

Rise of Patanjali - Effect of Patanjali Brand on FMCG Competitors in Western Suburbs of Mumbai

Prof. Mishu Tripathi*, Ms.Sneha Khandelwal**

Abstract

Today's consumers are smart enough to prefer quality of life to noises of extraordinary results by products. Understanding this unattended need of consumers, Baba Ramdev of PatanjaliYogpeeth along with Acharya Balkrishna envisaged entering into the FMCG sector through their Patanjali brand. The Patanjali brand is created under PatanjaliAyurved Limited and has gained rapid market presence in the FMCG industry with its unorthodox marketing strategies. Its increase in market penetration coupled with robust financial muscles is giving sleepless nights to the existing decades old FMCG companies. Patanjali has targeted health-conscious consumers who are willing to change their consumption pattern to natural and ancient medicinal assortment of Ayurveda products. This rise of Patanjali as a competitor has made it imperative for studying the marketing strategies intricate by Patanjali brand. This research paper analyses and deciphers the impact of Patanjali brand in the micro – market of Western Suburbs of Mumbai.

Keywords : Ayurved, Financial performance, FMCG, Marketing, Patanjali.

Introduction

Patanjali Ayurved Limited (Patanjali) was incorporated in 2006 to manufacture, process, refine, formulate, import, export and deal in all kinds of Ayurvedic and Herbal products, Life Savings Drugs etc. The company's main promoter is Acharya Balkrishnan, who owns 93% of the company and the remaining is owned by Sarwan and SunitaPoddar, an NRI couple. The company and its products have been popularized by Baba Ramdev, a yoga guru who has a significant following across India. Patanjali runs 12 units including units for Packaging material and Containers e.g. flour mill, candy plant, herbal cosmetic and detergent plants, digestives unit, juice plant etc.

Patanjali specializes in Health Care, Dental Care, Food, Toiletries and Hair Care products. There are nearly 10,000 consumer touch points as "Chikitsalays" (Dispensaries) and "Aarogyakendras" (health centres). These are operated by third parties as Patanjali exclusive stores. Recently, Patanjali has tied up with Future Group and other retailers to increase their reach with a determined strategy to cater to maximum customer. Patanjali is now in the process of starting mega-marts – modern retail formats of 3000-5000 square feet, which would stock only Patanjali products. One such store has been

* (Assistant Professor-Thakur Institute of Management Studies and Research)

** (Marketing Executive-RatanDevilal Kumar & Co.Pvt Ltd)

recently opened in Nagpur. It also has an e-commerce portal through which it retails its products.

At Patanjali, the sales team of 400+ and 300+ technically qualified engineers is supported by more than 6000 laborers in its processing activities.

Financial performance of Patanjali

The financial results of Patanjali are unavailable in public domain as it is an unlisted company and thereby under limited disclosure requirements of SEBI. The company has stopped disclosing financial information on their website since 2010-11. Based on information available in public domain, a limited review of the financial performance for the past years is as under:

(Rs. in crore)

Financial Year	2011-12	2012-13	2013-14	2014-15
Total Income	453.38	848.56	1191.14	2028.03
Y - o - Y Growth (absolute)	NA	395.18	342.58	836.89
Y - o - Y Growth (%)	NA	87.16	40.37	70.26
Net Profit	55.89	91.33	185.67	316.6
Y - o - Y Growth (absolute)	NA	35.44	94.34	130.93
Y - o - Y Growth (%)	NA	63.41	103.30	70.52
Profitability (%)	12.33	10.76	15.59	15.61

Source:-www.careratings.com

The above figures represent a continuous growth in the total income and net profit coupled with incremental growth in profitability margin of Patanjali.

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.

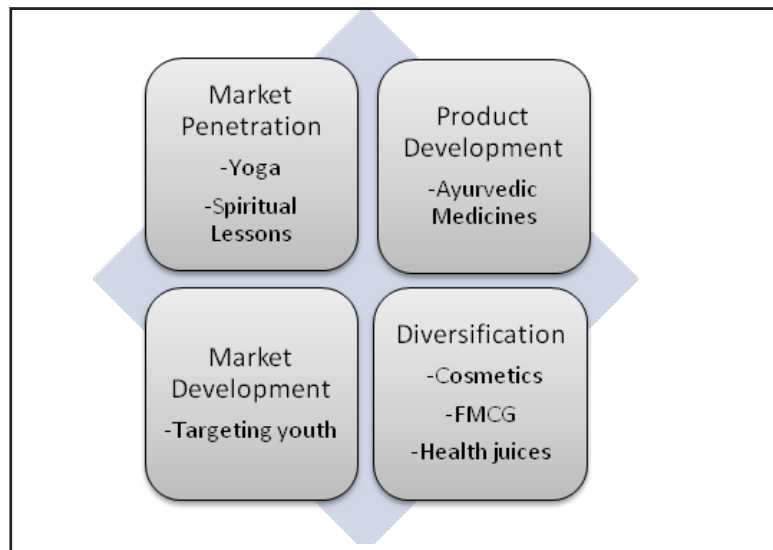


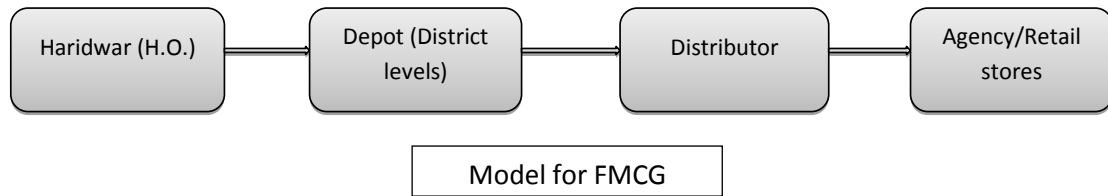
Fig.1: Ansoff's Matrix for Patanjali Yogpeeth

Supply Chain Management:-

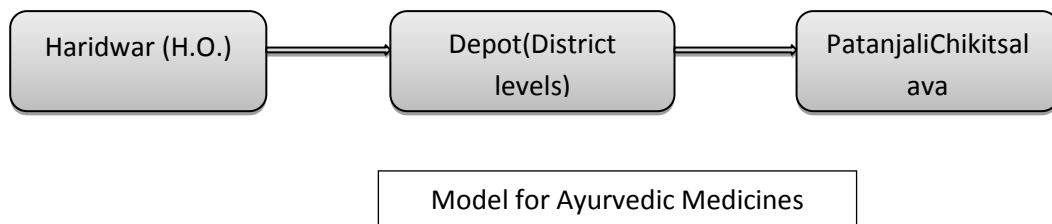
Patanjali follows a very smooth Supply Chain Management. The three parts of supply chain are product flow, cash flow and information flow. In supply chain of Patanjali, all the three are maintained. Supply Chain of Patanjali can be understood with the help of few examples. We may take sale of Patanjali products as a reference point. They sell their products only through their own outlets present in almost every district/city of India. Each outlet sends its demand to central office at Haridwar. Based on these demand, products are gathered from various units of Patanjali viz. Divya Pharmacy, Patanjali Ayurved, Patanjali Foods etc. Then the items are delivered to the respective outlets primarily through Patanjali transport. This shows a well defined Supply Chain Management. Next we can take the case of Patanjali Gram at Uttarkashi. The cow urine is collected from rural households. After initial filtration, it is sent to Patanjali Food and Herbal Park where it is processed and is sent to various Patanjali outlets for distribution. A part of money received from the sale of cow urine is kept by Patanjali Food and Herbal Park Limited as processing cost and the rest is sent to the village. Some amount is distributed to the people as a price of cows urine, rest is used for the development of the village like establishing necessary infrastructure, building schools etc. The Patanjali Mega Food Park (PMFP) has been envisaged to help in creation of enabling infrastructure for food processing and a comprehensive 'farm-to-plate' supply chain system. The initiative aims to seek maximum value addition by backward as well as forward integration between the farmers, factory and the market. It can be said that 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.

Figure 2



Source:-Patanjali distributor (Dr.Harish B. Bapat,2015,A Yogic Business Revolution: Back to the Future!)



Source:-Patanjali distributor* ((Dr.Harish B. Bapat,2015, A Yogic Business Revolution: Back to the Future!)

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

Research Methodology

Research Design:- In this paper we have used applied research as data source and application is on day-to-day basis. The research is based on data collected vide survey which makes it descriptive in objectivity and conclusive in nature.

Sampling design:- A convenient random sample was chosen as respondents varied from young professionals to senior age group.

Sample size:- Population sample size of 55 respondents were taken.

Area of study:- The area covered was the Western Suburbs of Mumbai i.e. from Andheri to Borivali.

Data collection:- Data was collected through primary as well as secondary sources. For primary data collection, an online survey was conducted through google word documents and two people who owned Patanjali retail outlets were also interviewed during the study. One of them has their outlet at Kandivali west nearby station and Secondary data was collected through referring websites, journals and articles from newspapers.

Period of Study:- The study was conducted for the entire month of February i.e. 1st February -29th February 2016.

Limitations:-

- Some respondents who would not have used Patanjali products would find it inappropriate to fill the survey form would thereby impact the study.
- The study was conducted with a small sample size as well as covering area only from western suburbs of Mumbai (Borivali to Andheri)
- Some of them might not be aware of FMCG parent companies like P&G, Himalaya etc although they might be using their products which might impact the research.

Literature Review

The paper is stimulated by various researches done to ascertain effect of Ayurved and its medicines for increasing awareness towards products and its effect on the corporate landscape of FMCG companies. The paper also touches various marketing perceptions used for Patanjali brand to achieve the marketing and financial success. **Shomnath Dutta** in his paper on Study of present market standing of yogi Guru Ramdev's flagship brand Patanjali in Ayurved& FMCG sectors in & around Siliguri city of North Bengal, 2015 have highlighted that Indian consumers lead a healthy lifestyle and have become inclined towards Ayurvedic or Herbal therapy as alternative healthcare for natural cure. This particular tendency has been responsible for phenomenal popularity of Baba Ramdev'sPatanjali - branded products. Mr. Dutta paper attempts to assess the impact of Mass customization and Content marketing to create a revolutionary success of Baba Ramdev'sAyurvedic brand Patanjali.. Mr. Dutta also conducted a comparative study of Patanjali's products with other competing Ayurvedic brands to judge the major contributor behind sale of Patanjali's items.

Ana Maria Bobeic in his paper Marketing Mix Policies in FMCG(2011) had discussed marketing policies as well as customer relationship tactics used by FMCG Companies. It proposes a conceptual framework with dimensions of brand equity and brand awareness.

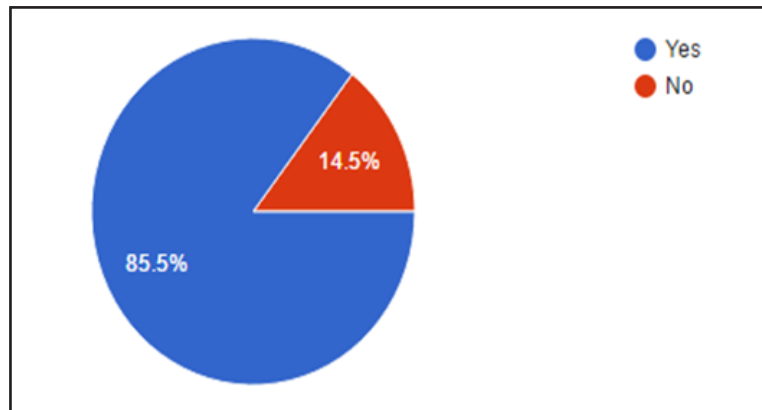
Marketing through spirituality: A case of PatanjaliYogpeeth (2013) by **Vinod Kumar, Ankit Jain, Zillur Rahman, Akhil Jain** have highlighted that the concept

of Marketing through spirituality has gained significant traction and is affecting the consumption behavior of people. It signals yoga and pranayam's increased status as the dimensions of spirituality with reliance on spiritual guru for understanding it. It refers Baba Ramdev among the most famous guru in teaching yoga and pranayam in India and deliberates how yoga and pranayam played an effective role in marketing products of Patanjali Yogpeeth.

DATA ANALYSIS AND DATA INTERPRETATION

Q1) Do you use Patanjali products?

Chart No:-1 Usage of Patanjali



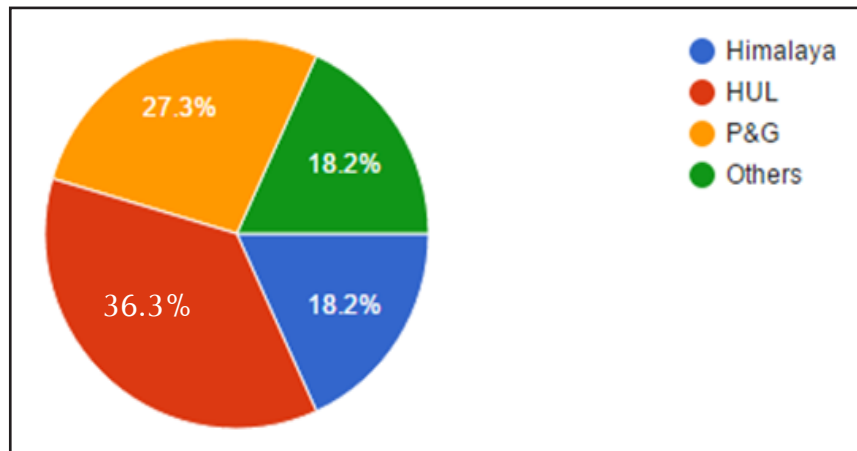
Source:- Primary data

Consumers of this era have increasingly become more aware about health and quality of life. They are smarter enough to understand what needs to be fulfilled and how can they fulfill those needs and wants. Apart from the basic needs and wants, they are focusing on demanding a healthy lifestyle. Being disease free has become their motto and they have realized the importance of Ayurveda as well. Keeping in mind this growing demand some companies like Patanjali has come forward to fulfill those demands.

As the study is focused on the customers using Patanjali products, the above question has focused on asking the consumer about his utility. Result being that a majority of them i.e 85.51% which means out of 55 respondents, 46 respondents agree that they use Patanjali products, whereas 14.5% of them which is 9 out of 55 respondents don't use Patanjali products. Some of the reasons being they are happy using other FMCG products, and some being because they think it is not beneficial for them as they don't follow Baba Ramdev and his teachings and philosophy.

Q2) If Yes, then skip this question; if No then which other FMCG brands do you use?

Chart No:-2 Utility of other FMCG products



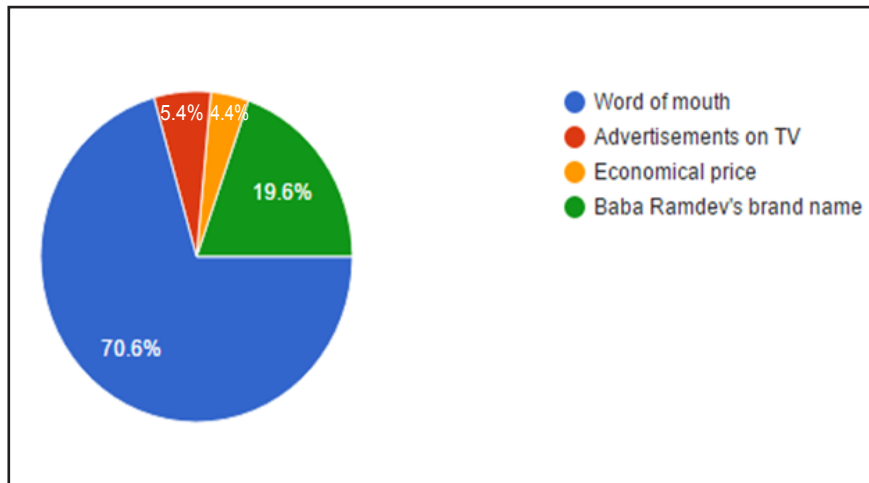
Source:- Primary data

Baba Ramdev, along with his teachings and philosophy is highly influencing the masses. Patanjali has forayed into the FMCG market and is being a stiff competitor to other FMCG brands.

The question here focusses on the other FMCG brands used by respondents apart from Patanjali. As asked by them, a majority of them i.e. approx. 36.3% which is 19 respondents out of 55 use HUL products. This means that HUL remains in the heart and soul of Indian consumers at first. Also it remains a huge competitor for Patanjali due to its robust sales and distribution network. It is followed by P&G which has a stake of 27% i.e. approx. 14 people use P&G products. Also Himalaya who is focusing a lot on Digital Marketing these days has revamped its position amongst Indian consumers. So approx 18% which is 9 respondents out of 55 have relied on their products. Taking an equal share others which might include Dabur, Emami Healthcare, Marico and many more are being preferred by the consumers.

Q3) What prompted you to use Patanjali products?

Chart No:-3 Reason for using Patanjali



Source:- Primary data

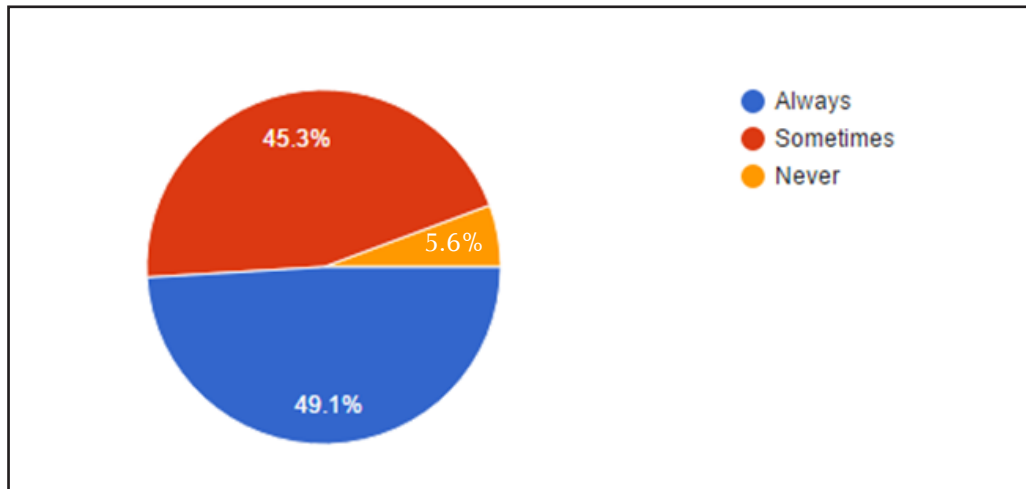
The best source for marketing your product or service is a happy and satisfied customer. Hence word-of-mouth marketing or advertising is considered an efficient way to market your products/services. If you can influence and convince one customer about your product, he will bring you 10 different customers.

The question aims to highlight the fact that Baba Ramdev has relied on the customer himself to market his products through word-of-mouth marketing. Approx 71% of the respondents which means 38 out of 55 respondents have been influenced to use their products recommended by family members, friends and relatives. Also seen that 20% which is 10 out of 55 respondents have been influenced by Baba Ramdev's brand name and visibility amongst consumers.

The rest which constitute approx. 5% which means 3 out of 55 have bought Patanjali due to advertisements on television and the left approx 4% which is 2 out of 55 buy Patanjali products due to its economical pricing benefits.

Q4) Do you recommend Patanjali products to your friends and family members?

Chart No:-4 Recommendation percentage



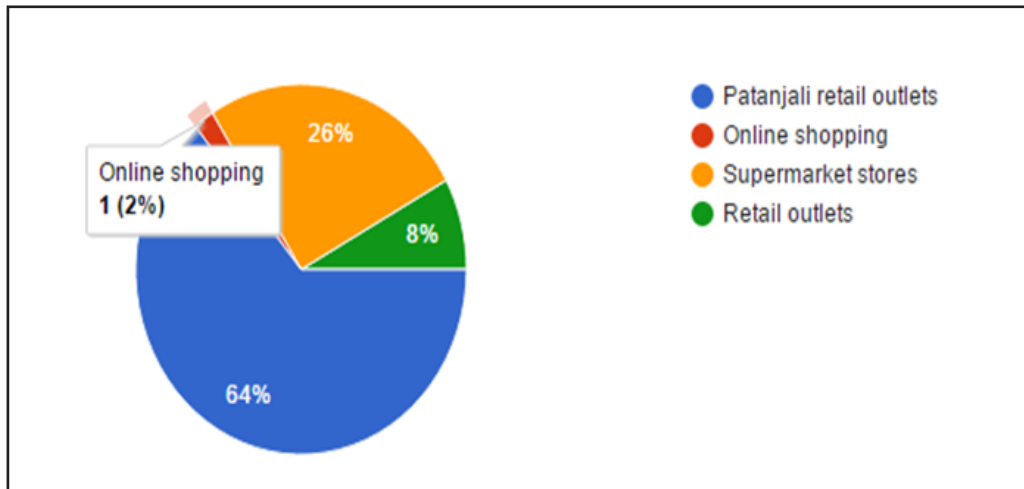
Source:- Primary data

Consumer purchase behavior is a complex process and is highly influenced by friends, family, relatives and various other things. Especially in this period where competition is very stiff and the market is flooded with so many products and services that a consumer may feel lost. However it is rightly said that if one consumer is satisfied by your product and once the trust is created, he will recommend it to 10 different consumers. Specially Indians have this quality to influence friends and relatives to try a new product. Also recommended by friends and relatives, consumers might feel to atleast try the product.

During the study conducted, the main aim of this question was to find out that how often the respondents recommend Patanjali products to their friends, family, relatives etc. It was found that nearly 49% which means 27 respondents out of 55 always recommended their products. It is a sign of high customer satisfaction. Also the rate at which the company is growing is enormous. Approx 45% sometimes recommend their friends and family members whereas hardly 6% never recommend their products.

Q5) How do you shop for their products?

Chart No:-5 Purchase Pattern



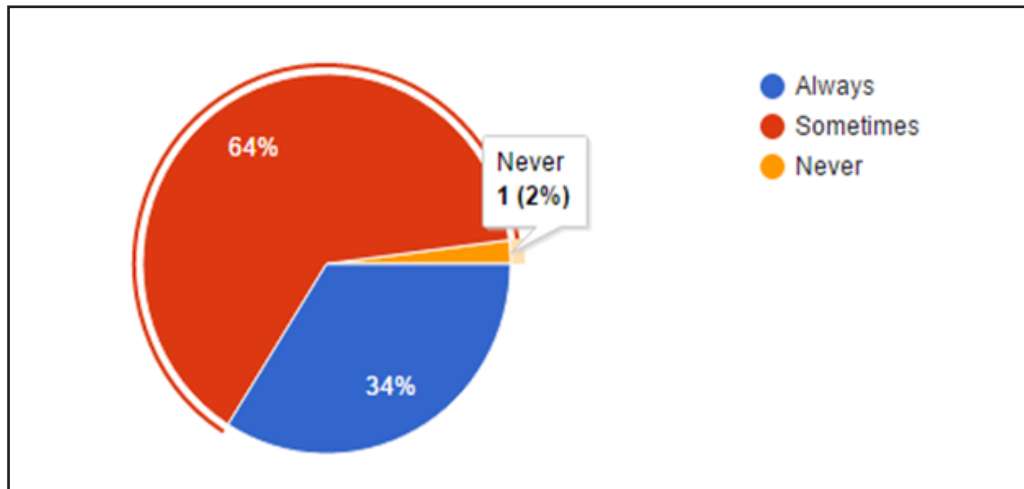
Source:- Primary data

Availability of your product/services at the right time plays a significant role in building a brand name or perception of your business. With a high and robust sales and distribution network, one can easily reach to the end consumers.

Since Patanjali is a household name now, the aim was to find out that from where exactly consumers buy Patanjali products from? Out of the options given, through their own Patanjali retail outlets 64% which means 35 of 55 respondents buy from their outlets. This means that forward integration of Patanjali has given a boost to it's sales and distribution network. It has gradually brought in visibility amongst consumers. However recently it has even tied up with supermarkets like Big Bazaar to make it's products available all over to the consumers.

Q6) Can you easily locate Patanjali retail stores?

Chart No:-6 : Location of Stores



Source:- Primary data

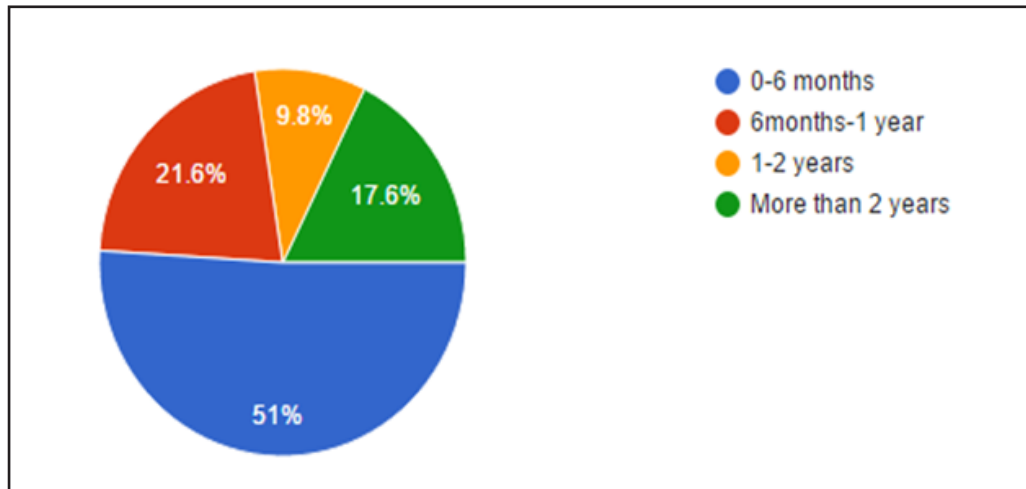
There have been many issues regarding the availability of Patanjali retail outlets and due to the demand of the products, the supply is inefficient as stated by the consumers.

In the above question, it was found out that out of 55 respondents, 64% i.e. approx. 35 respondents were sometimes successful in locating Patanjali retail outlets. Also respondents stated that sometimes whatever products they needed were not available on time due to high demand factor. It can be incurred that if Baba Ramdev focused on robust sales and distribution network immensely, the market share would rise steeply. He has therefore started selling his products online on his website www.patanjaliayurved.net as stated by Edelweiss Research report, Oct 2015.

Also consumers have now started demanding for more products which is the reason as to why they are finding it difficult to locate their stores. However 34% i.e. approx. 19 respondents were always able to locate their stores. Many of them being available nearby station roads. Hardly 2% completely disagreed that they never found their stores easily. They will also be launching an application soon so that consumers can locate their nearby retail stores and also facilitate online ordering of products.

Q7) Since how long have you been using their products?

Chart No:-7 : Duration of usage



Source:- Primary data

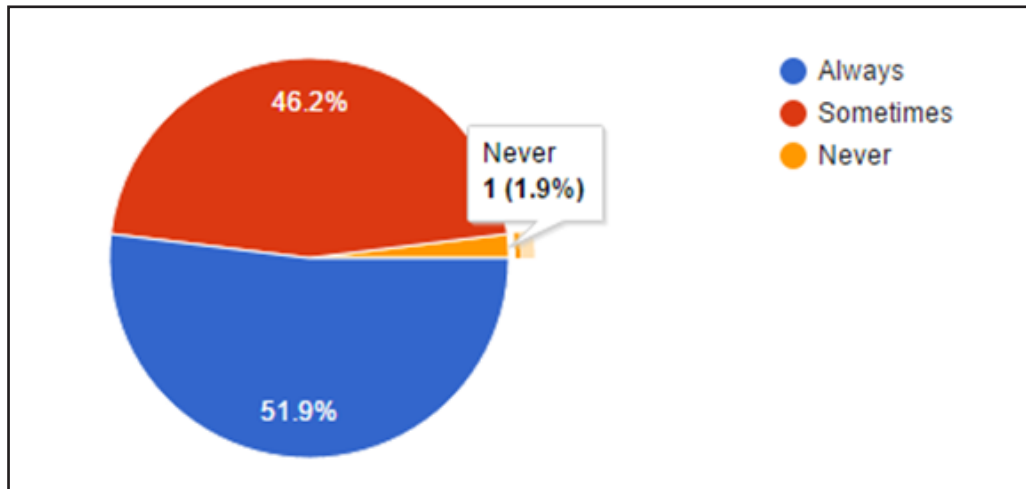
As seen the evolution of the brand Patanjali was by word-of-mouth marketing. Earlier the consumer behavior pattern for FMCG brands was there was very less loyalty associated with consumers. If their needs were not fulfilled by one brand, they would easily switch to another FMCG brand. However consumers now who have started using Patanjali products find it harder to switch back to other FMCG brands due to its reliability, quality and economical pricing.

Through this question, it has been found out that respondents have mostly started using Patanjali products heavily since the past 6 months. Also when interviewed by the owner, he also reported that the sales have increased in the past 6 months. 51% i.e. approx. 29 respondents out of 55 have bought and are using their products over the past 6 months. 21% which means 12 out of 55 respondents have used their products for more than 6 months. 17% of the respondents have used them for more than 2 years whereas 9% of them have used for the past 1-2 years.

Reliability of the products along with economical pricing and keeping quality standards are the major factors in gaining customer loyalty in business. This is a strong reason of Patanjali being a strong household name.

Q8) Do you find Patanjali more reliable as compared to other FMCG brands?

Chart No:-8 : Reliability Factor



Source:- Primary data

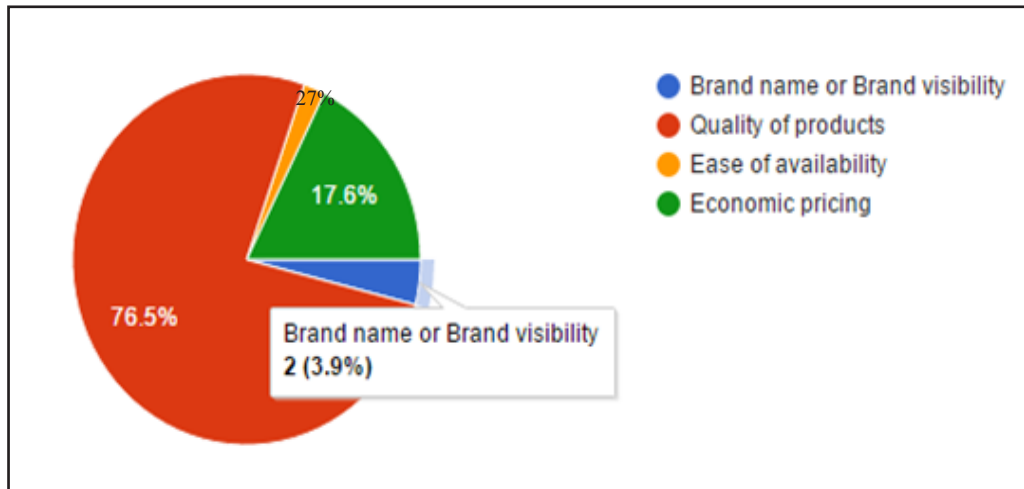
In the FMCG segment, there is always shift in consumer needs and wants. Hence companies have to continuously strive in for consumer satisfaction and also innovate in order to keep customer loyalty. Baba Ramdev is therefore leaving no stone unturned to reach out to the masses. He is striving hard and we can see the list of FMCG products in Indian households increasing manifold.

As seen when asked about the reliability of Patanjali, approx. 52% i.e. 29 respondents out of 55 have found Patanjali more reliable as compared to other FMCG counterparts. An article in Economic times dated 29th Feb 2016 mentions that there has been decrease in the market share of Colgate Palmolive due to PatanjaliDantManjan.

Hence, it can be concluded that consumers are finding Patanjali more reliable. However, approx. 46% i.e. 25 respondents out of 55 find Patanjali sometimes reliable. Whereas only 1 amongst 55 disagreed in terms of reliability of their products.

Q9) What could be the reason for it's reliability?

Chart No:-9 : Reason for Reliability



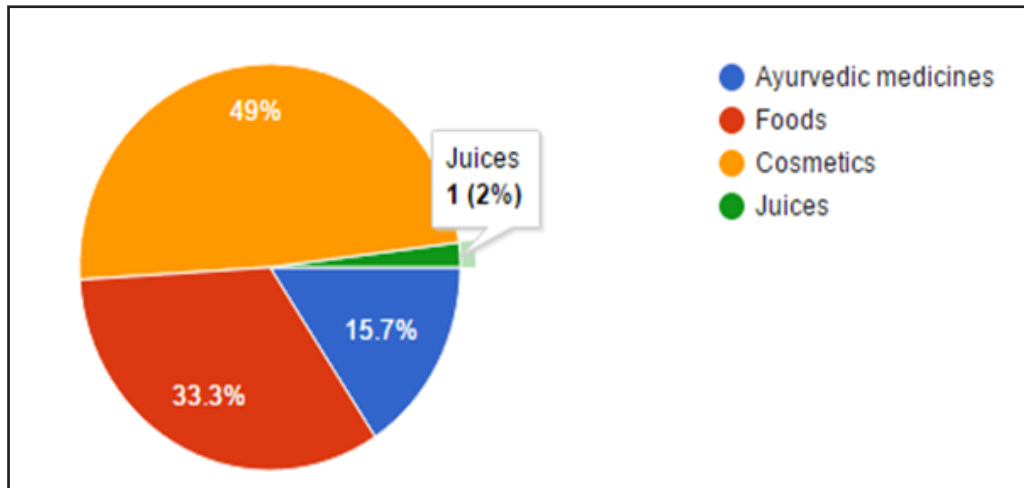
Source:- Primary data

Consumer behavior has changed drastically in the past few years. The phrase has changed from 'Consumer is the King' to 'Consumer is the God'. Sensing the needs of the new consumer who is focusing on healthy lifestyle alongwith quality life, Baba Ramdev with his teachings, philosophy and his perception amongst the masses has come along a great way to reach out to the Indian masses.

As shown the main reason for reliability of his products is the quality of products been used by the consumers. Approx 77% i.e. 42 out of 55 respondents give the reason that the quality of the products is due to which it is more reliable. This could also be the reason that other FMCG companies are facing the heat of it. As the consumers have become smart enough so they can't be fooled by false marketing gimmicks, which may be the reason that Patanjali has invested less in advertisements as compared to other FMCG counterparts. This being the only company now providing good quality products alongwith economical pricing. Approx 17% believe that since the prices of the products are economical, it is more reliable. 4% i.e. 2 out of 55 respondents also find that due to Baba Ramdev's brand image, it is more reliable. 2% still believe that ease of availability is the factor for it's reliability too.

Q10) Which Patanjali products do you use the most?

Chart No:-10 : Preference of products



Source:- Primary data

Patanjali has 4 major segments in their product category. They include Ayurvedic medicines, Foods, Cosmetics and Juices. Ayurvedic medicines comprises of Vati, Churna, Syrup etc. Whereas Foods constitute Chyawanprash, Badam Pak, Honey etc. The cosmetics section includes facewash, toothpaste, aloe vera gel, soaps, hair oil etc. Amla juices being the most popular one amongst the juices section along with Litchi, Mango and Apples juices.

When asked to the respondents as to which category is being utilized by them, most of them 49% i.e. 27 out of 55 respondents use cosmetics or personal care items of Patanjali. Reason as stated above being quality and economical pricing. 33% which is approx. 18 out of 55 replied that their foods section was utilized the most. Majority of them in the age group of above 50 years. 2% of them use their juices and approx. 16% use their Ayurvedic medicines.

This makes us believe that Patanjali has left a great impact on the Indian consumers due to its mass customization strategy as well as getting the needs and wants of the consumers rightly as compared to other FMCG brands. Also right from the lower income level classes to the upper middle class as well as rich people stop by their retail stores to buy their products.

Conclusion

Consumers have understood that their quality of life can be enhanced through Ayurveda. To meet this demand Patanjali has forayed into the market. As per the study as well as the analysis the following outcomes are seen:-

Rise in the sales of Patanjali as a brand has basically come from the most powerful tool in marketing which is word-of mouth that contributes to nearly 70% of the findings as per this study. People have actually bought in their products by recommendations from friends and family. Also respondents have actually bought their products specially from Patanjali retail outlets. There has also been a steep increase in sales of the products in the past 6 months. This has been quoted by the owner also of one of the Patanjali retail outlets. Respondents also attributed that due to quality of Patanjali's products, they have been using it followed by economical pricing. It can also be seen that their cosmetics division which includes personal care products like facewash, toothpaste, soaps etc are preferred most by the consumers as compared to their other product lines.

The reason for Patanjali's success is its unique business model of a single brand, a wide spread of categories, exclusive store network and close association of a personality (Baba Ramdev) with the brand. Moreover, the growing appeal of ayurvedic/natural products, a way for consumers to express "Indian-ness" and low price help. With the recent push towards wider distribution and media support, we believe Patanjali can create demand and may report net sales of Rs.200 bn in FY 2020.

Recommendations

- **Focus on Distribution channel :** As seen from the study that most of the consumers were sometimes able to locate their stores so they can focus intensely on their sales and distribution network by opening more Patanjali retail outlets.
- **Maintaining their Economical pricing:-** They should stick to their price range in the upcoming future also to maintain customer loyalty. As most of the companies while entering into the market adopt penetration pricing strategy and then increase the prices. This would then lead to shift in their customer base. Also it was found that lower middle class income group people buy their products and it constitutes the major portion of the mass segment in India.
- **Less on diversification strategies:-** Diversifying into various product portfolios would lead to dilution of their brand image. They should stick to their current product lines and then expand their brand. As they have not only penetrated the FMCG segment but also are entering into new market segments.
- **Effect on FMCG industry :-** As Patanjali is growing at a much higher rate than the FMCG market, we forecast that Patanjali may eat away cumulative sales of existing FMCG companies and will trigger price war in the industry.

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Questionnaire

Full Name:-

Age Group:- 1) 18-25 years 2)26-35 years 3)36-59 years 4)60 years and above

Gender:- 1)Male 2)Female

Area of Residence:-1)Borivali 2)Kandivali 3)Malad 4)Goregaon 5)Jogeshwari 6) Andheri

Q1. Do you use Patanjali products?

- a. Yes
- b. No

Q2. If Yes, then skip this question; if No, then which other FMCG brands do you use?

- a. Himalaya
- b. HUL
- c. P&G
- d. Others

Q3. What prompted you to use Patanjali products?

- a. Word of mouth
- b. Advertisements on T.V
- c. Economical price
- d. Baba Ramdev's brandname

Q4. Do you recommend Patanjali products to your friends or family members?

- a. Always
- b. Sometimes
- c. Never

Q5. How do you shop for their products?

- a. Patanjali Retail outlets
- b. Online shopping
- c. Supermarket stores
- d. Retail outlets

Q6. Can you easily locate Patanjali retail stores?

- a. Always
- b. Sometimes
- c. Never

Q7. Since how long have you been using their products?

- a. 0-6 months
- b. 6months-1year
- c. 1-2 years
- d. More than 2 years

Q8. Do you find Patanjali more reliable as compared to other FMCG brands?

- a. Always
- b. Sometimes
- c. Never

Q9. What could be the reason for it's reliability?

- a.Brand name or Brand visibility
- b.Quality of products
- c. Ease of availability
- d.Economic pricing

Q10.Which Patanjali products do you use the most?

- a.Ayurvedic medicines
- b.Foods
- c.Cosmetics
- d.Juices