGC players in the market. The price paid by the customer should reflect the value delivered to the customer. The perceived value is based on perceived satisfaction. Consumers are interested in

obtaining “reasonable price” which means “perceived reasonable value” (Lamb, 2015). It does not always make sense to charge a premium for your product in order to strike a chord with your consumer. According to former CFO of Marico and founder of Increate Value Advisors, Milind Sarwate - “The whole logic of brands charging premium and using that premium to advertise more has been turned upside down by Patanjali products.”

Patanjali has proved that the profitability cannot be sustained in long run at the cost of the consumers. It has proved that consumer has the last laugh. It has made the rivals to stand at their toes and has provided customers with quality product at low price. At times when most of its competitors are charging a premium for organic products it is providing the same at a very reasonable price. Its product are priced 15% -30% less than its counter players.

3.) Distribution: Products at close vicinity to the consumer-

- In case of FMCG distribution played a very important role. The success mantra for any FMCG is distribution, distribution and distribution. Patanjali has made their products available to its customer by using a network of various distribution channels. Patanjali Ayurveda Ltd. has 15,000 exclusive outlets across India. The company is now planning to have around 1,00,000 outlets in next few years. Broadly speaking Patanjali distributes its products through three types of centers-
- Patanjali Chikitsalaya- These are clinics which have doctors also.
- Patanjali Arogya Kendra – These are basically health and wellness centers.
- Swadeshi Kendra- These are non- medicine outlet and sell products of day to day use.

The company product is also available in general stores now. The company product is now not only limited to local kirana shop but also are parts of topic of discussion in the retail giant boardroom. Patanjali product has earmarked their presence in the shelves of Big Bazaar, Reliance Mart, Hyper city, D-Mart and Star Bazaar.

In near future the company has proposed to open mega stores which will sell lock stock and barrel i.e. everything from biscuits to medicines to ghee.

4.) Keeping pace with the technology-

Patanjali is trying to keep a pace with the world of smart phones and letting no stone unturned to make their presence online. Its website is customer friendly and highly interactive. Customer can order products online ranging from nutrition & supplements, grocery, homecare, personal care, books and media to health care. Further, it has also introduced Patanjali Android App so that it products can be accessed anytime and anywhere by the customer. This App helps the customer to trace the nearby company store and facilitate online ordering.

5.) Innovation- A proactive move-

According to IIFL- “What makes Patanjali a credible threat is that it does not try to beat other FMCG companies at their game, it changes the game for them.” There is always a scope for innovation. Despite dealing in FMCG which is highly cluttered sector it was able to earmark its presence. This clearly proves that there is always an opportunity to build a moated castle in the market which cannot be replicated. Further, the proactive moves taken by the company has been pivotal for the growth of Patanjali.

6.) Association with a public figure-

The company is associated with a public figure and television personality Baba Ramdev who has his own massive fan following. Although Baba Ramdev do not have any share in the company but he plays a vital role in making brand visible and promoting Patanjali

products in numerous yoga camps across India. One can clearly assume that the name and fame of Baba Ramdev is also the contributor to the growth of Patanjali.

According to a report by IIFL- “Patanjali has the advantage of being associated with a personality, Baba Ramdev, a yoga guru with a following of millions...combined with three other advantages of price discount versus other brands, the ayurvedic platform for most products, and a desire to consume Indian brands, makes a winning formula.”

7.) Word of Mouth Communication-

When a company is in its introductory it typically spends more than 12% to 20% of its revenue in advertising and promotion. Patanjali has adopted a very different model. It has relied more on word of mouth publicity and initially has not hired any advertising company. In its later phase of its growth, the marketing communications focus on Swadeshi and use of natural and hygienic ingredients to manufacture the products. In order to be in the pace with the world of advertisement and marketing communication it has hired few advertising agencies so that it can kick start its second cycle of growth.

8.) Diversification- A key to success-

Diversified portfolio is an important aspect of success of any business. According to global brokerage and research house CLSA Patanjali was pegged as the most diversified FMCG player in India than other listed players like Jyoti labs and Emami. Patanjali portfolio has something for everybody.



(Anon., 2016)

Fig 1: Products of Patanjali

9.) Successful in hitting low cost-

The low cost is a vital element which can make a bridge between the company and its success. Patanjali is able to bridge this gap. It has been successful in managing the low cost by dealing directly with the farmers and therefore no additional middlemen cost. They also pay their employees modest salaries. While most of the company spend crores on HR Patanjali has low cost but talented management teams. Further they have managed to keep their administrative cost as low as 2% when compared to other companies which are approximately 10% of their total sales.

10.) Keeping pace with Made In India or swadeshi movement-

Launched by Government of India in the year 2014, “Make in India” initiatives aims at promoting and encouraging multinationals as well national firms to manufacture their products in India. Patanjali being an Indian company have the privilege to be associated with this campaign of government. The products are manufactured by the Indians and for the Indians thus associating the brand with the Swadeshi movement.

11.) Colossal and Interesting future plans-

Patanjali has very big future plans. It is drawing up a strategic plan to launch a brand to touch the life of high end customers. It has equip itself to launch its premium brand “Soundarya” to give a tough fight to market players like Maybelline and L’Oréal. It is also targeting to achieve revenue of Rs 5,000 crores – 6,000 crores in FY 2016.

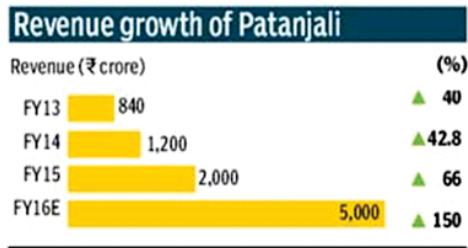


Fig: 2 Revenue growth of Patanjali

(Source – The Financial Express, Jan 5, 16)

In the words of team of analysts from Edelweiss, “The Company is working on plugging the gaps in the supply chain and distribution with plans afoot to implement ERP (for better inventory management) and consolidate its online presence. Strong innovation and new products pipeline, pricing discount to the peers (15-30%), ayurvedic and natural proposition with low A & P spends (leveraging Baba Ramdev’s brand pull) lead Patanjali products an edge over competition. However, distribution remains a key monitor able.”

The above points clearly show the winning mantra for Patanjali. However, the game will not be bed of roses for the company. It has challenges in front of it which need to be sail across and then only it can be decided that whether the company will prove to be a mountain or a molehill? Few points which need to be taken into account at this point of time are-

- 1.) The target market for Patanjali product is middle class. The important point is whether it will able to penetrate and associate itself with other social class?
- 2.) Patanjali is new kid on the block and so far has proved to be game changer. However, it is expanding its business at a phenomenon rate which may result to unsustainable growth.
- 3.) Patanjali have received a warm welcome from few categories of goods (such as ghee and toothpaste) only and so far they are the driving source of revenue for the company.
- 4.) Patanjali edge over other players is forcing these FMCG companies to devise some strategic plans against Patanjali in India.
- 5.) The expected growth of the company may be a case of hyped and over optimism by the company ignoring other variable factors.
- 6.) The FSSAI notice against the company demanding an explanation on the sale of Patanjali – Atta Noodle without having FSSAI license number poses a big question on the quality of the products.

Conclusion-

Thus, it can be concluded that Patanjali has been successful till date in changing the game of consumer goods market. However it will be interesting to find out that whether this company will be able to increase the size of its pie or not. Now a million dollar question arises that will a town (Haridwar) better known for its spirituality will be known among management students as case study of a town with billion –dollar business? It will also be interesting to notice in near future that will it lead to rejig of other FMCG or not.

References-

1. Ananthanarayanan, R., 2016. <http://www.livemint.com/Companies/B2l1bddz34Pi9p4IwX4gcI/Patanjali-Mountain-or-molehill.html>. [Online].
2. Anon., 2016. www.patanjaliayurved.net. [Online] [Accessed 6 May 2016].
3. <http://www.financialexpress.com/>, 2016. <http://www.financialexpress.com/article/industry/companies/patanjali-to-clock-rs-20000-cr-sales-in-fy20-iiifl-report>. [Online] [Accessed 7 5 2016].
4. Lamb, H. S. a. M., 2015. MKTG. Delhi: Cengage learning Pvt. Ltd..

5. Nair, A. A., 2016. <http://yourstory.com/2016/03/patanjali-story>. [Online].
6. Rukhaiyar, A., 2016. <http://www.thehindu.com/news/cities/mumbai/business/fastmoving-ayurvedic-goods>. [Online].
7. Sarkar, J., 2016. <http://economictimes.indiatimes.com/industry/cons-products/fmcg/Patanjali-to-open-stores-in-premium-segments-to-take-on-big-brands/articleshow/>. [Online].
8. Services, S. I., 2015. <https://in.finance.yahoo.com/news/10-stunning-facts-baba-ramdev>. [Online].
9. Sinha, V., Updated 2016. <http://profit.ndtv.com/news/corporates/article-meteorite-rise-of-baba-ramdevs-patanjali-threatens-big-players-report>. [Online].
10. Somvanshi, K. K., 2016. articles.economictimes.indiatimes.com/2016-04-13/news/72294971_1_fmcg-companies-patanjali-mass-market-products. [Online].
11. Somvanshi, K. K., 2016. http://articles.economictimes.indiatimes.com/2016-04-16/news/72375240_1_fmcg-companies-fmcg-products-brand-ambassador. [Online].
12. Utkarsh Anand, A. G., Updated 2015. indianexpress.com/article/india/india-news-india/no-licence-for-noodles-fssai-slaps-showcause-on-patanjali. [Online].
13. Wadhwa, P., 2015. <http://www.business-standard.com/article/markets/patanjali-ayurved-targets-250-revenue-growth-in-fy16-edelweiss>. [Online].