

A voyage from niche to mass marketing: A case study of Patanjali Ayurveda

Dr. Mridanish Jha

Assistant Professor, Faculty of Management Studies, ICFAI University Jharkhand, Ranchi, Jharkhand, India

Abstract

Patanjali Ayurveda is in news because it has become one of the fastest growing FMCG Company in India. Even the old & established Ayurvedic companies like Dabur, Himalaya have taken a blow in some product category like honey & cosmetics. A company that started as a small pharmacy in 1997, has expanded its reach from 200 outlets in 2014 to 5,000 franchise stores at present and launched more than two dozen mainstream FMCG products. The objective of this case study is to throw light on how Patanjali Ayurveda began its journey as a market niche & later on captured the mass market. This study focuses on the important aspects of marketing strategy like segmentation, targeting & positioning adopted by Patanjali Ayurveda. This study looks at the marketing mix of Patanjali Ayurveda & tries to find out how it is giving a tough completion to old & established multinational & Indian companies.

Keywords: ayurveda, consumer, niche, market, strategy

1. Introduction

Patanjali ayurved limited, a company registered under the Company’s Act, 1956 having its registered office at New Delhi and manufacturing plant at Haridwar, Uttarakhand, India is one of the fastest growing FMCG Company in India. The Company was originally formed as a private limited company on 13th January, 2006 and consequently converted into public limited company on 25th June, 2007. Presently, the Board of Directors of the Company is managed by Sri Acharya Balkrishnaji as its Managing Director along with Swami Muktanandji and Sri Ajay Kumar Arya, as Directors of the Company. It manufacturers almost 600 world class, healthy, herbomineral heal care, dental care, food, cosmetics, toiletries, hair care and other products. Today many people begin their day with Patanjali Dant Kanti toothpaste and amla juice. This is the beginning of a new era of homegrown Ayurvedic brands. According to filings with the registrar of companies (ROC), Patanjali Ayurved earned Rs 12 billion in revenues in fiscal year 2014, and the company has crossed Rs 20 billion in 2015. It is estimated that Patanjali’s sales is likely to reach Rs 50 billion by the end of Financial Year’2016. It has taken a target to reach 100 billion turnovers by 2019. These figures support the fact that Patanjali Ayurveda has turned out to be the most disrupting force in the fast moving consumer goods (FMCG) market and it is giving the big FMCG companies a run for their money. Patanjali Ayurved narrowed its gap with consumer product companies such as Dabur, Marico and Godrej by doubling its sales in the past ten months. It has increased its product mix extremely over the last year.

Even the old & established Ayurvedic companies like Dabur, Himalaya have taken a blow in some product category like honey & cosmetics. The country's largest ayurveda company Dabur had standalone sales of Rs 4,233 crore during this period. In a tough consumer market that hardly grew 8%, most of these companies increased their local sales 8-12%. Patanjali Ayurveda has become the fastest growing FMCG firm in the country, with the widest product portfolio based on Ayurveda. It took on Swiss multinational giant Nestle by launching its

own noodle brand, in due course eating into the market share of Nestle. It is said that Ramdev personally tasted the Patanjali noodles and sent it back to the R&D lab several times, before he was contented. He believes that the money of this land should not go overseas. He declares “Collective prosperity and charity are our goals”. In the toothpaste segment it has gathered a 4.5% market share. At the same time Colgate Palmolive, the sector leader, has lost its market share from 60% to 57.3% in the last one year. For a company that started as a small pharmacy in 1997, Patanjali expanded its reach from 200 outlets in 2014 to 5,000 franchise stores at present and launched more than two dozen mainstream FMCG products such as noodles, oats and detergents. Profit after tax nearly doubled to Rs 309 crore during the year, from Rs 155 crore in 2013-14.

Table 1: Chronological order of Patanjali Ayurveda’s Financial turnover

Yearwise growth of Patanjali Ayurveda	
Launches Patanjali range of FMCG goods	March, 2012
Turnover in: 2011-12	Rs 446 crore
Turnover in 2012-13	Rs 850 crore
Turnover in 2013-14	Rs 1200 crore
Turnover in 2014-15	Rs 2006 crore
Target for 2016-17	Rs 10,000 crore

2. Moving from niche to mass market

A niche market is the subset of the market focused on a narrow market segment. The market niche is aimed at satisfying a very specific customer need which has not been fulfilled by other companies or product. On the other hand mass marketing is a market coverage strategy in which the market segment differences are ignored and the entire market is treated as one. When Patanjali product was launched it targeted a very narrow segment of the market & followed the niche marketing strategy. It suddenly saw a market gap that could be filled. It focused on those customers group who liked Ayurvedic

products but could not afford costly Ayurvedic products sold by Dabur & Himalya. Patanjali Ayurveda limited understood the market very well and decided to increase its horizon. After amla juice, it started producing esoteric local food and personal care products like aloe vera juice, asafetida, digestives, shikakai, sherbets and spices that Indians earlier bought from khadi or gramudyog outlets. As the business flourished, Patanjali became ambitious and entered into FMCG category. The consumption of its product has cut across segments. The masses as well as prosperous consumers are picking up Patanjali products. The advantage is that once people buy into the ayurveda, it's not limited to just one product because consumers end up buying many categories simultaneously.

The organization conducts its business with the following mission:

- To provide world class products to consumers without adding any harmful preservatives or using natural preservatives as far as possible.
- To offer reasonably priced products manufactured in most cost effective manner.

3. Marketing Strategy of Patanjali Ayurveda

Marketing strategy is a firm's strategy that integrates all of its marketing goals into one comprehensive plan. A good marketing strategy is based on a comprehensive market research and focus on the accurate product mix in order to attain sustainable profit and at the same time providing superior value to its customer. It is the way an organization effectively differentiates itself from its competitors by using on its strengths (both current and potential) to provide consistently better value to customers than its competitors. Patanjali Ayurveda has very successfully followed an excellent marketing strategy which covers all the 4P's of marketing. Companies like Baidyanath, Vicco, Emami (Zandu), Amrutanjan, which introduced Ayurvedic products, haven't been able to get the most out of the market. Some of these companies are more than a century-old, but they haven't stretched their product assortment beyond core products in such a big market. The decade-old Patanjali sells products from detergents and toothpaste to noodles in an FMCG market, which present massive space for expansion.

3.1 Segmentation, Targeting & Positioning

Patanjali Ayurveda is targeting the value conscious customers with positioning based on natural, healthy & ayurvedic product. Patanjali's major strength, apart from its better product quality, lies in pricing. Another reason for the discounts is the consumer centric ideology of the organization and selling best quality products at attractive price points. The company expanded its reach from 200 Patanjali outlets in 2014 to 5,000 franchise stores currently and launched more than two dozen mainstream FMCG products as none of the existing herbal players catered to categories such as noodles, oats and detergents. It has generated excitement around the overall personal and healthcare category which has been driven by large players with bigger financial strength. Strong positioning on Ayurveda and health consistently is reinforced by Baba Ramdev as brand ambassador. The following paragraph

discusses the 4P framework of Patanjali Ayurveda.

4. Marketing Mix: The 4P's Framework

4.1 Product

Patanjali's Ayurveda success can be attributed to new product in almost all FMCG categories. The products are differentiated which appeals to the Indian belief in Ayurveda & natural remedies. Patanjali Ayurveda possesses a wide range of product mix. The products are innovative and reasonably priced too. For instance Seabuck thorn dietary supplement is being made in collaboration with DRDO (The Defence Research and Development Organization) to be used by defense personnel in harsh territory as a source of nutrients. In order to increase its market share Patanjali Ayurved is extending the product line of toothpaste brand, Danta Kanti, with variants like medicated, advance and junior. Its strong R&D department has created new products in quick time and lower costs. For instance, it started working on its own brand of instant noodles post the Maggi embargo and within a period of 3 months launched the instant noodles. Another product worth mentioning is Power Vita a health drink made up of ayurvedic ingredients like Brahmi, etc which is competing with multinational giants like Mondelez, GSK. The product/market strategy of the Patanjali group can be understood through Ansoff's Matrix (Ansoff, 1957) as shown in Figure-1 below. It is evident from the matrix that Patanjali Yogpeeth is diversifying itself from ayurvedic medicine to FMCG products.

Table 2: Ansoff's matrix

	Current Products	New Products
Current Market	Market Penetration - Sachet - Coinage SKU	Product development - Ayurvedic - natural
New Market	Market development - Targeting youth - Rural market	Diversification - Cosmetics - FMCG products - Health drinks - Chocolates

Table 3: Product mix of Patanjali Ayurveda

Personal Care	Home care	Food & Beverage
<ul style="list-style-type: none"> ▪ Face Care , ▪ Face Cream, ▪ Lip Care, ▪ Face wash ▪ Body Care, ▪ Body Wash, ▪ Foot care, ▪ Lotions ▪ Hair Care ▪ Shampoo ▪ Hair Oil, ▪ Hair Color ▪ Soaps & Hand wash ▪ Tooth paste ▪ Tooth brush ▪ Make up Kajal ▪ Shaving cream 	<ul style="list-style-type: none"> ▪ Agarbatti ▪ Dish Wash Bar ▪ Herbal Gulal ▪ Hawan ▪ Samagri ▪ Detergent powder ▪ Detergent cake ▪ Disinfectant 	<ul style="list-style-type: none"> ▪ Pulses ▪ Honey ▪ Edible Oil ▪ Ghee ▪ Flour / Besan ▪ Spices ▪ Salt ▪ Rice ▪ Biscuits ▪ Jam ▪ Noodles ▪ Oats ▪ Natural Sugar ▪ Broken Cereals (Dalia) ▪ Gram Flour (Besan) ▪ Pickle ▪ Corn Flakes ▪ Juices ▪ Fruit Drinks

4.2 Price

Price is a major area where Patanjali is giving tough competition to its competitor. Its products are cheaper on average than its peers and many of its peers have been running offers and promotions to compete with the company. As far as pricing is concerned, it is trying to give consumers the best possible prices and there is no incremental pricing. For instance, health juice sachets start at Rs 5, making the product affordable to many. Developing an effective pricing strategy has always been the most important and difficult part of the marketing process. As far as the pricing of FMCG products is concerned, it is a combination of skimming and penetration.

4.3 Place

Patanjali Ayurveda sells through 5,000 franchised stores & lakhs of retail store. After the deal with Kishore Biyani's Future Group, Patanjali is now tying up other modern trade brand – from Spencer's to Reliance mart, to place its products. The Group is setting up giant Patanjali Mega Marts as well. Moreover with 1500 Patanjali Chikitsalayas, 3000 Arogya Kendras, 8000 open stores in villages, and 6000 marketing vehicles, it has planned to launch 250 mega stores in tier- I & II cities. Apart from that now Patanjali product is also available online through its website-www.patanjaliayurved.net. The company is also implementing ERP for better mapping of inventory. To keep pace with changing times and consumer penchant for apps it is launching its mobile app, that will allow consumers to find nearby outlets selling Patanjali products and also aid in online ordering of products. Its products are also sold through the Patanjali Chikitsalayas, Patanjali Arogya Kendras (health and wellness centre) and Swadeshi Kendras (regular outlet). To penetrate in the market it has close to 0.21 million outlets and 10,000 franchisee model of Chikitsalayas and Arogya Kendras. As far as its distribution is concerned, it operates through several super distributors who in turn supply to the wholesalers and retailers which operate with a strong sales team. As of now, the company has no plans to have direct reach.

4.5 Promotion

Ramdev had said in 2015 that his company will be India's biggest fast moving consumer goods player in five years. To achieve this objective Patanjali has picked nine products from a strong product portfolio to be advertised aggressively. These are ghee, shampoo, biscuits, noodles, honey, mustard oil, soap, dental cream and aloe vera cream. The company has set aside Rs 300 crore for advertising spend. The advertising frequency is high so as to create brand recall. It is opting for news channels as the advertising rates are low. The high number of TV commercials is an attempt to tell people that they have option to choose between a healthy lifestyle and unhealthy lifestyle. Patanjali products advertisement claims that people can adopt healthy lifestyle which fits into their budget also. Its advertisement highlights family values and Indian culture. Patanjali products were the third most advertised brand on television in India during the last week of November 2015, behind Cadbury and Fair & Lovely. The company also hired actress Hema Malini to endorse its biscuit brand.

5. Challenges to overcome

According to industry estimates, Patanjali products are currently available in almost 0.2 million traditional retail

outlets. However if we take the case of industry leader HUL (Hindustan Unilever Limited) then it is present in over 6 million outlets. Therefore Patanjali Ayurveda will need some time to bridge the gap between demand and supply. According to a report by A C Nielsen, a significant driver of FMCG sales is the availability of the product in the retail store and consumers shift preference if their favorite brand is not available at the store. A retailer running a kirana shop in Ratu Road, Ranchi says, he gets sufficient customer queries for Patanjali products but the margin is 5%-6%. It is very less compared to HUL products that offer a cumulative margin of 20%-30%. If he keeps Patanjali, products then he can't make enough profit. Generally, in a low involvement product category like Patanjali customers choose a substitute when they don't find Patanjali in the store. Patanjali is conscious of its limitation in the traditional trade format and is looking to make things right very soon. Countrywide leadership in FMCG can be achieved through solid distribution unless it's an inspirational brand.

6. Conclusion

Patanjali Ayurveda is planning to raise Rs 1,000 crore in project loans. It is in talks with banks including State Bank of India, Bank of Baroda, Uco Bank etc for project financing in order to expand its presence pan India by extending its product lines. This is necessary for setting up more plants across the country. The growth of Patanjali Ayurveda has given other several multinational as well as other Indian companies a tough challenge to protect their fort. This is substantiated by the fact that in 2015-16, Patanjali marked a 150 per cent growth. Its turnover crossed Rs 5000 crore. With a network of nearly 5000 distributors, 10,000 Patanjali stores and 100 Patanjali mega stores it is all set to push the brand forward. It is true that they are creating a new culture of consumers where people are asking for more amla and tulsi juices. Patanjali Ayurved Limited, which has emerged as one of the biggest FMCG advertisers today, does not use glamour to sell its products. If Patanjali Ayurveda is able to tap Indian market fully then its next target will be to enter in the international market which has lots of demand for Ayurvedic products.

7. References

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