Marketing and CRM

**Marketing Case Study on the Indian FMCG**

**Pathanjali private Ltd**

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## 

## **Solution Stage 1:**

* Collect data on chosen company and product/service brand and identify the existing segmentation and targeting strategy

### **About Company**

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| Company | Patalnajli Ayurved Limited |
| Business Sector | FMCG |
| Operating Geography | India |
| About the company | Patanjali Ayurved is an India FMCG company incorporated in 2006. They produce herbal and mineral products. Their products range Healthcare & Ayurvedic products, packaged foods, cosmetics and home care. |

### **PESTLE Analysis**

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| PESTEL Analysis |

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| **POLITICAL** | Tax Structure: Complicated tax structure, high in direct tax and changing tax policies are challenges for this sector as it acquires raw materials from various parts of country.  **--However GST brings some clarity & uniformity which effectively helps PAL**  • Infrastructure Issues: Performance of FMCG sector is very much dependent on government spending on Agricultural, Power, and Transportation Infrastructure.  --Lot of focus has been given on the last 10 years fro infrastructure which is a good sign  **--The Floating price of Fuel should be considered carefully in the cost price**  **--Procuring and transporting raw materials like sandalwood is a complicated task**  • Regulatory Constraints: Multiplicity permits and li-  censes for various states, prevailing outdated labor laws,  cumbersome and lengthy export procedures are major  constraints.  **--Pathanjali failed quite a few times in the Export quality tests which has to be taken care with utmost importance**  •Policy framework: FDI into Retail sector (single-brand &multi-brand retail), Licenserules in setting up of Industry, Changes in Statutory Minimum Price of commodities are barriers for growth of this sector.  **-- Pathanjali Herbal products does not need licence, but Pathanjali Ayurvedha medicine needs a licence . This creates a hindrance in the consumer reach.**  Government’s support:  **Pathajali’s affliation with the political parties and its support for this Ayurvedic sector gives a tremendous boost for Pathanjali** |
| **ECONOMICAL** | • Inﬂation: Inﬂationary pressures alter the purchasing power of consumer which Indian economy is facing in recent years. But it has not affected much to Indian FMCG sector.  **--PAL growth is not much affected by this in the national market, but while the export increases, this may affect international market**  •Consumer Income: Over the past few years, India has seen increased economic growth. The GDP per capita income of India increased from 797.26 US dollars in 2006 to 1262.4 US dollars in 2014 and $2.439 trillion in 2017.  It resulted in increase of consumer expenditure  **--PAL sale is tremendously benefitted by this which sees a whopping 30% growth every year and should continue the profit path with the good product and marketing strategy**  • Private Consumption: The Indian economy, unlike other economies, has a very high rate of private consumption (61%).  **--This is a positive note for FMCG ,which should be efficiently used along with marketing and branding** |
| **SOCIAL** | Change in consumer Proﬁle: Rapid urbanization, increased literacy, increase in nuclear families and rising per capita income, have all caused rapid growth and change in demand patterns, leading to an explosion of new opportunities. Around 45 per cent of the population in India is below 20 years of age and the young population is set to rise further.  **--Back to our roots/Herbal/Organic is the new social mantra, which helps PAL**  Change in Lifestyle : Current decade changes are taking place in consumption pattern of Indian consumer with more spending on good and healthy lifestyle and time saving shopping experience  **--This shows, good potential growth for Ayurvedha and also in in quick shopping like e-shopping and easy reach of brick&morter, which will boost the sale tremendously**  • Rural focus: As market is getting saturated, companies are focusing on rural area for penetration by providing consumers with small sized or single-use packs such as sachets.  **--PAL aggressively setting up the distributors in Tier-2 cities which helps in sustained penetration in rural market** |
| **TECHNOLOGICAL** | • Effective use of technology is seen in leading companies like HUL, ITC and Pathanjali etc.  •E- Commerce will boost FMCG sales in future. More than  150 million consumers  -Though PAL has an e-commerce site, it should focus more on easy & quick online & app based sales,digital marketing, loyalty programs to capture the digital market |
| **ENVIRONMENTAL** | --More investment needed in Bio-research to compete with other Ayurveda FMCG competitors  --More environment friendly detergents & other products should be launched to retain the market |
| **LEGAL** | Pathanjali has many legal issues in hand to handle  -It fails in FSSAI tets  -Fined for misbranding  -Caught in illegal transportation of sandalwood etc  -All these should be taken care at any cost to avoid market cap loss |

### **SOWT Analysis**

* Analyse the data and extract the SWOT currently applicable to the chosen product/brand

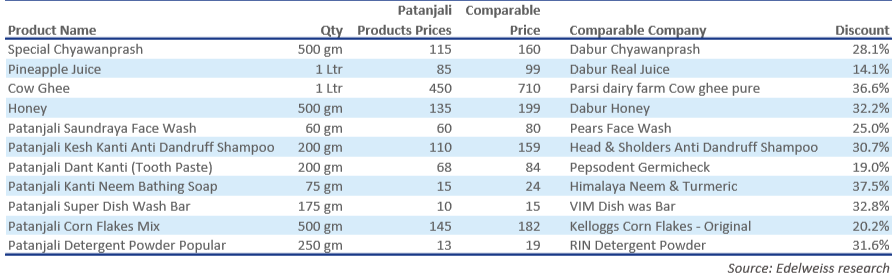
SWOT analysis:

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| SWOT Analysis | |
| Strengths | 1. The 12 years old FMCG Company Patanjali is the fastest growing company in India as per CLSA |
| 2. Brand power of the Yoga Guru helps in saving advertising and promotional costs compared to its competitors |
| 3. Patanjali Ayurved’s products are typically at a 15-30 per cent discount to competing brands |
| 4. Patanjali offers wide range of products with deep assortments. Company has been able to launch many products within last 2 to 3 years. |
| 5. The company has a network of ‘dedicated’ franchise stores unlike its peers. They have dedicated e-commerce site as well. |
| Weaknesses | 1. The Food Safety and Standards Authority of India (FSSAI) has issued notices on several food products launched by Patanjali |
| 2. Product quality issues identified by other organisations like Indian Defence forces Canteen department, Nepal Department of drug administration |
| 3. Overdependence on Baba Ramdev for building brand value |
| 4. Need better promotional campaigns to nationwide penetration |
| 5. Penetration pricing cannot be long term strategy if company wants to expand product base and geographic spread |
| 6. Most of revenues are from top 10% of its FMCG products. Better marketing strategy required to improve revenues for other products. |
| 7. Lack of experienced leadership to expand and strengthen business |
| Opportunities | 1. Spreading awareness on Ayurvedic and Natural products helped in creating and ever growing market demand for its products |
| 2.With the portfolio of products that Patanjali has, it has great potential in the rural market and should look to expand its operations there. |
| 3. Company can look at global expansion |
| Threats | 1. FMCG market is over-crowded with too many players  2. Other key FMCG players coming up with their own variants of ayurvedic products |
| 3. Big FMCG players in Indian market like HUL, DABUR, P&G have advantage of existing strong production and distribution model to overcome competition from Patanjali |
| 4. Negative Word-of-Mouth: Any negative word-of-mouth created on social media platforms can affect its position in the market. |
| 5. Poor reap can affect business: Patanjali is heavily dependent on natural ingredients and products and hence poor agricultural reap can affect its sales.  6. Price war: A price war is good for consumers but it is detrimental for business. The longer the price war, the more is the effect on the brand. Companies like HUL, Himalaya and others have been at the top for long. They have deep pockets and they will naturally respond to Patanjali. Such a price war will have drastic effect on Patanjali’s profitability, especially because the brand is already selling at very low margins. |

### **Existing segmentation and targeting strategy**

|  |  |
| --- | --- |
| Segmentation | 1. Demographic: - All age groups (Healthcare products, cosmetics, packaged foods).  2. Psychographic: Ayurvedic healthcare and skin care products targeting Indians preferring herbal & mineral based products which are chemical free.  Identify themselves as 'Swadeshi', make in India. |
| **Target Strategy** | Lower middle class: all their products are 15 to 30% cheaper than competitor products in same range |
| **Positioning** | Penetrative Pricing (Cost Effective): products which are economical and affordable by middle class  Differentiation: Herbal and mineral based products made in India which are chemical free |

Example for penetrative pricing:



## **Solution Stage 2:**

* Based upon PESTLE and SWOT identify gaps or opportunities that the company can target afresh

**Opportunities and gaps that the company can target**:

* 1. Quality of products: Company should focus on meeting required quality standards for all its products. Ensuring usage of required packaging standards for both food and FMCG products also needs attention.
  2. Though the company offers wide range of herbal and mineral products, Most of its revenue is from top 5 products including Patanjali Ghee, Dant Kanti, Kesh Kanti, herbal bath soap and honey. So company could focus on strengthening its market strategy to increase market share for other products.
  3. Focus on producing high quality products to target upper middle class for same range of products
  4. Political influence of Baba Ramdev played key role in success of this company in last few years. Focus is required on building brand image to ensure change in political scenario does not impact the business
  5. Market & Availability:
* They have to tap the potential of Rural market
* Should increase the reach of product by making it available in supermarkets & Kirana stores
* Current target of Pathanjali is for middle income group which can also cover high income group with more premium/niche productsJhkh
  1. Marketing:
* Only Baba Ramdev may not reach the all sectors of market
* Segmenting the market according to the products & consumers and selecting brand ambassadors accordingly will have an significant effect
* Using the technology for marketing would be cheap and effective. Pathanjali has to do digital marketing effectively which can reach the international market easily
  1. Social impression:
* To make the world that Pathanjali is working on its Vision, it has to invest in some social welfare programs which will create a good impression and create value added customers like mentioned below.
* Free Yoga classes for kids and organizing Yoga events
* Free ayurvedic medical camps and treatment for unprivileged people.
* Adopting some hilly /Tribal areas, from where it can get herbs and also help people over there
  1. Positioning:
* Pathanjali has to position itself as unique market leader in the Herbal/Ayurvedha desi brand
* It Should focus on trustworthiness of the customer at any cost like maggi .
* It should explain the customers that the price reduction is a trustworthy gesture by cost reduction not a gimmick
  1. Product Range:

Pathanjali has a wide range of products like Food/Heath.Personal care .However below segments will make pathanjali an unbeatable market laeader

* Pathanjali Milk,Fruit and Veg sector
* Mother care and Baby food products
* Identify and qualify segments by applying the segment attractiveness measures (such as – measurability; accessibility; substantiality etc.)

**FMCG Segment Attractiveness Analysis**

(Source: Indian Brand Equity Foundation):

#### ***FMCG Market in India: Measures (Measurability and Substantiality)***

|  |  |
| --- | --- |
| FY 2016-17 | Size |
| Indian FMCG Market | US$ 49 billion |
| Market Size of chocolates | US$ 1,766.6 million |
| Market Size of personal care | US$ 12.58 billion |

* FMCG is the 4th largest sector in the Indian economy
* Household and Personal Care is the leading segment, accounting for 50 per cent of the overall market. Hair care (23 per cent) and Food and Beverages (19 per cent) comes next in terms of market share
* Growing awareness, easier access and changing lifestyles have been the key growth drivers for the sector
* The number of online users in India is likely to cross 850 million by 2025.
* Retail market in India is estimated to reach US$ 1.1 trillion by 2020 from US$ 672 billion in 2016, with modern trade expected to grow at 20 per cent - 25 per cent per annum, which is likely to boost revenues of FMCG companies
* People are gracefully embracing Ayurveda products, which has resulted in growth of FMCG major, Patanjali Ayurveda, with a m-cap of US$ 14.94 billion. The company aims to expand globally in the next 5 to 10 years.

**Urban – Rural industry Breakup (FY2016-17)**

* Accounting for a revenue share of around 60 per cent, rural segment is the largest contributor to the overall revenue generated by the FMCG sector in India and recorded a market size of around US$ 29.4 billion in 2016-17.
* In the last few years, the FMCG market has grown at a faster pace in rural India compared with urban India.

#### ***2. FMCG Segments and size of segments within FMCG market***

|  |  |  |
| --- | --- | --- |
| Food and Beverages | HealthCare | Household and Personal Care |
| It accounts for 19 per cent of the sector. | It accounts for 31 per cent of the sector. | It accounts for 50 per cent of the sector |
| This segment includes health beverages, staples/cereals, bakery products, snacks, chocolates, ice cream, tea/coffee/soft drinks, processed fruits and vegetables, dairy products, and branded flour | This segment includes OTC products | This segment includes oral care, hair care, skin care, cosmetics/deodorants, perfumes, feminine hygiene and paper products, Fabric wash, household cleaner |

#### ***3. Segment Differentiability:***

* ***As increasing number of customers are adopting the natural way of life, demand for Ayurvedic and herbal products is expected to grow at a strong rate going forward. This is key ‘differentiation’ positioning used by Patanjali and hence market is suitable for this company.***
* Hair Care is the leading segment, accounting for 23 per cent of the overall market in terms of revenue. Patanjali’s Kesh Kanti already has good market share.
* Food Products is the 2nd leading segment of the sector accounting for 19 per cent followed by health supplements and oral care which has a market share of 16 per cent and 15 per cent, respectively.
* ***As of FY17, the contribution of herbal products to the overall personal care products market in India stood at 6-7 per cent and is estimated to grow to 10 per cent by FY20.***
* The beauty, cosmetics and grooming market in India is expected to reach US$ 20 billion by 2025 from US$ 6.5 billion currently.

#### ***4. Competitor Analysis:***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Rank (By revenue)** | **Company** | **FMCG Revenue FY 2017 (in Rupees Crore)** | **Products** | **Famous Brands** |
| 1 | HUL | 30782 | It has products in over 20 consumer categories majorly Food & Drink, Personal care, Home care and Water purifier serving over 700 million customers across the country and is undoubtedly the market leader in the FMCG sector | Dove, Lux, Lifebuoy, Pears, Hamam, Lyril, Rexona, Surf Excel, Wheel, Comfort, Clinic Plus, Sunsilk, Fair & Lovely, Pond’s, Lakmè, Vaseline, Bru, Taj Mahal, Lipton, Brooke Bond, Cornetto, Kisan, Annapurna, Magnum, Close up, Pepsodent, and many more. |
| 2 | Patanjali | 10561 | The products offered by the company are in the personal care and foods segments including baby care and beauty products. | Patanjali’s Dant Kanti, Ghee, Kesh Kanti, herbal bath soap and honey are some of the its best selling products |
| 3 | ITC | 10336 | The company has a diversified business portfolio ranging from Cigarettes, FMCG products, Paperboard and packaging to hotels and IT. Revenue from FMCG oterh than tobacco is only considered. | Aashirvaad, Kitchens of India, Sunfeast, Mint-o, Candyman, Gum-o, Bingo and Yippee. |
| 4 | Nestle | 9159 | The products offered by Nestlè in India range across categories such as milk and nutrition, chocolates and confectionary, beverages and prepared dishes and cooking aids. | Nescafe, Nestlè Everyday, Sunrise, Maggi, Kitkat, Milkybar, Milkmaid, Nestea, Munch, Bar one, Polo and many more. |
| 5 | Godrej | 9134 | The products offered by the company include soaps, hair colour, liquid detergents, room fresheners, hand wash, mosquito and pest repellent products | Cinthol, Godrej expert, Godrej No. 1, Hit, Good Knight, Ezee, Aer, Protekt, Godrej Fair Glow, etc. |
| 6 | Britannia | 8844 | Its principal activity is the sale and manufacture of bakery products including biscuits, bread, cakes, rusk and dairy products such as cheese, milk, butter, dahi and ghee. | Tiger, Good Day, Treat, Pure Magic, Milk Bikis, Nice Time, Nutri Choice, Bourbon, Little Hearts, 50 50, etc |
| 7 | Dabur | 7691 | The company has offerings in key consumer product categories such as Health suppliments, Oral care, Hair care, Skin care, Home care, Medicines and Digestives. | Products such as Dabur Amla hair oil, Dabur Chyawanprash, Odomos, Dabur Honey, Odonil, Glucose D, Hajmola, Pudin hara are some of the widely used products across all Indian households. |
| 8 | Tata Global Beverages (Tata Tea Limited) | 6963 | The wide product portfolio of Tata Global Beverages includes tea, coffee, dairy products, water, pepper and other plantation crops | Tata Beverages is one of the largest tea and coffee manufacturer in the world. Leading brands include: Good Earth teas, tata coffee, Teley tea, Eight O'Colck |
| 9 | Marico | 5918 | It currently offers products in the categories of hair care, edible oils, skin care, male grooming, fabric care and edible foods under various brands | Some of the leading brands are Parachute, Livon, Set Wet, Nihar, Saffola, Revive, Hair & Care, Mediker, Kaya, Zatak, Black Chic, Eclipse, Hercules, Caivil, Manjal, etc. Parachute is the flagship brand of Marico. |
| 10 | Colgate-Palmolive | 4010 | The company manufacturers oral care, personal care products such as liquid hand wash, body wash, skin care, hare care and shaving products | Colgate toothpast(all variants), Pamolive skin care products |

Competitor Analysis: Key competing brands and Strengths of the company

|  |  |  |  |
| --- | --- | --- | --- |
| **Rank** | **Company** | **Competing key brands** | **Strength** |
| 1 | HUL | Given its scale of operations and line filling strategy, HUL has been able to keep competition at bay and maintain clear leadership in the market for a long time. Today, HUL faces tough competition from Patanjali given the growing demand for the latter’s products and a demand for natural and ayurvedic products. HUIL launched Ayush "Lever ayush is a personal care brand that offers Ayurvedic products that have been carefully curated with authentic recipes prescribed in the age old Granthas" to counter the competition. | The company with its exhaustive product range and wide distribution network aims to provide products fulfilling the needs and demands of all the segments of the society across the country. The company has always focused on innovative product offerings and adapting itself to the market changes, which has helped it maintain its market leadership. |
| 3 | ITC |  | The Company's institutional qualities - profound comprehension of the Indian buyer, solid trademarks, profound and wide distribution network, agri-sourcing capabilities, packaging skills and culinary expertise - keep on being adequately utilized to quickly develop its FMCG business. |
| 4 | Nestle | In terms of business the company faces major competition from Amul, Mondelez, ITC and other FMCG giants and it constantly evolves its product range to stay ahead. |  |
| 6 | Britannia | The company’s biggest competitor in the biscuits segment is Parle and it also faces tough competition from Nestlè in its dairy products. | For over a century it has served the Indian customers with a range of nutritious, fresh and taste-rich products. The company’s focus on quality and freshness has made it a winner of a number of awards and has establish the brand trust that has led it to 33rd rank in the Brand Trust report 2017 |
| 7 | Dabur |  | he company is known for its honesty and transparency and it always aims to live up to its reputation. |
| 8 | Tata Global Beverages (Tata Tea Limited) |  | Tata Beverages is one of the largest tea and coffee manufacturer in the world. The company has effective marketing strategies in place to promote its products across India. |
| 10 | Colgate-Palmolive | It now faces a tough competition from Patanjali. To counter this, Colgate has launched Cibaca Vedshakti, a herbal toothpaste aimed at the customers preferring a more natural product for oral care. |  |

## **Stage 3**

* From the segments above, select ones that you propose to target (Targeting)

### **Target Segment:**

* 1. **Better quality products targeting upper middle class**. Currently comparable brands like Dabur, ITC and Brittania have better quality products which cater to upper middle class. Patanjali currently positions itself as cost-effective products targeting only lower middle only.
  2. Based on Segment attractiveness measures, Rural india seems very attractive and fast growing segment for FMCG business. **Patanjali Auyrved should focus on expanding business to rural sector across India**.
  3. Urban markets have increasing demand for affordable organic food staples and processed products. Currently ‘organic’ food products market does not have any established companies and existing few brands are expensive. **This company can introduce ‘Organic’ range of food products at affordable prices.**
  4. **Pathanjali Can enter into everyday essential market like Dairy/Vegetable & fruits segment by maximising its existing farmer and distributor relationship**
* Propose positioning strategy for chosen target segment(s)

### **Positioning Strategy**

* 1. Product Position: ***“Patanjali – Royal” or*** ***‘Patanjali – Shahi”*** Brand for superior quality food products targeting upper middle class. Company should focus on marketing new range of superior products and emphasis should be on quality standards of the product source, manufacturing and packaging.
  2. For rural India, Patanjali should build robust distribution network to reach to rural markets. Positioning here should continue to with their brand positioning ***“ Prakriti Ka Ashirwad”*** *at affordable prices.*
  3. Product Characteristics or ***User benefits-based positioning*** for ‘Organic’ range of food products.

This company can position the proposed ‘Organic’ food staples and processed goods by emphasising on:

* organic/chemical free farms source of raw materials
* highlight health benefits of using ‘organic’ food products
  1. It Should follow the “Bundling of benefits” strategy, where a loyal Patanjali member will get a discounted Yoga class, discounted groceries, discounted everyday essentials etc