

PATANJALI: Discoverer, Differentiator and Disruptor'

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Abstract

'However old the product category may be, there is always a scope for innovation'. To be a disruptor, firm need to be an innovator in creating demand and adopting unique branding strategies. Present paper is a case study of Patanjali, a rapidly growing FMCG and Ayurveda brand in India, which has within a short span of time, changed the dynamics of MNC dominated market. Firms such as Hindustan Unilever, Nestle, P&G, Colgate Palmolive, Gillette, Dabur, Godrej Consumers, etc. are now revisiting their traditional marketing strategies, to retain their customers. Patanjali has demonstrated that a new entrant in a competitive market can very well succeed by becoming a game changer and differentiator. Present paper shall trace the journey of brand Patanjali and explore the distinguishing approaches that have brought it in the league of reputed brands. It shall attempt to identify the errors committed by the competitors and their possible future tactics to defend the market share. Upcoming challenges and expansion plans of the firm shall also be discussed briefly. Paper shall finally conclude by summarizing the sales strategies of Patanjali and key learnings out of them. The data and information have been sourced from the newspapers and related websites.

Keyword: Patanjali, Ramdev, Ayurveda, Herbal, Natural, Disruptor, Challenges, Tactics

1. Introduction

What makes a brand successful? A question often debated while identifying the most significant factor from among the product features, pricing, distribution network, services or promotional strategies. It may not be so often when credit for the success of a brand would go entirely to its Brand Ambassador. Yet, an Indian brand ‘Patanjali’ has recently defied all such norms of the conventional marketing. It has demonstrated that brand ambassador can solely carry forward the brand and that too in the most competitive FMCG sector. Today, Patanjali Ayurveda Limited, has become a serious challenger to the leading domestic and foreign multinationals including Hindustan Unilever, P&G, Nestle, Colgate-Palmolive, Dabur, ITC, Himalaya, Godrej and Emami (Figure 1). Under Patanjali brand, the firm has nearly 500 products in the categories of personal care, home care, nutrition & supplements, grocery and medicines.

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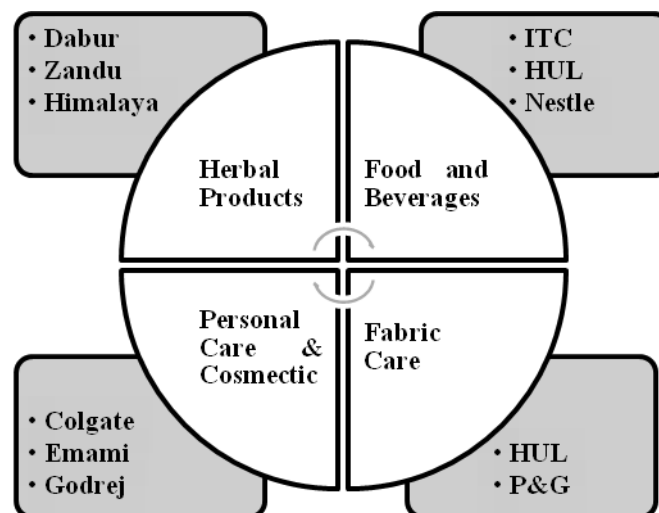


Figure 1. Patanjali’s major competitors

2. Journey of Patanjali

Patanjali Ayurveda Limited, in last seven years has witnessed an unprecedented growth, which none of its competitors has been able to match. Its turnover has grown from US\$ 36 million in 2010 to US\$ 750 million in 2016, and target for this year is to double it to US\$1.5 billion (Figure 2). In some product categories, firm has completely redefined the market through its innovative strategies while in others, it has virtually created a new market

segment. The success of the firm so far is undoubtedly attributed to its brand ambassador, Swami Ramdev, a highly revered yoga educator in India and abroad. In last one and a half decade, he has initiated a health revolution in Indian sub-continent by vigorously creating awareness on Yoga and natural food.

Journey of Patanjali, a natural and herbal product brand began much before its inception, when Ramdev co-founded Divya Yog Mandir Trust in 1995. A hospital was established to treat ailments through ancient Indian science of Ayurveda and Yoga. Later Divya Pharmacy was established to manufacture Ayurveda medicines for the patients. In his earlier days, Ramdev used to conduct yoga training sessions for curing various lifestyle and age related ailments. Later, as popularity increased, he started organizing yoga camps in different parts of the country, for students, politicians, bureaucrats, celebrities and others. In these camps, he often discussed the harmful effects of chemical based food products and used to encourage participants to shift preference towards natural products.

As awareness and health consciousness spread among his followers, they began demanding for herbal and organic food products. However there were not enough such products in the market and those available were either expensive or not of reliable quality. In order to fill the gap, Ramdev along with his associate Acharya Balkrishna, established the Patanjali Food and Herbal Park in 2006 at Haridwar, a hilly town in north India. Patanjali products are now in huge demand and are sold through both traditional as well as modern retail channels.

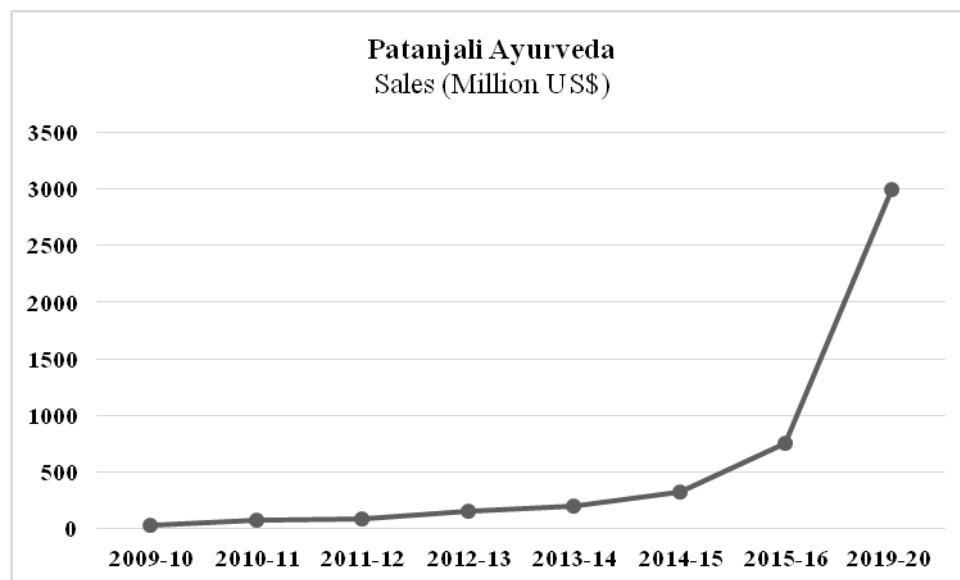


Figure 2. Annual sales & expected (FY 2020)

3. Differentiating Strategies of Patanjali

3.1 Creating need and satisfying demand

It is an excellent textbook case of marketing definition that emphasize on understanding customer needs and satisfying them through suitable offerings. Due to vigorous campaign by

Ramdev, people slowly began to shift preference towards natural and herbal food products. Patanjali with its unique offerings such as gooseberry & bottle gourd juice, herbal candies, toothpaste, soaps and detergents, quickly fulfilled those specific requirements. While competitors were totally unprepared to tackle this sudden shift in consumer demand, Patanjali with its wide assortment proved to be the only one catering to this new emerging segment.

3.2 Market Research

Patanjali has an excellent market research team in the form of Ramdev and his associates who interact with millions of people during his yoga sessions in India and abroad. Firm does not rely on professional consultants for the market information, instead it gets inputs through its health centres, dispensaries, franchisee stores and sales executives. Company keeps on introducing new products as per the popular demand, such as wheat flour noodles, chocolate, cow's milk powder, beauty cream, energy drink, cornflakes and oats.

3.3 Branding

Right from the brand name to the packaging and promotion, company has cleverly differentiated itself on the theme of Swadeshi, so as to create a feeling of nationalism among Indians. Customers are made to believe that by purchasing Patanjali products they contribute to the welfare of poor and progress of the nation. The brand name Patanjali has been derived from the ancient Sanskrit texts related to yoga and thus blends well with the vision of the company. The logo of the firm has three major symbols, a saint in a meditation posture, an herb and a sign of Om, a sacred symbol in Hinduism, thereby signifying the spiritual, mental and physical development of the people.

3.4 Brand Ambassador

The sole brand ambassador is the co-founder of the firm, Swami Ramdev, who himself is an equally popular brand within and outside the country. He does not hold any shareholding in the company and has a modest lifestyle, thereby conveying that he is not propagating the brand for his own benefits. An excellent communicator, he very well connects with the masses and is quite popular among media, politicians, and celebrities.

3.5 Marketing Mix

Being managed on top mostly by those without any formal business degrees, Patanjali had lot of liberty to experiment unconventional and innovative marketing mix strategies. Some of its food products were entirely a new category and priced low, which led to quick acceptability among his followers. The products such as gooseberry and bottle gourd juice, tea, gooseberry candies, Aloe Vera juice, toothpaste, shampoos, detergents were all prepared with natural and herbal ingredients. The quality of packaging material and labelling was at par with any reputed brands and ingredients were clearly mentioned on the labels thus bringing complete transparency. The first time buyers did not mind shifting loyalty as prices were less, quality was apparently at par and more important, Swamy Ramdev was associated with the company. All the products, except cow's ghee which sells at a premium, are priced 15-40% lower than

other reputed brands. Customer therefore consider the purchase, value for money when compared to other brands. Most of the initial promotions were being done through word of mouth publicity, displays during yoga camps and advertisements in the company owned health magazines. Patanjali's health centres and dispensaries also contributed significantly to the promotion as well as sales of the products. The patients who used to come for Ayurveda treatment were educated on various herbal offerings from Patanjali eventually leading to cross or upselling of products. Lately, the firm has engaged two professional agencies in order to expand its presence nationally and has allocated roughly USD 45 million for advertisements. While most of the competitors promote their products on general entertainment or sports television channels, Patanjali has distinguished itself by advertising largely on national news channels or on its own Aastha television channel.

3.6 Supply Chain Management

The raw material are directly sourced from the farms and producers, while in some categories such as ghee, firm has its own in house production facility. Most of the Patanjali products are processed and packaged at its Food and Herbal Park and are rigorously checked for quality at various stages. Products are sold through more than 10,000 outlets that includes Patanjali Chikitsalayas, Aarogya Kendras, retail stores and marketing vehicles. Company has already established exclusive mega stores in few cities and plan to increase the number further. Apart from hyper market chain of Big Bazaar, products are also sold at other modern retail outlets of Reliance Retail, Hypercity, More, Apollo Pharmacy, etc. It has substantial online presence through its own portal as well as on Amazon, Big Basket and Grofers. Middleman are avoided both in procurement as well as distribution thereby restricting the pilferages and damages during transportation and warehousing. Though the margins offered are 4-6 percent lower than the competitors, the wide range of products and higher volumes sold compensate for those. Company so far has managed low employee costs as salaries and related expenses are less compared to competitors. All these contribute to higher operating margins, and cash reserves so accumulated are in turn utilized for new product development. The channel partners are sincerely committed to the company's mission of working selflessly towards nation building.

3.7 Market Segmentation and Positioning

Patanjali has a vast product portfolio including chocolate, noodles, biscuits, energy drink, milk powder, honey, pulses, wheat flour, Ayurveda medicines, juices, tea, soaps, shampoos, washing powder, beauty creams and tooth paste. It is catering to almost all age and income groups across rural as well as urban areas. Bearing in mind that large number of people are nowadays suffering from lifestyle related disorders, awareness is created on simple living and eating habits. This new health conscious segment which wants to avoid the side effects of modern medications, tend to shift loyalty towards Patanjali. The firm is cleverly targeting the households by offerings products suited to each of the family member, thereby attracting them to the Patanjali stores at least once. The price and package size varies to cater to different income groups and consumption categories.

4. Competitors – Errors and Counter Tactics

Definitely, many of the established FMCG firms which were somewhat complacent and comfortable with their market share are now shaken with the unprecedented growth of Patanjali. Some of the mistakes that global companies such as HUL, Nestle, ITC, P&G, Colgate Palmolive and Dabur committed, may be noted as below;

- Remained focussed on existing competitors only and did not consider Patanjali as a serious challenger
- Failed to react to the changing customer preferences for the natural and herbal products
- Did not innovate and continued with the same product with cosmetic changes. Most of the existing companies did not have any offering in the herbal or natural categories.
- Despite growing challenge from Patanjali, did not alter the pricing or distribution policies
- Swadeshi or nationalistic sentiments aroused by Ramdev and allegations of harmful effects of chemical ingredients in the food products, were not properly countered. Competitors remained unsuccessful in building a positive image in support of their brands.
- Continued with the push strategies, spending heavily on advertising, sales promotion and middleman commission, thereby putting pressure on operating margins.
- High employee and vendor costs did not commensurate with the growth in revenues, leading to reduced profitability

4.1 Counter Tactics

Firms shall have to innovate and cater to the specific demands of Indian consumers rather than repackaging their existing products from European and US markets. They must increase offerings in natural and herbal categories instead of relying solely on chemical based ingredients. Still most MNCs do not have the right product to compete in herbal segment though HUL has recently acquired hair oil brand Indulekha and revived its Ayush brand of Ayurveda products.

Swami Ramdev has developed a personality cult that very few celebrities are at present, able to match. Organizations need to identify equally convincing and widely admired brand ambassador. This is the biggest challenge and dilemma for the firms which have so far relied mainly on sportspersons or film personalities. Distribution being strength of most of the established packaged good companies, they can pool their resources together to reduce costs of transportation and warehousing. The firms such as HUL, Nestle, Dabur and P&G can also enter into an alliance with the hypermarket chains for exclusive shelf space for their products. They can create an e-commerce platform in which orders may be booked centrally while

deliveries are done by the nearest dealer or retailer. Mega stores can also be set up for exclusively selling the combined products of these firms. Companies need to educate potential customers at point of sales, for some of its newly launched herbal products. Considering their high overhead costs, price reduction would be the most difficult task for the big firms. Nevertheless, sourcing and distribution costs may be reduced by downsizing the supply chain, and margins so accumulated could be passed on to the customers, wherever possible.

5. SWOT Analysis of Patanjali

Ramdev is a major source of inspiration for the employees as well as channel partners of the firm. While most of the packaged food companies engage separate ambassadors for each brand, Ramdev is the sole face for all Patanjali products. Apart from substantial cost savings, it helps in maintaining consistency in communication as well as building trust among consumers. Another strength is the wide range of herbal products across various categories, which no other competitor is able to match. This helps in considerable cross-selling and upselling across various customer segments. Its product range justifies the exclusive mega stores which others with relatively lesser offerings can't afford. Firm has so far kept its prices lower while maintaining the quality norms at par with the competitors thereby attracting the reluctant or first time buyers. Patanjali has immense opportunities for growth, as traditional Ayurveda therapy is widely prevalent among rural population, which constitute seventy percent of total 1.25 billion Indian population. Firm has ample scope for expansion in southern India that is largely dominated by regional and MNC brands. Also, as more people across continents are getting inclined towards yoga and natural products, it has a huge sales opportunities especially in North America, Europe and East Asia.

One of the limitations that might affect the long term expansion of the firm is that it is being managed by very few people at the top. As the company grows, it needs to have more qualified professionals to manage operations, manpower and distribution partners. Since most of the production is situated in North India, ensuring availability of products in other parts of the country is presently a big challenge for the company. Despite creating demand through advertisements, still firm is unable to stock the complete range with the distributors and retailers. As a result, frustrated customers compromise by purchasing the substitute brands available in the market. Presently, distribution network of Patanjali is lagging far behind that of major competitors. Since firm does not offer high margins to the distributors, they might shift loyalty if supplies remain irregular or do not match the demand. Patanjali is expected to face stiff competition from MNC which are planning to bounce back with new offerings in the natural space, to gain back the lost customers. Besides, company will have to be watchful of the smaller entrants especially those selling fake brands in rural areas. There is also a sizeable challenge in certain regions from brands such as Sri Sri Ayurveda and MSG which are quite popular because of affinity with the spiritual groups.

6. Road Ahead

Indian FMCG market is expected to grow to USD 110 billion in next four years. Food and personal care accounts for sixty five percent of total FMCG sales while rural market accounts for nearly forty percent. Dabur and HUL among themselves share close to fifty percent of the rural market. They are now being challenged by Patanjali, which has products and pricing well suited to the rural consumers. As per the study conducted by IIFL in January 2016, Patanjali is expected to reach \$3b in next four years. Firm has itself taken an ambitious target to double the sales revenues to \$1.5b by March 2017. However to achieve that target, it has to move beyond the existing customer base, which is mainly in North India. Firm has announced its expansion plans and allocated roughly US\$ 155 million for setting up six processing units including Food and Herbal parks and one Research and Development Centre. These will cover the western and southern part of India and would be important for the firm not only from the sales and distribution perspective but also for sourcing locally from the farmers. As company would expand in terms of production capacities, challenge would be to maintain strict quality control in sourcing, processing and packaging, which are vital for retaining customers. Motivating and training manpower would be another major challenge for the firm. With growing demand, sourcing costs for herbal and organic products are likely to increase, leading to price escalation. As a result firm might lose its price advantage in the long term. There would be a huge challenge for the firm to prevent duplicate products, especially in rural markets.

Patanjali plans to enter in the categories of baby care, animal feed, organic sports apparel, footwear, milk products such as butter, cheese, etc. Much of its success in the newer categories shall depend upon the quality of the product rather than on the image of brand ambassador. In view of better weather predictions for next few years, rural income is likely to increase, which will contribute to the overall GDP growth of the country. This would definitely have a positive impact on the FMCG market in India and those brands which are in herbal and natural categories shall also be benefitted.

7. Conclusion

Patanjali has demonstrated that however old a product category may be, there is always a scope for novelty. To be a disruptor, firm need to be a discoverer. It should adopt innovative approaches to interrupt the existing business norms and establish new ones. An entrant in a competitive market ought to look for the strategies to be a game changer and differentiator. Figure 3 illustrates few products in which Patanjali has proved to be a Discoverer, Differentiator and Disruptor in the packaged food industry.

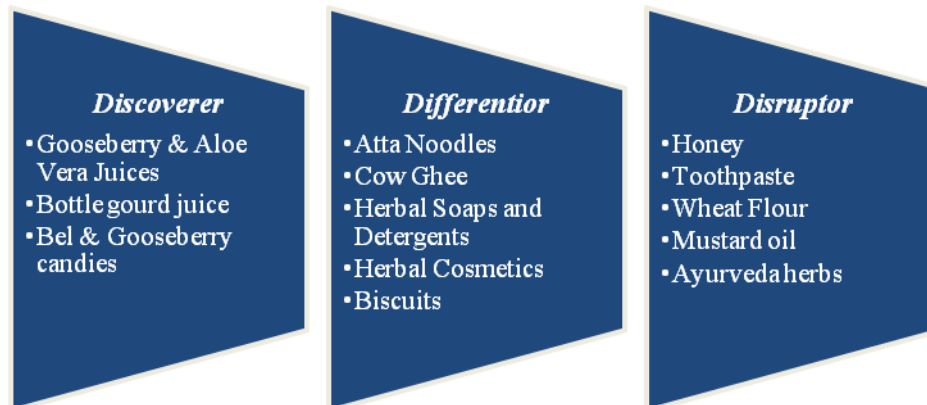


Figure 3. Patanjali's Product Placement

So far Patanjali did not follow the marketing strategies of existing players or leader, rather created its own according to the target audience. It created new rules for the market which many competitors are now forced to follow by introducing herbal products, keeping prices competitive and promoting CSR activities to gain public trust. The company has very well blended yoga with its Ayurveda offerings, both focusing on healthy living and ancient Indian heritage.

Patanjali under the mentorship of Swami Ramdev has grown rapidly in last couple of years. However it has methodically planned and executed the strategies to gain wide acceptance among the Indian consumers. The process followed by the firm can be illustrated in the Figure 4 and has been explained below.

Educate: Creating awareness on the harmful effects of chemical based medicines and food products. This was mainly done by Ramdev himself during yoga sessions and public forums.

Comprehend: Understand problems faced by people with the existing herbal and other offerings in the market

Develop: Manufacture products to satisfy the health care needs and specific demands from the potential customers

Offer: Provide herbal and natural products with packaging and quality at par and prices lower than existing brands

Sell: Those looking for such products immediately purchase as if waiting for them to be launched

Repeat and Cross Selling: Those satisfied by any of the product will return and might end with trying some other new offerings

Build Loyalty: The satisfied users of Patanjali products will promote them further and work as unofficial brand ambassadors of the firm, through word of mouth publicity



Figure 4. Patanjali's Sales Process

8. Key Learnings

Customer is unpredictable and can create surprises. However big a company may be, it cannot remain complacent and ignorant to the latent desires of the consumers. Managers must be alert to the changing consumer preferences and be proactive in its strategies.

Consumer needs and wants are dynamic and alter with the changing demographic aspects, social and environmental influences as well as time period. Companies need to remain closely connected with the consumers and must continuously offer products that are actually required by them rather than pushing what they want to offer. Besides, those companies which position themselves as being sincere to the welfare of the society, rather than being focussed on profiteering, are more likely to succeed.

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