

SUSTAINABILITY THROUGH EXTENSION

***“A CASE STUDY OF PATANJALI AYURVED PVT LTD. BABA RAMDEV-
JACK OF ALL TRADES”***

By Sajitha S Kumar

Abstract

“PATANJALI AYURVED LTD: A corporate structure with a spiritual culture”-Sabki Seva, Sabki Samruddhi, Sabka Swarasya”

Green marketing includes product modification; changes in production process, packaging charges & promotion to minimize the detrimental impact on the natural environment & in turn the consumer's welfare at large. As society becomes more concerned with the natural environment, businesses have begun to modify their behavior in an attempt to address society's "new" concerns. This requires a voluntary exchange which must benefit both the seller & the buyer mutually. Here is a company formed by Yoga Guru- Baba Ramdev in 1997 by collaborating with Acharya Balkrishna, a scholar of Ayurveda, Sanskrit and Vedas in 1990's to manufacture Ayurvedic medicines. Ramdev focused on Yoga while Balkrishna assumed responsibility of spreading Ayurveda medicine. An unlikely combination of - YOGA for inner peace and FMCG for external beauty - but Baba Ramdev appears to have struck the right pose in both. The guru whose 'easy yoga' has won him a mass following is also cornering the FMCG market with daily used commercial products.

The paper tries to study the case of Patanjali Ayurved Ltd & its significant contributions to the masses through its sprawling business ventures & the commitment it makes to benefit the stakeholders of the community.

Keywords: FMCG (Fast Moving Consumer Goods), Swadeshi, Ayurveda.

Introduction

Most firms realize that they are members of the wider community & therefore must behave in an environmentally responsible fashion for which they translate their objectives towards achieving environmental obligations along with the profit motives. Patanjali Ayurved is perhaps the fastest growing fast-moving-consumer goods firm in India with Annual revenue at more than Rs 2,000 crore. It is reported to have said that it expects to take the revenue to a whopping Rs10, 000 crore. The company sources products directly from farmers and cuts on middlemen to boost profits. It is to be noted that Baba Ramdev does not hold any stake in Patanjali Ayurveda Ltd. His partner Acharya Balakrishna is believed to own **92%**. The balance **8%** stake is held by Sarwan and Sunita Poddar, a Scotland-based NRI couple; who are associated with the UK Trust of Patanjali. Patanjali's proactive moves in innovation have been crucial for its growth; the report says and cautions that the other consumer companies will need to speed up innovations, particularly in the Herbal and Ayurvedic space to counter competition. Currently, Patanjali is present in almost all categories of personal care and food products ranging from soaps, shampoos, dental care, balms, skin creams, biscuits, ghee, juices, honey, mustard oil, sugar and much more.

What gives the company an edge is its very low expenses on advertisements. In comparison, leading FMCG companies spend about 20-30% of their sales on advertisements. "Our ads will remain different; in that they only seek to inform the customer, says Rakesh Sharma, Patanjali's Marketing Head."*We won't make false promises or sell dreams. It might clash with our goal of providing the best products at the cheapest prices.*" Thus, Patanjali Ayurved Ltd was born as a private company in 2006, which has since rolled out a range of products at breathtaking speed.

Objectives of the study

- 1) To understand the business prospects and working of Patanjali Ayurved Ltd
- 2) To identify the future prospects of the company in comparison to other leading MNCs.

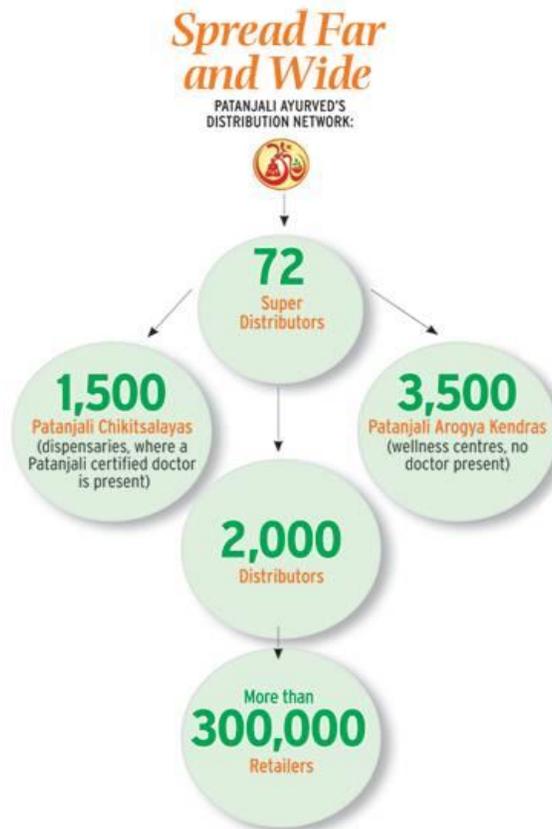
Its motto

"Humara ek simple funda hai: MNC's ko replace karna (We have a simple principle: we want to replace MNCs)," says Ramdev. "We don't want to put anyone down, but we would like to instill Swadeshi pride so that Indian money does not go out of the country. We are not into any such war rooms. We don't analyze other companies' strategies or conduct market surveys and feasibility studies. It is only when people ask for cheap and healthy options that we try to respond." People's trust in us has increased. It brought us a lot of attention and the demand for our products have shot up considerably."

The case

On 23rd April 2006, PAL had announced its entry into the retail sector by launching 100 products to be expanded upto 800 including health care , body care, home care,cosmetics, toiletries & others. The government's attempt is to protect consumers from false or misleading claims & it should theoretically provide consumers with the ability to make more informed decisions. The key strength of Patanjali Ltd, apart from its superior product quality, lies in pricing. The company's products are priced at around 15% - 30% discount to competition, which makes it an attractive proposition for consumers. Moreover, it is able to offer such discounts primarily because of having negligible A&P (advertising & promotion) spend versus other consumer companies that have A&P spends ranging from 12-18%, as a percentage of sales.

Patanjali Ayurved Ltd's distribution network



According to Edelweiss Research, Patanjali Ayurved operates in three broad business segments –

- FMCG (cosmetics, shampoo, soaps, food supplements, digestives, etc)
- Home care (detergent cakes, powder, liquid, etc)
- Ayurvedic products (healthcare products for blood pressure, skin diseases, joint pain, etc)

It is also perhaps the only brand that charges the same margin for general trade and modern trade. Given the unique customer profile for Patanjali's products, modern retailers aren't

complaining. "We wondered initially if there is some relevance of their products for supermarket customers. But, as a modern trade leader, our role is to democratize and celebrate wider choice for our customers. So we decided to work with the Patanjali team to pilot and discover," said Damodar Mall, CEO, value retail, Reliance Retail. "Reliance Fresh consumers have pleasantly responded well to our efforts, going by the level of attraction Patanjali's products have received at our stores," Mall said. "

3 Basic Principles of product development at PAL

- 1) Competitive pricing
- 2) Purity of raw materials used
- 3) Innovation.

Yet another reason for Patanjali's success is the thrift in practices. "Our profit margins are miniscule because the main aim is **NOT** to make profit," says Ramdev. "***Profiting from patients is against the philosophy of Ayurveda, so we aim at minimum profit from our health products.*** Our input costs are low because we source directly from farmers, avoiding middlemen. "Most companies have administrative costs of around 10% of their revenue, but in our case it is just 2%."

Patanjali Food and Herbal Park-Haridwar



Patanjali Food and Herbal Park is one of the largest food park in the world spread over 150 acres. Construction of the park was completed in record time of 10 months and the park has been in operation for over 5 years now (park construction started in Feb 2009 and it started operations in January 2010).

Patanjali has 3 manufacturing units in Haridwar (the largest one, *Unit 3*).

Production at unit 3 is divided into 3 parts:

- (1) Food
- (2) Cosmetics
- (3) Digestives.

Ghee and Ayurvedic medicines are manufactured at the other 2 manufacturing units.

It is a world class plant equipped with the best machinery installed by companies like Tetra Pack, Alfa Laval etc. As far as manufacturing is concerned, Patanjali does 90% manufacturing in house. However, going ahead to meet demand and therefore enhance party manufacturing or opening new plants. *The company has zero waste technology wherein whatever is left after*

usage of the raw material is further processed for further usage. This park employs close to 10,000 personnel (from in and around the city within a radius of 25kms).

CISF to provide security cover to Patanjali's Food Park

The Central Industrial Security Force will provide 24x7 security cover to Ramdev's Food Park, making it the 8th private sector establishment and the **only FMCG firm** in India to be protected by the para-military forces. CISF deployed 35 personnel in order to counter security threats like a possible terror attack. The monthly bill for the same is estimated to be Rs 21lacs which will be borne by PAL.

A few remarkable milestones

The Aloe Story

Aloe Vera juice is one of Patanjali's earliest offerings. Ramdev, in his yoga classes had been recommending Aloe Vera juice for its health giving properties, but disciples kept complaining that at Rs 1,200 a litre it was way too expensive. "We reached out to farmers and found Aloe Vera leaves were being sold fairly cheap," says Balkrishna. "It's just that the juice manufacturers were reaping huge profits. We sourced the leaves from farmers in Rajasthan and Uttar Pradesh and were able to sell the juice for Rs 150 a litre in 2006. Even today, it costs just Rs 200 a litre."

Few replacements by Patanjali products v/s Mnc products

PATANJALI	MNC products
Dant kanti toothpaste	Colgate active salt
Aata Noodles	Maggi
Marie wheat biscuits	Britannia Marie
Sugar free Chawyanprash	Dabur Chwayanprash
Hair care range	Range of haircare by biggies like HUL, P&G, Marico inds etc

MNCs Preparing To Put Up a Fight

Colgate	Firm aggressively advertising its active salt neem & charcoal based toothpaste, as its volume was hit after Patanjali's Dant Kanti.
Himalaya	Recently launched its range of wellness products which aim to provide therapeutic solutions to consumer against PALs health care range.
Dabur	Launching new Ayurvedic products & also pushing for its core products like Dabur Honey and Chyawanprash aggressively as it faces aggression with Patanjali's honey & Chawaynprash.
Godrej	Launches neem mosquito coil, a creme hair colour that has coconut oil, new variants in naturals soaps etc for it is invaded in all these categories with substitutes from PAL.
Emami	Open to acquisitions for strengthening the company's position in the herbal space

“Conquering of Patanjali Aata Noodles over Maggi”



Its 101st product – was launched in the country on November 2015 - Aata noodles (100% wheat)

"Noodles are very much Indian," Ramdev tells Business Today. "They are integral to the cuisine of many of our North-eastern states. In the rest of India too, eating seviyan, in both sweet and salted forms, is common." *"Our noodles are made of atta," he adds. "Woh to Indian hain, Agar maidey se banaey toh Chinese. (That is Indian. If noodles are made of Maida, they're Chinese.)"*

Instant noodles are a Rs 5,300 crore market in India. According to Euromonitor, with market leader Maggi from Nestle India enjoying a 63 per cent share. Given the quality problems Maggi has lately been facing, the timing of the noodles foray may be just right for Patanjali.

Ramdev's associate, Acharya Balkrishna, of Patanjali Ayurved, however, insists the company has only catered to popular demand. "People started mailing us morphed images of Patanjali Marie biscuit wrappers with 'Maggi' written on them," he says. "The idea came to us only then. I told Swami Ramdev that people have been sending us such photos. He said, 'People want such product from us. We should consider their demand.'" Balkrishna also strongly denies that Patanjali's noodles are unhealthy. "The wheat content in Maggi noodles is very little, while ours is a wheat-based product," he says. "We are using rice bran oil, which is far better for health than

the palm oil other noodles makers do." Despite higher input costs, Patanjali's noodle is sold at Rs 15 a packet, while those of rivals sell for Rs 25. "We never bothered about the cost of rice bran oil," adds Ramdev. Finally, there is the tastemaker, the make-or-break component of instant noodles. "Tastemaker is the key and it has been developed in house," says Ravindra Kumar Chaudhary, CEO, Patanjali Food and Herbal Park and a herbal cosmetics professional, having formerly worked with Emami, Surya Herbal and Shahnaz Husain. "To prepare the tastemaker, we are procuring fresh peas from Uttarakhand farmers and processing them at our vegetable processing plant at Bajpur. The same goes for the beans and carrots used."

Some of its Free Services For Free:

- ❖ Free Yoga Classes In Patanjali Yogpeeth
- ❖ Yoga Science Camps
- ❖ Free Yoga Classes Through Patanjali Yog Samiti -Fifty thousand free Yoga classes by about twenty million dedicated and trained Yoga teachers take place everyday in nook and corner of India.
- ❖ Free Ayurvedic Consultancy in Patanjali Yogpeeth: Free consultancy in Ayurveda is provided in Patanjali Yogpeeth. Over fifty well educated Ayurvedacharya (Vaidya) having B.A.M.S./ M.D./ M.S degree, render their valuable services to about two thousand patients suffering from various chronicle diseases daily, free of cost.
- ❖ Free Distribution Of Medicines at 100 % discounts to the economically weaker classes
- ❖ Free Investigation Facility: Appropriate discount is given to the people below poverty line on all type of investigations in Pathology Lab, Imaging & Research centers of Patanjali Yogpeeth.
- ❖ Active Participation in Social Work
- ❖ Marriages of Poor & Orphan Girls
- ❖ Services to Community in times of Natural Disaster & Calamities
- ❖ Honoring the Martyrs of Mumbai
- ❖ Active Participation in Disaster Management activities etc.

Future endeavors

At a time when most fast-moving consumer goods (FMCG) companies are still sceptical about a pick-up in consumption resulting in improvement in revenues and profitability

- Patanjali Ayurved is eyeing 250% revenue growth in FY16
- They plan to grow to 100,000 outlets in next few years
- Patanjali Ayurved announced its partnership with The Future Group and said it planned to sell its products through the latter's stores across the country. "Patanjali understands India's heart and soul and, in due course, will become one of our largest partners," says Kishore Biyani, Founder and CEO, Future Group. "Its competitive pricing is a big attraction. We are creating special and permanent shelf space for some of its flagship products." He expects to start with Rs 80 crore worth of supplies per month from Patanjali
- The next step is to go online - Patanjali's products have just started retailing at e-commerce site BigBasket.
- Patanjali will launch a premium beauty care line called Saundarya this year. "We are not opposed to beauty products but to the illusions fostered by them," says Ramdev. "We oppose the advertisements showing dark women becoming fairer by using a particular product."
- Three more manufacturing units are being set up in Madhya Pradesh, Gujarat and Rajasthan. Their team is working on other products like herbal chocolates, rasgulla, idli and dosa mixes and an Energy drink called Powervita to rival Bournvita, all of them expected to roll out shortly.
- Powdered hair dye (the company has a separate unit, *Coloroma*, which manufactures herbal colors and dyes).
- Divyapay (health drink comparable to tea) in dip format.
- Child Care range-the company is planning to launch a children's range under Patanjali which will include products like baby oil, talcum powder, baby soap, shampoo, etc)

- Plans to open retail outlet stores at railway stations & airports too
- Patanjali takes 'Swadeshi' pitch to retailers by asking them to give prominence to its brand at stores and display their products on shelves, because it will help them in fulfilling the dream of Mahatma Gandhi to promote the 'Swadeshi' concept in India.
- The latest target of PAL is at fresh fruit juices. Patanjali claims to sell more pulp at lesser price with a discount of 14-16% in its price in comparison to popular rivals like Dabur – Real juices or PepsiCo – Tropicana amongst the others.

What Critics Say

Amongst all the good things it also faced a few controversies and surely will be subject to more. PAL is proving to be an arch-rival to MNCs having stronger base in the Indian markets. A Tamil Nadu based Muslim organisation has issued a 'fatwa' against Yoga guru Ramdevs Patanjali product as it used cows urine in making certain products which is considered as a taboo in their community. ASCI, the advertising industry watchdog, has found that the ad misleading about their product Kesh kanti – the company failed to provide any clinical evidence for the claims made in an ad campaign for haircare.

However, against such accusations on itself, Baba Ramdev in turn accused MNCs like HUL, Colgate, & Nestle for bribing people to get fake & adulterated product tested in labs for irregular results. He said that, they do it as they fear his firm winning over theirs"

Conclusion

"Swamiji believes whatever has to be done, should be done big."

Is Patanjali too dependent on Ramdev? He admits that currently it is. "Gradually, I'll step back," he says. "We would like our principles to be in the forefront." He has even given thought to succession planning."Globally, corporate houses are run by CEOs, but Patanjali will be run by sadhus and acharyas like Balkrishna and me after we depart," he adds. "We are preparing 500 sadhus to take over. They will run the company the Patanjali way:

“If you talk of Patanjali, people are coming forward to be its franchisees because besides getting a hassle-free employment, they are also feeling satisfied internally by curing people’s diseases and taking India’s rich and old practices to the masses. Also, they need not cheat customers or talk about products because everybody knows about the benefits of the age old Ayurveda. The unique part about Patanjali is that there is no conventional technique adopted anywhere. All conventional rules are nowhere found in the technique there is no product hammering, no pushing, no logo hammering, no discounts, no schemes, and no sales training, as it believes in nothing conventional!

References

- ✚ Green marketing- K Suresh, ICFAI university press, ISBN: 81-314-0380-7
- ✚ The Times of India, Wed 9th March 2016, Mumbai.
- ✚ The Economic Times, Wed 9th March 2016, Mumbai.
- ✚ <http://economictimes.indiatimes.com/topic/news-related-to-patanjali-ayurved>
- ✚ <http://economictimes.indiatimes.com/news/company/corporate-trends/ramdevs-patanjali-ayurved-becomes-a-magnet-for-fmcg-executives-draws-talent-from-firms-like-himalaya/articleshow/50968424.cms>
- ✚ <http://www.forbes.com/sites/saritharai/2015/10/15/an-indian-yoga-gurus-consumer-products-brand-patanjali-is-making-global-and-domestic-rivals-sweat/#683e35f51038>
- ✚ <http://economictimes.indiatimes.com/topic/Patanjali-Ayurved-Ltd>
- ✚ <http://www.business-standard.com/article/companies/competition-from-patanjali-prompts-fmcgs-to-hit-back>
- ✚ file:///G:/Research/edelweiss%20report.pdf
- ✚ <http://patanjaliayurved.net>

Episteme: an online interdisciplinary, multidisciplinary & multi-cultural journal

Bharat College of Arts and Commerce, Badlapur, MMR, India

Volume 5, Issue 1

June 2016

 <http://www.thehindu.com/business/ramdevs-patanjali-launches-noodles/article7884161.ece>

Bio

Mrs Sajitha S Kumar is working as the Assistant Professor in SIES College of Commerce & Economics. She can be contacted at sajitha1612@gmail.com.