

A Case Study of Patanjali Ayurved Limited (PAL) with special reference to Gonda District

Dr. Rajeev Kumar Agrawal

Associate Professor

Dept. of Commerce

Lal Bahadur Shastri P.G. College, Gonda (U.P.)

Abstract: FMCG is the fourth largest sector in the Indian economy. This sector was dominated by HUL, P&G, Colgate-Palmolive, Nestle, ITC, Godrej Consumer Products Limited, Dabur India Limited and the like. A new player Patanjali Ayurved Limited (PAL) entered into the market. In a short span of time from 2006 to 2016 it captured a major market share. Its revenue crossed 10000 crores in 2016-17. This paper tries to study its growth story, to analyse 4P model and to examine customers' preference, buying behavior, spending patterns etc.

Date of Submission: 18-08-2018

Date of acceptance: 03-09-2018

Objectives of the Study:

- 1- To study growth story of PAL.
- 2- To analyze 4Ps of PAL
- 3- To know preference of the customers of the Patanjali products.
- 4- To examine buying behavior, consumer's spending patterns and factors affecting their purchase.

I. Introduction:

Patanjali Ayurved Limited (PAL) is an Indian multinational conglomerate. Its headquarter is in Haridwar. It was founded by Yogrishi Swami Ramdev and Acharya Balakrishna in 2006. PAL initially started as a small pharmacy in Haridwar in 1997. Formally, it registered itself as Patanjali Ayurveda Kendra Pvt. Ltd. in Nepal in 2006. It registered in India also with the name 'Patanjali Ayurved Limited in the same year.

PAL operates in South Asia and Middle East. PAL sold more than 800 products in more than 25 categories. It had more than 28 factories with more than 20000 franchisees. PAL focuses on herbal consumer items and wellness category products and plans to keep expanding its herbal based portfolio. PAL has presence in almost all fast moving consumer goods product lines. The biggest competitors are HUL, P&G, Colgate-Palmolive, Nestle, ITC, Godrej Consumer Products Limited, Dabur India Limited and the like.

The majority of shares of PAL (92.8 percent) were with Acharya Balakrishna. The remaining 7.2 percent were with and NRI couple Sarwan Podar and Sunita Podar. Baba Ramdev did not own any share in PAL. The Podar couple also donated 900 acres island in Scotland to PAL to help it establish International Yoga Centre there.¹ Acharya Balakrishna was the Managing Director of Pal.

Research Methodology:

This study is based on primary and secondary data. Primary data has been collected from customers of FMCG products. Sample size was 255, out of which 45 customers were not using Patanjali products and hence they were not included in the study. The net sample of 210 Patanjali products users was analyzed. Sample consists of 111 males and 99 females.

Secondary data has been derived from books, reports and internet.

Growth Story:

FMCG is the fourth largest sector in the Indian economy. There are three main segments in the sector 'food and beverages' (with 19% share), 'healthcare' (with 31% share) and 'household and personal care' (with 50% share). The FMCG industry grew at the rate of 12 percent annual revenue.² Most of the growth in FMCG is expected to come from rural areas, where penetration is significantly low. The Indian government initiatives such as food security bill, national rural employment guarantee scheme and direct benefit transfer are contributing to increasing the disposable income in rural areas.

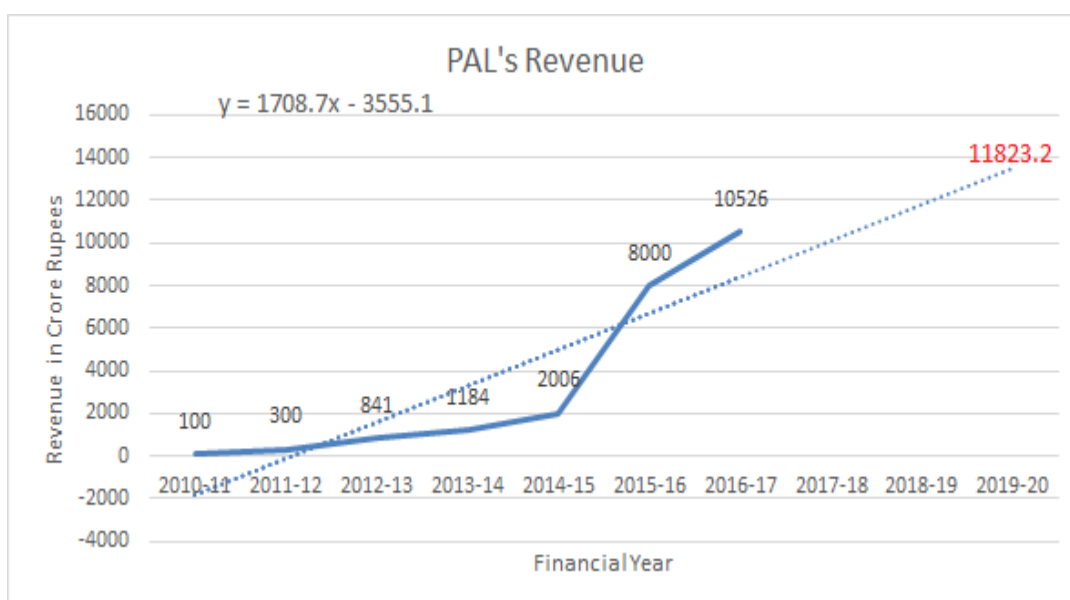
PAL has progressed in terms of revenues tremendously. Its average growth (Geometric mean) had been 117.29% from 2010-11 to 2016-17. Whereas its competitors lost the market e.g. Colgate sales growth rate in the

toothpaste category had decreased from 11 percent in December 2013 to 1 percent in December 2015 and its share came down from 55 percent in 2015 to 52.7 percent in June 2017.³

Year	Revenue in Crores of Rupees	Growth %
2010-11	100.0	
2011-12	300.0	200.00
2012-13	841.0	180.33
2013-14	1184.0	40.78
2014-15	2006.0	69.43
2015-16	8000.0	298.80
2016-17	10526.0	31.58
2019-20 (Forecasted)	11823.2	
		Average Growth Rate = 117.29%

Source: <https://en.wikipedia.org>

Linear regression shows that expected sales for PAL would be 11823.2 Crore rupees in 2019-20. But Baba Ramdev, claimed that Patanjali would continue to double the revenue every year.



Source: <https://en.wikipedia.org>

4Ps of PAL:

(A) Product:

PAL adopted three philosophies while introducing any product in the market. These include HERBAL PRODUCTS, SWADESHI PRODUCTS and WELLNESS AND NUTRITION. In all its advertisements PAL emphasized on this philosophy. PAL used this philosophy to win the trust of the customers.

Insisting that Indians should become complete swadeshi, Ramdev said, “Unlike big business groups, my advertising work is handed by Vermillion, an Indian advertising agency.”⁴

(B) Price:

PAL’s objective had been to make available quality products at reasonable prices to the masses. Most of the products are considered to be 10-30 percent cheaper than the closest competitor products. ‘The herbal positioning with lower prices (15% to 30% below the competitors) than competitor brands resonated well with the customers.’⁵

The cheaper prices itself acted as a solid reason to attract more customers especially from the lower income group to opt for its products. This is one the prime reasons of increasing sales.

PAL is successful in keeping the low prices due to low manpower cost, subsidized food park, tax benefits, negligible expenditure on celebrity endorsement and procurement from local farmers.

(C) Packaging:

PAL had paid attention in modernizing the quality control and packaging processes. However, it ensured that the packages must look simple. In this way the philosophy of SIMPLICITY is taken care of. The product packaging had a hologram and barcode similar to the products of its close competitors.

The packaging needs of PAL is emerging as a boon for packing majors like EsselPropak, Manjushree Technopak and Dynaflex ... Manjushree Technopak is putting up a plant in the Haridwar region, where Patanjali has a manufacturing base.⁶

(D) Promotion:

1) **Umbrella branding:**

PAL adopted one umbrella (single) brand of 'Patajali'. It sales its products whether a shampoo or an incense stick under the same brand. Traditionally, single brand was not preferred by the companies keeping in view of customers spread across various demographics. Single brand was considered a risky proposition. PAL has set up a new benchmark in this regard.

2) **Charity:**

The profits of the PAL does not belong to any individual. Conversely, these profits are utilized for charity and social welfare. PAL had opened 'University of Patanjali'. The motto of the university is to reduce illiteracy and poverty in the country. 'The company invested a substantial portion of profit for charitable causes.'⁷

The PAL spokesperson and SK Tijarawala, mentioned the promotion strategy 'We don't advertise; we run informative campaigns. We work on three basic principles set by Swami ji(Ramdev)— WORLD CLASS QUALITY, LOWEST PRICE, and that all profits are to be given away to CHARITY. Even in our campaigns, we do not spend money on celebrities. Swamiji talks to customers directly. Our entire advertising and marketing spend is around a mere ₹300 crore (₹3 billion).'⁸

Analysis of primary data:

1.1 Age Groups of the respondents:

Age Group in years	No. of Respondents	% of Respondents
18-25	67	32
25-40	69	33
40-55	53	25
55 and above	21	10

Patanjali products are more preferred by the youngsters.

1.2 Income of the Respondents:

Income level	No. of Respondents	% of Respondents
Low	103	49
Middle	82	39
High	25	12

Products of the Patanjali are being preferred mostly by low and middle income group.

1.3 Category of Patanjali Products used by Customers:

Product Category	No. of Respondents	Ranks
Dental care	175	1 st
Skin Care	129	2 nd
Hair Care	116	3 rd
Ayurvedic medicines	85	4 th
Nature food products	50	5 th
Nature health care	30	6 th

Patanjali dental range is most popular product followed by skin care, hair care and ayurvedic medicines. Nature food products and nature health care products are least popular.

1.4 Source of knowledge regarding Patanji Products:

Source of knowledge	No. of Respondents	% of Respondents
Television	102	49
Internet	35	17
Newspaper	45	21
Social media	20	10
Others	8	4

Most popular source of knowledge of Patanjali's products is television. When people were talked about this matter, they told that the usefulness of Patanjali products is known to them with the advice of yoga and health by Baba Ramdev and Acharya Balkrishna, which inspires them to buy Patanjali products.

1.5 Opinion about price:

Opinion about Price	No. of Respondents	% of Respondents
Cheap	71	34
Reasonable	130	62
Costly	9	4

Customers are satisfied by the price as only 4% reported that products are costly.

1.6 Satisfaction regarding Patanjali Products:

Satisfaction Level	No. of Respondents	% of Respondents
Yes	195	93
No	15	7

Mostly users are satisfied with the products and they will remain loyal to Patanjali products.

1.7 Benefits of using Patanjali products:

Benefits	No. of Respondents	Ranking
Price	169	1
Trustworthy	139	2
Quality	125	3
Brand Image	124	4
Budget friendly	118	5
Health	74	6
Quantity	35	7

Customers are feeling Patanjali products as cheap, trustworthy, qualitative and budget friendly. They are fascinated about brand image of Patanjali.

1.8 Willingness to buy substitutes of Patanjali products:

Willingness to buy substitutes	No. of Respondents	% of Respondents
No, not at all	165	79
I may consider	14	7
Can't say	31	15

Mostly people are highly satisfied with Patanjali products and not thinking to buy substitutes.

1.9 Recommendations of Patanjali products to others:

Do you Recommend?	No. of Respondents	% of Respondents
Yes	175	83
No	35	17

Patanjali customers are highly satisfied with the products and mostly of them are agree to recommend to others.

II. Findings and Suggestions:

- PAL crossed revenue of Rs. 10000 crores. Its average growth had been 117.29% from from 2010-11 to 2016-17, whereas its competitors are losing the market. The competitors are bound to introduce the products on the line of PAL.
- Projection of expected sales of PAL is 11823.2 crore rupees in 2019-20 using linear regression method. It may be more keeping in view of customer's loyalty of PAL.
- PAL adopted three philosophies for products – herbal, swadeshi and wellness and nutrition products. It emphasizes its philosophy in all its advertisements also.
- PAL's objective had been to keep the cost as low as possible and make available the products at cheaper rates to the masses.
- Packaging is simple yet with qualitative.
- PAL adopted umbrella brand of Patanjali. It's risky but successful.
- PAL's profit is used for charity. No individual is entitled for any part of it.

- Patanjali products are more preferred by the youngsters and low and middle income group persons. Mostly persons are highly satisfied with the products and will remain loyal. They are agree to recommend the products to others also.
- Patanjali's dental range is most popular. For other product lines some innovation, innovative products and aggressive marketing is required.
- Patanjali's expenses on advertisement are a meagre amount which is mere 300 crore as Swamiji himself endorses the product.
- Patanjali products are cheap, trustworthy, qualitative and budget friendly and customers are fascinated about brand Patanjali.
- One major challenge with ayurvedic product is lack of documented evidence. It is the brand image that Swamiji has created through his yoga which helped him to survive any hurdles. But it shows the need of more research oriented products to keep pace with growth momentum and to win the trust of the customers.
- Given the growth and product portfolio, the company would need huge manufacturing and supply chain investment to meet its demand.

III. Conclusion:

PAL has been established by Swami Ramdev and Acharya Balkrishna. They succeeded in building a business empire on the Indian values - herbal, swadeshi and wellness and nutrition, simplicity and trust. PAL has redefined the definition of endorsement that a SWAMI may be a successful endorser. PAL compelled the competing companies to make goods keeping in the mind the Indian values.

References:

- [1]. Joseph, J. (2011, June 9). NRI couple holds big stake in Baba Ramdev's empire, <http://timesofindia.indiatimes.com/india/NRI-couple-holds-big-stake-in-Baba-Ramdevs-empire/articleshow/8782945.cms>
- [2]. IBEF Report (2016b, January). FMCG, <http://www.ibef.org/industry/fmcg-presentation>
- [3]. Sharma, A. (2016, September 16). Patanjali tries to call colgate's 'bluff' in new ad feat. Baba Ramdev. afaqs, http://www.afaqs.com/news/story/48981_Patanjali-tries-to-call-Colgates-bluff-in-new-ad-feat-Baba-Ramdev
- [4]. OhriRaghav, (2016, Oct 7), Textile majors keen to stitch up Patanjali's khadi proposal, The Economic Times, <https://economictimes.indiatimes.com/industry/cons-products/garments/-/textiles/textile-majors-keen-to-stitch-up-patanjalis-khadi-proposal/articleshow/54725609.cms>
- [5]. Pinto, V. S. (2016, February 10), Now, Patanjali is giving toothache to Colgate. Rediff.com, <http://www.rediff.com/business/special/special-now-patanjali-is-giving-toothache-to-colgate/20160210.htm>
- [6]. The Hindu BusinessLine, Mumbai, (2016, Jan. 26), Patanjali Ayurved Offers fresh hope to packaging firms, <https://www.thehindubusinessline.com/companies/patanjali-ayurved-offers-fresh-hope-to-packaging-firms/article64309750.ece>
- [7]. Zarabi, S. (2015, October 9). Baba Ramdev: The monk who can own a fleet of Ferraris, but won't. Business Line, <http://www.thehindubusinessline.com/companies/baba-ramdev-the-monk-who-can-own-a-fleet-of-ferraris-but-wont/article7743772.ece>
- [8]. Laghate, G. (2017, January 31). Patanjali ads were on TV 19 hrs a day, The Economic Times, <http://epaperbeta.timesofindia.com/Article.aspx?eid=31818&articlexml=Patanjali-AdsWere-on-TV-19-Hrs-a-310120170080>
- [9]. Rao M.S. & Alexander C.M. (2016), Traditional Wisdom in Indian Entrepreneurship – A Case Study on Patanjali, International Journal of Engineering and Management Research, 6(5), 332-338.
- [10]. Pandey P. & Sah R. (2016), Growth of Swadeshi- A Case Study of Patanjali Ayurved Limited, International Journal of Engineering, Technology, Management and Applied Sciences, 4(7), 7-14