



Patanjali an Indian FMCG: A case study on Patanjali dropping sales & failure

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Abstract

This Case Study is aimed to analyze the “Dropdown of fastest growing FMCG Company-patanjali Ayurveda” India. Being in a sprint race to lead FMCG, Patanjali has setback a fall in the sales for the first time in five years with a makeable decline in Consumers Goods Revenue stated to be of Rs 8,148 Crore ~10% on March, 2018. Here by, in the case study it has been discussed about the problematic areas and the suggestions discussed after the SWOT Analysis of the company in the Indian Scenario & Culture. A Further conclusion has been discussed in the end.

Keywords: dropdown, FMCG, Patanjali, Ayurveda

Introduction

Patanjali Ayurveda Limited is an Indian consumer goods company. Manufacturing units and headquarters are located in the industrial area of Haridwar, Uttarakhand while the registered office is located at Delhi. The company manufactures mineral and herbal products. It also has manufacturing units in Nepal under the trademark Nepal Gramudhyog and imports majority of herbs in India from Himalayas of Nepal. According to CLSA and HSBC, Patanjali is the fastest growing FMCG Company in India. It is valued at ₹3,000 crore (equivalent to ₹32 billion or US\$470 million in 2018) and some predict revenues of ₹5,000 crore (US\$720 million) for the fiscal 2015–16. Patanjali declared its annual turnover of the year 2016-17 to be estimated ₹10,216 crore (US\$1.5 billion). It was listed 13th in the list of India's most trusted brands (The Brand Trust Report) as of 2018, and ranks first in FMCG category. Continuing with the chain of FMCG's to lead the market, the repetitive changing situation and expanded challenge over the globe has enhanced the job of brand at an unmatched level. Each individual is a purchaser of various brands in the meantime. The decision and utilization of a specific brand by a shopper over the time is mainly influenced by quality advantages offered by the brand and personality of that item has set up in clients mind. The parts of brand like name, logo, slogan and typeface which a brand has made to mirror the worth the organization is attempting to bring to the market and claim to its clients.

To reach at the top, Patanjali has made an approach in the consumers mind by being in a “Traditional Way” which is un-matched, focusing on ideology of “consuming Homemade Natural Goods” i.e. within the nation. Pursuing this, they also remarked there brand with the most familiar face resembling to the logo Baba Ramdev himself aka ^[1]. “Yog-Guru” and when brand picture or brand character is communicated as far as human qualities it is called brand personality.

Everything began in mid-2000 when yoga master Baba Ram Dev straightforwardly reprimanded the MNC brands from that point forward, Yoga master has ended up being the most exceedingly awful troublesome power in two decades for the fast moving consumer good (FMCG) and his image "Patanjali" is giving the enormous FMCG organizations a keep running for their cash. Slam Dev turned into a TV big name showing yoga as well as, is perched on the quickest developing FMCG Company timing a turnover close to Rs. 5000 Crore, more than Colgate, GlaxoSmithKline and Emami by this financial year. All through Baba Ram Dev never shrouded his scorn for multinationals and promises to execute their market. He even has been disheartened of beginning enemy of Coke and Maggie drive.

MNC FMCG organizations have dependably defeated such aggressive dangers from contestants, for instance Nirma and Chick cleanser as examples. In any case, this time the risk is more grounded than at any other time with Ramdev's tying up with Big Bazaar and brand Patanjali pushed by developing the armada of 10,000 devoted merchants alongside the brand fitment in to wellbeing cognizance occurring in Indian culture. It is plainly the quickest developing FMCG firm in India.

The scenario got changed when Baba Ramdev's Ideology got into action and with his “Shishya Acharya Balkrishna” launched the Brand “Patanjali” As an Indian Fmcg in 2006.

Stating: “We don't know markets or marketing but what we know is serving the people by providing them high-quality products at attractive prices”

So as by, March 2017, Baba Ramdev took over FMCG market establishing Patanjali Ayurved Ltd, recording the fastest revenue generation ever of Rs 9,346 in 2016-17 and grouping revenue including “Divya Pharmacy” sales it touched Rs 10,561 which became the second-largest FMCG company and third largest by FMCG Business.

Plotting

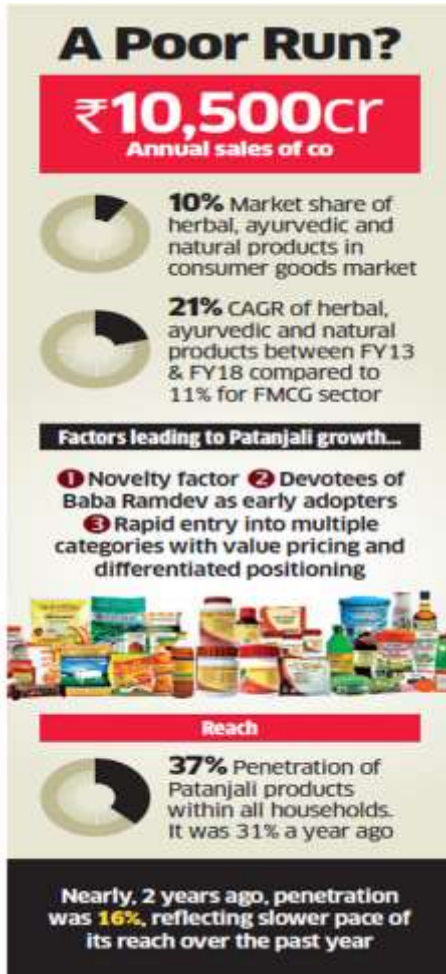


Fig 1

Table 1

Year	Revenue in cr	Growth (%)
2009-10	163	
2010-11	317	94%
2011-12	446	41%
2012-13	850	91%
2013-14	1,200	41%
2014-15	2,000	67%
2015-16	5,000	150%
2016-17	10,561	111%

Analysis of such rapid growth & Success is based upon

- Increasing number of health-conscious people
- Attractive Pricing strategy
- Strong distribution channels
- Strong brand association with healthcare
- Simple Packaging strategy with “Nature Look Description”
- Endorsement & Success by “Key Player- Baba Ramdev”
- Brand Name with Word-Of-Mouth promotion

Failure & deterioration of brand

Just like a famous actor takes a poor role in his carrier and it start deteriorating. Patanjali is facing the same problem

which had been marked by its fall in sales which is for the first time in five years i.e. Rs 8,148 Crore by the end of March 2018 report by Care Ratings & Bloomberg Ratings

This happened soon after Ramdev’s Interview – Wanting the company to reach Rs 20,000 Crore turnover within Three to five years

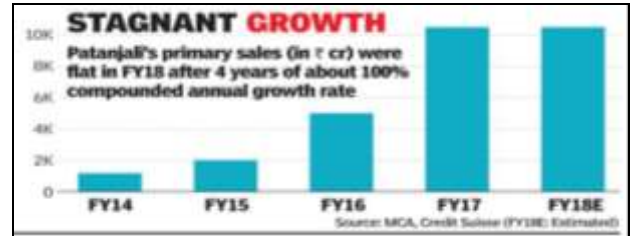


Fig 3

Table 2

FINANCIALS				(₹ billion)
Year	Net sales	*PBIDT	Net profit	Market capitalisation
FY15	315.61	8.76	0.8	15
FY16	302.4	2.52	-12.74	10.93
FY17	191.73	-5.17	-13.12	9.07
FY18-9M	**93,7481	-46.45	-51.26	6.21

*PBIDT stands for profit before interest depreciation and tax
 **Annualised figure for 2018-19 is ₹125 billion
 FY13 to FY17 are consolidated figures
 FY18-9M are standalone numbers; consolidated figures not declared
 Source: Capitaline
 Compiled by BS Research

Analysis of Patanjali Sales Drop

Analysis of falling back of consumers out of Patanjali is based upon many causes, Faults & Decision Making. Discussing them such as,

• **Complex Product Range**

Following the product range of Patanjali, which is consisting of every FMCG i.e. daily requirements of a common man at an attractive price with more than 1000 Products in sector of – Natural Food Products, Natural Healthcare, Natural Personal care, Ayurvedic Medicines, Herbal Home Care & Patanjali Publication resulted into so much of product mix that the focus on each product manufacturing became an issue.

• **Deteriorating Quality**

As reported and complaint by many of the consumers, the Patanjali is not like it was earlier, the quality of every products has been deteriorated as the supplier chain does not function well & dis-focus on products cycle, resulting in to turn over of consumers.

• **Multi-Distribution Ship**

Acting as an assets of having multi-distributor, i.e. 3,00,000 it became a lead for the rivals to take over these distribution ship cause of max reach of deteriorated quality products

• **Weak-Distribution Channels**

All the distribution channels doesn’t worked properly due to improper Supply chain Management Patanjali’s low-cost distribution system was remarkably efficient in getting its products acceptance against far heftier rivals. The issues with the distribution system come as, Patanjali is amidst an

obligation fueled development. Expanded overhead expenses in light of the extension, higher conveyance and selling costs, publicizing and advancement costs and higher seller limits and commissions will keep its presentation curbed in the medium term.

- **Baba Ramdev's dream**

It is stated that Ramdev's dream of increasing the turnover of company by Rs 20,000 is itself corroded the soul of company business & its distributionship leaving the company to produce more goods without the optimum quality

- **Discrimination among products**

The major weakness of Patanjali is due to its focus on "Few Products" only like of Tooth Paste- Dant Kaanti, Patanjali Oil & Ghee lead to a separate source of generating revenue and not together earning from every products.

- **Tussle issue with FSSAI**

The organic method of creating such FMCG products are in-acceptable to the MNC's as well as to the FSSAI which lead to trust issues among a segment of consumers' ensured by complaint of sub-standard products. Like as of its "Noodles"

- **Controversies**

A Tamil Nadu based religious association, The Tamil Nadu Thowheed Jamat issued a fatwa against PAL items, asserting that all PAL items depend on cow pee which is "haram" for their locale. Acharya Bal Krishan, Managing Director, answered to the claims by explaining that lone 5 items out of a scope of near 700 items from Patanjali contain bovine pee.

Conclusion

In hindsight, It looks like that Patanjali has fall into "Icarus Paradox" which refers to the phenomenon of businesses failing abruptly after a period of apparent success, where this failure is brought about by the very elements that led to their initial success. Thus, solution to the problem can be marked by strengthening the Quality of Product, Supply chain & Distribution Network.

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¹ Also Known As