

Rapidly Changing Marketing Channels of FMCG Companies - A Case Study of Patanjali Ayurved Limited

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Abstract

Fast Moving Consumer Goods (FMCG) goods are popularly named as consumer packaged goods. Items in this category include all consumables people buy at regular intervals. The most common in the list are toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories and extends to certain electronic goods. These items are meant for daily of frequent consumption and have a high return.

Keywords : FMCG, Customers' Preference, Advertising, Promotion.

1. INTRODUCTION

Fast Moving Consumer Goods (FMCG) goods are popularly named as consumer packaged goods. Items in this category include all consumables people buy at regular intervals. The most common in the list are toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories and extends to certain electronic goods. These items are meant for daily of frequent consumption and have a high return.

Indian consumer segment is broadly segregated into urban and rural markets, and is attracting marketers from across the world. The sector comprises of a huge middle class, relatively

large affluent class and a small economically disadvantaged class, with spending anticipated to more than double by 2025.

With rise in disposable incomes, mid- and high-income consumers in urban areas have shifted their purchasing trend from essential to premium products. In response, firms have started enhancing their premium products portfolio. Indian and multinational FMCG players are leveraging India as a strategic sourcing hub for cost-competitive product development and manufacturing to cater to international markets.

Rural areas expected to be the major driver for FMCG, as growth continues to be high in these regions. Rural areas saw a 16 per cent, as against 12 per cent rise in urban areas. Most companies rushed to capitalize on this, as they quickly went about increasing direct distribution and providing better infrastructure. Companies are also working towards creating specific products specially targeted for the rural market.

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The Government of India has also been supporting the rural population with higher minimum support prices (MSPs), loan waivers, and disbursements through the National Rural Employment Guarantee Act program. These measures have helped in reducing poverty in rural India and given a boost to rural purchasing power. Hence rural demand is set to rise with rising incomes and greater awareness of brands.

2. MARKET OF FMCG

The Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of US\$ 49 billion and provides employment to around three million people accounting for approximately five per cent of the total factory employment in the country. It has a strong MNC presence and is characterized by a well established distribution network, intense competition between the organized and unorganized segments and low operational cost. Availability of key raw materials, cheaper labour costs and presence across the entire value chain gives India a competitive advantage. India is at the cusp of the FMCG S-curve and there is significant room to grow over the next 5-10 years. A nominal GDP growth rate of roughly 12 per cent over the next three years could signal an FMCG growth by over 15 per cent. The FMCG market is set to more than double from US\$ 49 billion in 2017 to US\$ 104 billion in 2020.

Penetration level as well as per capita consumption in most product categories like jams, toothpaste, skin care, hair wash etc in India is low indicating the untapped market potential. Burgeoning Indian population, particularly the middle class and the rural segments, presents an opportunity to makers of branded products to convert consumers to branded products. Growth is also likely to come from consumer 'upgrading' in the matured product categories.

2.1. Patanjali Ayurved Ltd. : A Swadeshi Approach
Baba Ramdev & Acharya Shree Balkrishna jointly founded Patanjali Ayurved Ltd in 2006

with the vision of setting up science of Ayurveda in accordance and coordination with the ancient wisdom and latest technology so that superior quality of products can be provided at fair price and by using organic and natural products; their customers get rid of various diseases. The idea of using herbal and pure products has gained momentum in India and across the world. Now-a-days, people prefer to be nature-centric due to their commercialized routines.

On 23rd April, 2012, Baba Ramdev announced his new entrant company "Patanjali Ayurved Limited" into Indian market of FMCG after realizing the huge potential of Ayurvedic products in Indian herbal retail trade and FMCG sector, with more than 100 products, including cosmetics, toiletries and others under 'Swadeshi' line. Patanjali products got placed in the shelves in Star Bazaar, Big Bazaar, Hyper City and Reliance Retail after using methods of franchised outlets & distributors for maximize reach of their products. With a capacity to process 1,000 tons of raw materials, rolling out 500 products in medicine, food and cosmetics and toiletries, Patanjali has four manufacturing units in Haridwar. Concept of "Marketing through Spirituality" has given a strong competitive advantage to Patanjali Products.

Patanjali reduced its expenditure significantly on advertisements compared to 25 - 35 per cent spending by leading FMCG players of their sales on advertisements. A unique blend of three value disciplines - product leadership, operational excellence and customer intimacy are incorporated in Patanjali's products. Patanjali's products are cheaper by at least 30 per cent in comparison to renowned multi-nationals' products due to direct sourcing of raw materials from the farmers which leads to economic empowerment of farmers in terms of employment generation through promotion of Swadeshi goods. Patanjali products have achieved phenomenal popularization largely due to customers' tendency to lead a healthy and hygienic life style. Patanjali's products available at

various e-commerce sites, in addition to the distribution network of franchised outlets and distributors.

Patanjali's year after year revenues are shown in the table below :

Table 1
Yearly Revenue of Patanjali Ayurved

Year	Revenues
2009-10	Rs.1.63 billion (US\$25 million)
2010-11	Rs.3.17 billion (US\$49 million)
2011-12	Rs. 4.46 billion (US\$69 million)
2012-13	Rs.8.5 billion (US\$130 million)
2013-14	Rs.12 billion (US\$190 million)
2014-15	Rs. 20.06 billion (US\$310 million)
2015-16	Rs.50 billion (US\$780 million)
2016- 17	Rs. 105.61 billion (US\$1.6 billion)

Source : Annual Reports of Patanjali Ayurved Ltd.

2.2 Corporate Vision : Keeping Nationalism, Ayurved and Yog as its pillars, the company is committed to create a healthier society and country. To raise the pride and glory of the world, Yog guru's company is geared up to serve people by bringing the blessings of nature into their lives. With sheer dedication, scientific approach, astute planning and realism, the company is poised to write a new success story for the world.

2.3 Corporate Mission : To make India an ideal place for the growth and development of Ayurved and a prototype for the rest of the world.

2.4 Corporate Values : Efforts in the sectors of social welfare, health, philosophy and spirituality are guided by values. 'Guru satta' and 'Bhagwat satta' are considered above everything else. Company believes in optimum utilization of its capabilities for the betterment of the society.

Patanjali Ayurved Ltd has achieved a tremendous presence around the globe and throughout India in a very small time since its inception in 2006. We have more than 47000 retail

counters, 3500 distributors, multiple warehouses in 18 states and proposed factories in 6 states.

With a growth rate of 130 per cent, the Patanjali Group is planning to make a foray into major global markets. As the group is already present in markets like the US, Canada, the UK, Russia, Dubai and some European countries, it is willing to spread its wings wider and farther.

3. OBJECTIVES OF THE STUDY

Following are the objectives of this study :

- ◇ To identify the factors affecting consumers' decision while buying FMCG
- ◇ To examine the consumers' awareness about Patanjali products
- ◇ To study the consumer perception about Patanjali and its products
- ◇ To measure the level of satisfaction of Patanjali products

4. LITERATURE REVIEW

FMCG (fast moving consumer goods) does not have a standard definition. In India, it is used to refer to products that are daily used. Conceptually, the term refers to relatively fast moving items that are used directly by the consumer. Market size of the Indian FMCG sector is US\$ 12.5 billion. FMCG sector is the fourth largest sector in the Indian economy. Mature logistics, intense competition between the organized and unorganized segments, national brands and private labels/local brands and a well-established distribution network characterize the sector. According to an estimation, FMCG sector sales in India is likely to increase from US\$ 12.5 billion in 2016-17, to over US\$ 20.6 billion in 2020. Indian rural FMCG market is formidable due to the presence of 12.2 per cent of the world population in the villages of India. Indian rural market accounts for 50 per cent of the total FMCG market and has more than 70 crores consumers (70 per cent of the Indian population). The sales of FMCG Personal care segment is growing very rapidly in India.

Over the past decade, a social transformation has been observed in India to form a modern consumerist country with increased interest in educational services, medical facilities and tourism, IT parks, huge remittances from the NRI's and increased living standards even in the rural areas leading to increased demand for the FMCG sector and better growth prospects. This process of cultural and psychological change has led to increase in per capita consumption of FMCG products. Higher acceptance and sales of FMCG products in rural areas is due to FMCG brands' positioning and deeper market penetration catering to the modern values of the rural consumer and rising living standards along with better infrastructure facilities by way of internet communication and mobile, rail and road connectivity.

Currently, total FMCG consumption in rural India accounts is 34 per cent, with urban India accounting for the majority 66 per cent portion. However, in major FMCG categories such as personal care, fabric care, and hot beverages, rural India accounts for more than 40 per cent consumption. Among the packaged food segment, it is estimated that dairy, processed foods and bakery have long-term growth potential in both rural and urban India. On an average, Indian consumer spends 8 per cent of his income on personal care products like Skin Care, Personal Wash (Soaps), Cosmetic and Toiletries, Hair Care, Oral Care, Feminine Hygiene, Shampoo, Hair Dye etc. In present scenario, Personal care products are not regarded as luxury items. To cater to the income class of the rural consumers, both premium and popular segments in the FMCG products are positioned accordingly. With improvements in infrastructure-roads & bridges and increase in rural income, penetration levels of products have increased considerably. Because of near saturation in the consumption level in most of the categories in urban areas, growth can come only from higher consumption and deeper penetration in rural areas.

FMCG products cater all consumers' demands with price and income elasticity varying

across products and consumers in all segments: necessities, comforts as well as luxuries. Specific characteristics of FMCG Products like small value, forms a significant part of the consumer's family budget. Consumers prefer to purchase these products frequently, as and when required, instead of maintaining large inventories as most of the products have limited shelf life/perishable. Being habitual with high brand loyalty, consumer spends little time on the purchase decisions. Brand recommendations of reliable retailer/dealer, neighbors and friends influence purchase decisions to a great extent as there is no switching cost for consumers.

A plethora of studies exist on FMCG, some of them are referred herein. Garga et al. (2009) observed that majority of respondents wanted more value for money products and preferred FMCG products in medium package sizes at medium price range. Selvaraj (2007) in his research regarding consumer behavior reported that most important factor influencing consumers' purchase of the FMCG is 'nearness' along with high price. Anandan et al. (2007) observed that major driver to prefer a particular brand in washing soaps is quality, and customers bought the available brands, when preferred brands were not available. Also, key reasons for dissatisfaction are high price and unavailability. Madhavi et al. (2006) observed that quality influences most of the consumers, followed by price. Value for money products had a better acceptance for rural market penetration. To attract non-users of generic product, intensive advertisement campaigns were recommended. Nagaraja (2004) investigated consumer behavior in terms of their buying practices and impact of socio-economic influences such as social status and level of income, and revealed that as a buyer, rural consumer manifested a higher level of rationality compared to the urban consumer.

5. DATA ANALYSIS

The responses recorded after the survey, were taken into consideration while interpreting the data, provided below :

5.1. Information

5.1.1. Gender : The sample size is 225. 68.89 per cent of the customers participated in the survey were Males. The percentage of Females answering the survey was 31.11 per cent.

5.1.2. Age : 38.22 per cent of the participants in the survey were from age group 'Below 30 years'. The next largest age group answering the survey was '31-50 years' with 37.33 per cent while 24.45 per cent belonged to age group of 'Above 50 years'.

5.1.3. Annual Household Income : Most dominant income category in the survey was lying in the range of INR 6,00,000 to INR 12,00,000 with 52.89 per cent followed by income category above INR 12,00,000 with 28.44 per cent. Income group with least share of participants was below INR 6, 00,000 with 18.66 per cent.

Figure 3 Shopping Frequency

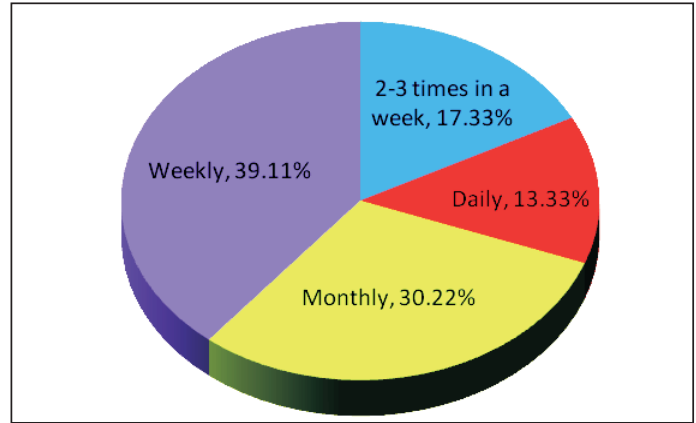


Figure 4 Last Purchase

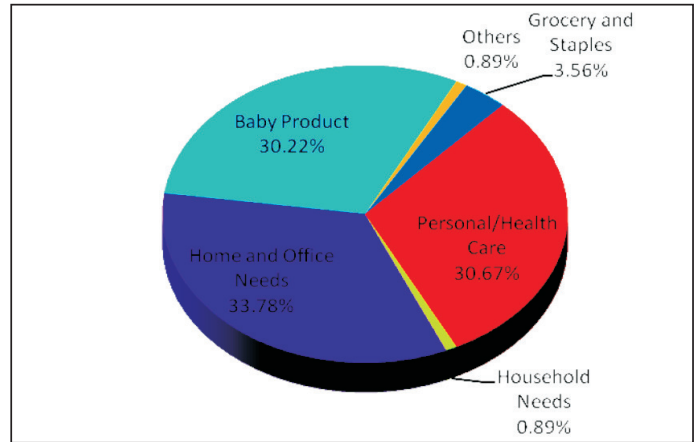


Figure 1 Annual Household Income (in INR)

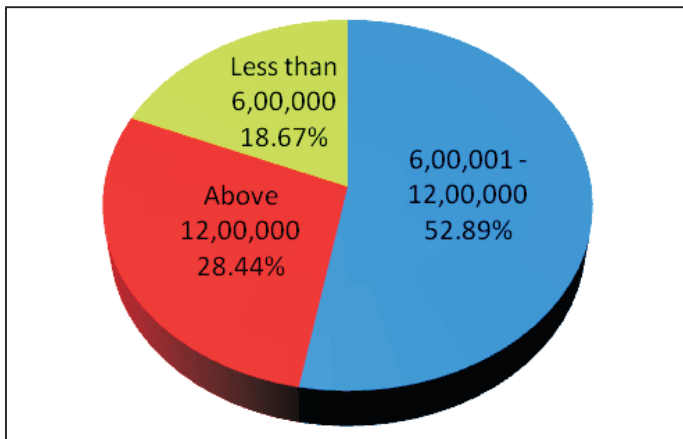


Figure 2

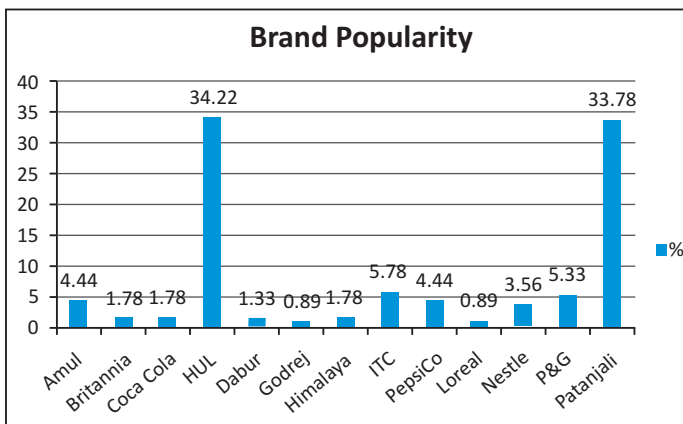


Table 2 Means

	Case Processing Summary					
	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
Last Purchase Satisfaction	225	100%	0	0.0%	225	100%

Table 3

Report : Last Purchase Satisfaction

Mean	N	Std. Deviation
4.13	225	0.688

Table 4 Means

	Cases					
	Included		Excluded		Total	
	N	%	N	%	N	%
Trustworthy	225	100.0%	0	0.0%	225	100.00%

Table 5
Report Trustworthy

Mean	N	S.D.
3.85	225	1.040

Table 6
T-Test (Group Statistics)

Gender	N	Mean	S.D.	Std. Error Mean
BS Male	155	3.9097	0.96062	0.07716
Female	70	3.5821	1.01771	0.12164

Table 7
Independent Samples Test (T-Test)

	Leven's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
BS Equal Variances Assumed	1.298	0.256	2.324	223	.021	.32753	.14093	.04981	.60526
Equal Variances not assumed			2.274	126.521	.025	.32753	.14405	.04248	.61259

Table 8
Anova Analysis One Way : BS

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	28.181	2	14.090	16.414	.000
Within Group	190.568	222	.858		
Total	218.749	224			

6. FINDINGS

- ◇ Patanjali happens to be second largest preferred FMCG brand in current scenario as shown by the data, out of the sample population of 225.
- ◇ A total of 39.11 per cent of customers shop for FMCG products on weekly basis followed by 30.22 per cent customers shopping on monthly basis.
- ◇ The most bought FMCG products by the customers happen to be for Household Needs amounting to 33 per cent market.
- ◇ 86 per cent of the respondents are highly satisfied with their product, whereas 2 per cent are dissatisfied with their purchase.
- ◇ In spite of product offered with great discounts or lower prices, people still prefer to

buy a product considering its quality, health benefits and need fulfillment.

- ◇ 57 per cent respondents feel that they get influenced by Baba Ramdev who is the Brand Ambassador of Patanjali.
- ◇ 67 per cent of respondents have used Patanjali product. 22.67 per cent of people know a lot about Patanjali but have never used a product. The stats show that marketing done by Patanjali Ayurveda Ltd. is aggressive as out of the whole sample, there was no one who has not heard of Patanjali.
- ◇ At-least 55 per cent of the population is aware of the Patanjali's Medicines, Wheat (Atta) and Spices. As low as 18 per cent of the entire sample population is aware of Shaving Cream. Baby Products and Jam.
- ◇ Maximum respondents have known Patanjali through Television Commercials, and this trend is followed by Word-of-Mouth Marketing, Online and Offline Stores like Patanjali Mega Stores.
- ◇ Affordable, Herbal, Pure and Swadeshi are the prominent attributes, which the customers associate with the brand Patanjali.

- ◇ Large majority of people, 67 per cent, find Patanjali products trustworthy.
- ◇ 68.5 per cent have “Extremely Favorable” or “Somewhat Favorable” opinion regarding the brand Patanjali. 22.22 per cent respondents have a neutral opinion.
- ◇ Majority of the respondents, 68.44 per cent, have previously used a Patanjali Product.
- ◇ About 66 per cent of the customers are either 'Extremely' or 'Somewhat' satisfied with the Patanjali products. 12 per cent expressed dissatisfaction regarding experience with Patanjali product.
- ◇ 66 per cent of the customers have rated their experience with Patanjali product as 'Good' and 'Excellent' whereas 12 per cent expressed disappointment.
- ◇ 67.5 per cent respondents will buy Patanjali product again. 7.5 per cent of respondents will refrain from buying the Patanjali product again.
- ◇ Majority of the respondents (63 per cent) will recommend Patanjali products. 19 per cent are doubtful whereas 18 per cent are not likely to recommend Patanjali products to others.
- ◇ Brand Satisfaction regarding Patanjali in Males' is more than in Females'.
- ◇ Brand satisfaction varies to a great extent in different age groups whereas it is not so regarding different Income level groups.

7. SUGGESTIONS

No certain firm can satisfy all the customers, but still, in order to be amidst the top market players, every company needs to continuously improve products and services it offers. Following are the recommendations based upon the responses from Questionnaire and the general findings during the completion and execution of the project:

- ◇ More promotional activities could be carried out by Patanjali by means of hoardings,

newspaper advertisements and increase in TV and radio advertisements to assure more awareness amongst the consumers.

- ◇ Various products like Baby Care products (Shishu Care), Jam, Incense Sticks and Shaving Cream are not being marketed to the level of other Patanjali products. If not all, at least couple of popular products should be considered to be advertised.
- ◇ Greatly enhanced research and development efforts would be essential for new, innovative product development thereby, increasing the product line. Employing more foreigners in the R&D area, for a more diversified outlook, may lead to great results. Increase in no. of products provided by Patanjali could result in more customers getting attracted to the Patanjali products.
- ◇ Training the salesman to be more active, motivated and interested towards the customers will lead to an increase in sales and a good sense of hospitality towards the customer increases the chances of closing in a deal to a great extent. They can also be motivated by ensuring a certain incentive or a bonus, in order to work harder and get more customers to buy company products.
- ◇ In today's scenario where Patanjali boasts the repute of being a successful and trusted company, there are a lot of customers who have not used a product by the company. The best way to build a positive image in the mind of the customers is to increase the promotions. The company should:
 - ◇ Usage of hoardings and advertisement bills.
 - ◇ Increasing online presence; working for more social media promotions, and reaching new customer segments, working for promotional videos and contests, ensuring more customer attraction.
 - ◇ Introduction of more promotional activities like distribution of freebies and goodies.

- ◇ Real-time promotions like games and contests in shopping malls and big shopping centers.
- ◇ Introducing enticing offers, scratch coupons, add-ons and discounts to attract a wider customer base.
- ◇ Availability of all the products, at all the stores, all the time should be a priority of the company. A wider availability of products provides a wider choice of selection of the customer. Even if a product sells out at a particular outlet, measures should be made to ensure stock fulfillment and a ready availability of products as soon as possible. This gives the customer less chance to surf the products from other companies.

8. CONCLUSION

Patanjali Ayurved has become the third largest seller of FMCG products at the shelves of Future Retail. The number one is still Hindustan Unilever Ltd (HUL) followed by P&G, whereas, Patanjali was followed by rivals like GCPL, Dabur, Emami and few others.

Seldom does a new company become the focal point of discussion at strategy meetings of FMCG giants. A company can take up to several decades to establish itself in the FMCG sector. Yet, Patanjali Ayurved, set up merely a decade ago, is challenging multinational companies such as Nestle, P&G and Unilever.

Endorsed by Baba Ramdev - a man dressed in saffron robes and armed with the skills of a yoga

master - the company is forcing these multinationals to rethink their business models and marketing strategies.

Surely, the survey responses does not show the company to be a producer of goods of absolute perfection, but still the majority of the Patanjali customers are immensely satisfied with the products they use. There is a major positivity with the brand and its products, amongst the users. Customers are happy and satisfied to use Patanjali products, and a lot of them would even recommend the products to their family and friends.

9. LIMITATIONS OF STUDY

The following constraints were found out in the project, during its execution:

- ◇ The study was carried out in the NCR Region; therefore, response of the population living outside the region was not recorded. This could prove to be a hindrance, when a wider market is taken into consideration, as different consumers in different parts of the nation might have different choices and views.
- ◇ Sometimes, the data being provided by the respondent may be inaccurate or false because of various factors like social acceptability etc.
- ◇ A major disinterest in answering to the survey by a large number of people existed. This reduced the chances to study various factors in detail.

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