

PATANJALI®
Prakriti ka Ashirwad

Aloe Vera Gel

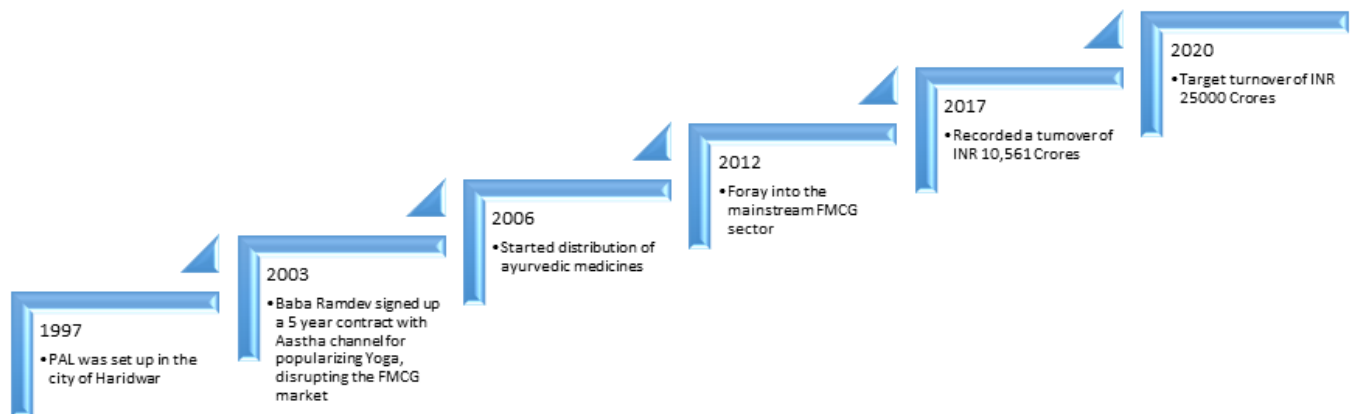


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1. Company background

Patanjali Ayurved was formed in January, 2006 as a private limited company by yoga guru Ramdev and his partner Sri Acharya Balkrishnaji. In June, 2007, it was converted to a Public Ltd. Company. It is registered under the Companies Act, 1956 and has its registered office in Bijwasan, New Delhi and three other offices in Haridwar. The company was started with the vision of uplifting the life of Indian farmers by locally sourcing the raw materials from them and making their lives better while at the same time provide an opportunity to the Indian masses to move towards healthy lifestyle by promoting Ayurveda and herbal products. In its first year of operations, 2008, Patanjali generated a revenue of over 60 crores. Almost 10 years later, the homegrown venture has grown to be a 10561 crore company and is posing a threat to the well-established companies in the FMCG domain.



Company's Product Portfolio and Market Positioning



Out of the very diverse portfolio that PAL has, our team decided to study the Patanjali Aloe Vera Gel for the purpose of this assignment.

2. Strategic Audit

To understand the company and product better we did strategic audit of the Company's business environment and internal assets. There are two key elements to the audit: the external environment and the internal environment. In order to understand the sources of competitive advantage, firms are using many tools to analyze their external (Porter's 5 Forces, PESTLE analysis) and internal environments (Value Chain Analysis, BCG Matrix, VRIO).

2.1. External Environment (PESTLE Analysis)

Patanjali Ayurved Ltd (PAL) has grown since its inception. Some of the factors or forces, which affected or might affect in future are analyzed below using the famous PESTLE analysis.

Political	<ul style="list-style-type: none"> • Present political climate is favourable to Patanjali as it is close to government and it is following government initiative like 'Make in India' campaign. • Government is promoting Ayurveda through "Ayush –Ministry" to promote Yoga, Ayurved and other traditional and complementary medicines. That gives Patanjali a huge boost as it itself claims it to be an Ayurvedic company. • Government's taxation policies affect the cost of the input products, hence affecting the final price of the products. PAL's input cost increases or decreases based on the taxation policies of the government.
Economic	<ul style="list-style-type: none"> • Inflation rate affects the buying nature of consumer. With inflation rate increasing continuously, people are looking for cheaper and effective substitutes. With the brand and trust of Patanjali, it has formed the potential substitute. • Since the raw materials for the manufacturing are from the natural environment and the company focuses only in retailing in India alone, the factors like fluctuating global economy and currency fluctuations have no significant impact. • Implementation of Goods and Services Tax GST) will also help PAL. • Higher tax rates and interest rates affect the cost of capital adversely increasing the manufacturing cost. This makes the products costly in the market.
Social	<ul style="list-style-type: none"> • The people of India are becoming more health conscious; and want to consume organic products. Rise in healthy FMCG products from 2284.4 US \$ million in 2003 to 9000 US \$ million in 2016 acknowledges the above statement. This particular trend opens up the market for PAL, which offers trusted Ayurvedic products. The affordable price also helps them to cover the whole market size. • In India, average life expectancy, which used to be around 42 in 1960, steadily climbed to around 48 in 1980, 58.5 in 1990 and around 62s in 2000. The improvement in life expectancy attributes to better diet and health consciousness among people. This particular trend enhances the scope of companies like PAL. • Patanjali has vowed to protect all indigenous breeds of cows found in India. • Setting up of residential schools for imparting value-based education. • Setting up of various research institutes and colleges for ayurvedic medicines.
Technological	<ul style="list-style-type: none"> • Government has created favourable climate for R&D work in country. • Patanjali has in house R&D facility; using which they are developing new products in Ayurvedic way. <p>Few examples are as below:</p> <ul style="list-style-type: none"> ○ For the manufacturing unit in the company, it has high frequency drier unit for quick liquefaction a fluid wed processor. ○ Utility centre has been set up in the production unit has two generators with boilers and compressors. ○ Company has PLC controlled packing machine having capacity of 300-400 volts with automatic blister packing equipment ○ With the help of improved technology company is able to make more efficient medical solutions.

	<ul style="list-style-type: none"> ○ Company is also working for new farming ways.
Legal	<ul style="list-style-type: none"> • There are several rules and laws for Ayurvedic medicines and the process by which medicines are prepared: <ul style="list-style-type: none"> ○ The Medicine Central Council Act-1970, ○ The Drugs and Cosmetics Act 1940 and rules made thereunder ○ The Drugs and Magic Remedies Act 1954 and the rules made thereunder. • Quality assurance needs to be fulfilled by those medicines, which are being prepared and laws are there for this process as well.
Environmental	<ul style="list-style-type: none"> • The main problem, which Ayurveda has to confront, is seasonable herbs and their locations. There are many herbs, which are available in winter season, autumn season or in summer season. Some herbs are available only on the mountains at very high location and some of them are not easily identifiable. • Technology can help to construct area where we can do the artificial farming for those herbs by maintaining temperature according to the herbs.

2.2. Internal Environment (VRIO Analysis)

The internal analysis focuses on the resources and capabilities the company possesses. VRIO framework is the tool used to analyze firm's internal resources and capabilities to find out if they can be a source of sustained competitive advantage. VRIO analysis stands for four questions that ask if a resource is valuable, rare, costly to imitate and is a firm organized to capture the value of the resources.

Valuable: Patanjali Production Plant

Patanjali has its main production plant or rather the headquarters in Haridwar. It has world class state-of-the-art facility where all the products are manufactured. This is valuable because most of the products are produced here. The value comes not from just producing but from producing natural and herbal products. In a sense, it is rare as well, as the scale of production of ayurvedic or herbal products is unprecedented. However, this is neither costly nor inimitable. But it is non-substitutable since the production cannot take place at such a scale without the plant. Thus it is a source of competitive advantage for Patanjali.

Rare: Brand image

Patanjali is piggybacking on the image of Ramdev Baba. Baba Ramdev is the brand ambassador of Patanjali and has projected it as a healthy, natural and organic solution to all the problems. He shot to fame through yoga which was simple and easily adopted. This gave him credibility. He used this credibility to relaunch Patanjali and have associated better health with Patanjali. He is the reason why Patanjali could grow so quickly and is so popular today. Thus the brand image created is valuable as it is giving sleepless nights to other FMCG brands who have been in India for the past 50 years or more. It is not rare to have a good brand image but the brand ambassador of such charisma is rare. It is non-imitable for the same reason that the brand's image is directly linked to Baba Ramdev. Finally it is substitutable as there are other ways of building brand image and credibility.

Costly to Imitate: Application of Ayurveda

The raw materials for all Patanjali products are derived from Ayurveda and are naturally available. The herbs, and the knowledge about the medicinal benefits and how to mix these herbs to arrive at the magic product is something Patanjali has expertise in. This makes the resource valuable and rare. The competitors like Dabur and other brands which do produce herbal products do not do so at such scale. It is inimitable and non-substitutable as there are no other solution to this. You have to know the formulation to be able to produce them. Patanjali is privy to all the secrets of Ayurveda and thus have a competitive advantage over other brands.

Organized to Capture Value: Arogya Kendras and Chikitsalayas

These are the distinguishing factors for Patanjali. While all FMCG brands have good packaging and good marketing, Patanjali has its own ways to build credibility. It has provided certified ayurvedic doctors which has helped increase the trust of the Patanjali brand. They have led to positive word of mouth publicity and are thus valuable, rare and non-substitutable. It is not possible for other FMCG giants to go for this strategy as they cannot hire ayurvedic doctors to recommend their cosmetics and other products, neither is it possible to hire doctors with MBBS degrees as it would be a costly value proposition. Thus it is inimitable as well. In this way we can say that Patanjali is well organized and able to capture the value.

3. SWOT Analysis

SWOT is a framework that allows managers to synthesize insights obtained from an internal analysis of the company's strengths and weaknesses with those from an analysis of external opportunities and threats. So we have done SWOT analysis and following are the strengths, weaknesses, opportunities and threats of the company.

Strengths

- The good will build by Ramdev was gave the good ramp to launch Patanjali products into the Indian market and positioning itself as a healthier and safer option.
- Patanjali has used the India card to its advantage and has always marketed that it's a brand made in India.
- A strong factor behind PAL success story is the "strong consumer loyalty". Not just do the consumers stick to its Products, many of them are acting as "Brand Ambassadors" as well. Excellent word of mouth marketing has helped the brand grow.
- The consumers liked PAL products, due to various factors like superior quality at affordable prices.
- PAL opted for much safer pricing strategy by offering better quality products at lower cost and projecting themselves as "No profit company".
- The venture has generated tremendous revenues which enabled them to compete with existing FMCG majors.
- One of the key factors for PAL Products is the strong distribution network. The franchisee model has grown exponentially from about 150-200 dedicated outlets in 2012 to almost 5000 stores now.
- Created lacs of employment opportunities in the country, thereby promoting trust and goodwill.

Weaknesses

- Launched too many products in a short time thereby lost focus in marketing products individually.
- While the company has many products in its kitty but a major part of its revenues is dependent on 5-6 of its main products such as its toothpaste and shampoo.
- Controversy with UP Govt. has set back the expansion plans and the revenue targets.
- Less rural penetration.
- Prejudice for religious association might not go well with all kinds of people.

Opportunities

- Patanjali can tap rural and overseas market with increasing awareness and demand for Ayurvedic products.
- Can enter more segments in personal hygiene and grooming, home care etc
- PAL should launch new products targeting younger generation and giving alternates to their existing favorite brands at low price and superior quality.
- Scope to strengthen branding and advertising for the existing products portfolio.

Threats

- In response to the demand for ayurvedic products in the market, FMCG majors and other new entrants also launching their own products to compete.

- Patanjali is heavily dependent on natural ingredients and products and hence poor agricultural reap can affect its sales.
- 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, colgate 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.
- Over dependency on Baba Ramdev as their Brand ambassador has diluted the lines of identity between the company and him. This equation may not work in the long run.

4. Marketing Mix (4Ps)

4.1. Product

In a market that was already flooded with Aloe Vera gels of different national and international brands, the Patanjali Aloe Vera Gel was not a unique product offering to the masses.

But the instant rise in demand for this can be attributed to the following:

1. **Ease of availability:** Available at all Patanjali stores national wide, across rural and urban markets, as well as the local grocery, medical and cosmetic shops, and even post offices, the PAL ensured ease of availability of the product.
2. **Low price:** Positioned as a low-price product, the gel became affordable for every economic strata of the population.
3. **Branding and awareness creation:** In an era when a large part of the country was riding the wave of re-adopting our age old ways of Yoga and Ayurveda for overall wellness, under the guidance of Baba Ramdev, the aloe vera gel was one of the recommendations that was welcomed across all classes, gender and age.
4. **Multi-purpose Solution:** The aloe vera gel has multiple applications. It could be used as a skin moisturizer, a sunscreen, a hair mask, and even as a soothing and anti-inflammatory agent for burns and skin irritations, etc. This created a stir across many sub segments in the skin care range primarily, as one gel solving all skin related problems, while being non-oily in a hot and humid country as ours.

4.2. Place

The main manufacturing unit of PAL is in Haridwar, where all the production & manufacturing takes place. From there on, the products are rolled out in two formats: offline and online.

Offline

1. Patanjali Chikitsalaya, Arogya Kendra and Retail Stores

These are channels and outlets which are handled directly by Patanjali, from distribution to procurement. The Patanjali Chikitsalaya offers free Ayurveda doctor consultation over & above stocking the Patanjali products, irrespective of whether the customer makes the final purchase or not. The Patanjali Arogya Kendra is similar to Chikitsalaya, the only difference being that the presence of a doctor is not compulsory here. The exclusive retail stores are minimal & simplistic, stocking only Patanjali Ayurveda products and thus giving the customers an easy & large offering to choose from.

2. Big Bazaar

As a part of tie up with Future group, Patanjali products are made available in Big Bazaar retail outlets. The distribution is handled by Future group in this case. But even in here, the Patanjali products generally have a separate shelf or row of their own hence breaking away the clutter from the 'me too' products of FMCG companies where there is almost no differentiation.

3. Yoga Camps

Ramdev actively organizes yoga camps across India round the calendar, which lasts for at least 1 week every place where it is organized. These 1-week period also provides an opportunity to promote extensively and sell these Patanjali products.

4. Post Office

Patanjali products are made available in various post offices all over the country. This is an extremely break through strategy, something which is less explored and almost not done by the other FMCG companies. Since post office is generally frequented by the pensioners and old people, it serves at a place where they can make the purchase while standing on queues.

Online:

1. Patanjali Online Stores

Patanjali maintains 2 websites from where their products can be purchased online. They even have an App in Google Play. Offering this online option was a good move from the company side since it gives high convenience to the customers, who are mostly shifting towards online shopping. Also, these websites serve as a one stop place where a customer or potential buyer can view the entire range of products that Patanjali has to offer, which sometimes is not possible in an offline brick & mortar store. By this, he can choose & select which product to buy & makes the purchase from the offline store in the case he does not buy online.

2. Third party online platforms

Patanjali products are also available in various e-commerce platforms like Amazon, Flipkart, Snapdeal and Big Basket to name a few. This is a good strategy since it is a platform which is frequented by millennials who want convenience and choice of purchase. It also acts as a promotional tool since Patanjali products can come up in the deals or ads section of these sites, hence attracting the attention of the customers who might end up buying.

4.3. Promotion

From the very beginning, the promotion strategy of Patanjali had two main objectives. One was definitely to highlight the health benefits of using Ayurveda products & to evoke the Swadeshi sentiment into the Indian consumer's mind. The other objective was to make aware of the customers about the sinister way of the profit making by the FMCG giants which are typically MNCs: that they not only fool the customers giving stale, adulterated products but at the same time charging high price at the cost of exploiting our farmers. All these promotions were carried out via various channels and modes, some of which are as follows.

1. Direct marketing

Ramdev with his popular yoga guru image and organizing Yoga camps across India round the calendar contributes to the direct marketing of the Patanjali products where they are promoted and advertised along with the main events.

2. Word of Mouth

Most of the promotion is carried out indirectly by the followers of Ramdev and the early adopters of Patanjali products who have found these products to be good. While communicating with their family, friends, relatives, neighbors and colleagues, they indirectly promote brand Patanjali by sharing their positive experience with the products. Publicity through word of mouth form users is something that tells that that the brand sells itself with minimal promotion.

3. Media

Aastha channel is the TV media where Patanjali is heavily promoted. It mainly started as a means to spread health awareness & yoga sessions to the masses. But with the advent of Patanjali, this channel along with the yoga sessions were leveraged to promote Patanjali products & the health benefits of consuming or using it. This move was aligned since they were promoting health products in a health related lifestyle show. Apart from this, Patanjali ads are sometimes observed in few other channels and print media.

4. Celebrity endorsement

Patanjali rarely did any celebrity endorsement since the popular face of Ramdev was sufficient to carry on the promotion. His image as a yoga guru totally aligned with the Ayurveda product offering of Patanjali. Celebrity endorsement is something which was not previously in Patanjali's promotion. However lately, wrestler Sushil Kumar has been seen endorsing the Ghee brand of Patanjali. But this is also to be kept in mind that this was not in a very large scale promotion, nor the sports celebrity was a top shot. We are yet to see a top shot celebrity endorsing brand Patanjali.

4.4. Price

A significant amount sometimes as high as 20-30% of the sales goes to marketing, packaging & advertisements in the case of typical MNC FMCGs. But in the case of Patanjali, these costs are low since they do not market or advertise their products as their competitors nor they spend on fancy packaging and also they either directly source the raw materials from the farmers or grow them in their farms. This helps them significantly to keep the costs low. Moreover, their manufacturing plants are nearby the sourcing locations. Patanjali does not spend on extensive market research like other FMCG companies. As claimed by Ramdev, he does not even take anything home, while most of the promotions are carried out by him. This is one of the main reasons why Patanjali can offer products at such a low price.

The lesser price for each product in each category has created a Cost Advantage for Patanjali. Middle class people find it good reason to switch to these products. Even it urges the first time users to purchase it and give it a try.

5. Existing STP Strategy

5.1. Segmentation

PAL has segmented its market based on

1. Demographic – Income, age etc.
2. Psychographic - Health Consciousness, Patriotism

PAL's target segment comprise of health conscious people who prefer "value for money" natural products. PAL has products targeted at children (health drinks) and elderly people with a wide range of ayurvedic products (ayurvedic medicines, ayurvedic FMCG products). Almost all products of PAL are affordable in market, at a price 15% - 30% lower than the competition. Hence the income segmentation strategy has worked.

As per this segmentation, **Aloe Vera Gel** falls under health cautious of all aged people's personal care segment.

5.2. Targeting

Initially the products were targeted at **lower and middle income groups** but with the present turnover of Rs 10561/- cr this fiscal, it is evident that PAL's products have buyers not only from the lower income and middle income segments but also from health conscious upper middle and upper income segments. These 2 segments have found value in PALS's natural and ayurvedic products.

And Aloe Vera Gel has been targeted at **Un-identified segment** of lower to middle income all health cautious people.

5.3. Positioning

Patanjali uses mostly these two positioning strategies

1. The brand slogan of the company is “Prakriti ka Aashirwaad” which means Blessings of Nature. And it is positioned as “Natural Products available at affordable prices”.
2. The 2nd positioning is that of “Swadeshi Make” (Made in India).

Both the positioning strategies have created wonders for the company. These positioning strategy has synergistically integrated with the brand as India is considered to be the birth place of Ayurveda.

6. Proposed Positioning Strategy

6.1. Market Segmentation

Till now the company segmented the market based on age, income factors and mostly concentrated on lower & middle income range health cautious people, now we are suggesting to divide the market into segments based on following factors.

- Age - children, young, middle, old (4 values)
- Gender - male, female (2 values)
- Income - low, middle, high (3 values)
- Region - Based on the weather conditions (humidity, temperatures of the area) (~2 values)
- Occupation - field work, office work based exposure to the weather (~2 values)

Based on above factors, we get $4 * 2 * 3 * 2 * 2 = 96$ segments among all of these 96, most of the people fall into following segments.

1. men-young age-low earning-field work
2. men-young age-high earning-office work
3. female-young age-high earning-office work
4. female-young age-low earning-office work
5. men-middle age-low earning-field work
6. men-middle age-high earning-office work
7. female-middle age-high earning-office work
8. female-middle age-low earning-office work

All the above segments seems potential for us as per the product Aloe Vera Gel is concerned.

6.2. Targeting Strategy

Targeting can be done in the following four ways.

6.2.1. Un-identified Segment targeting

There may be no strong differences in customer characteristics. Alternatively, the cost of developing a separate marketing mix for separate segments may outweigh the potential gains of meeting customer needs more exactly. Under these circumstances a company will decide to develop a single marketing mix for the whole market. There is absence of segmentation.

This is what Pathanjali followed in case of Aloe Vera Gel, As people cannot trust in a product which can solve all kinds of skin problems(pimples, dullness, smoothing etc) and serve for all types of skins(oily, dry, rough etc). So it didn't work for the company in the long-run and it has to change the targeting strategy.

6.2.2. Multi-Segment targeting

When market segmentation reveals several potential target segments that the company can serve profitably, specific marketing mixes can be developed to appeal to all or some of the segments. A differentiated marketing strategy exploits the differences between marketing segments by designing a specific marketing mix for each segment.

6.2.3. Concentrated targeting

Several segments may be identified, but a company may not serve all of them. Some may be unattractive or out of line with the company's business strengths. A company may target just one segment with a single marketing mix. It understands the needs, and motives of the segment's customers and designs a specialized marketing mix.

Companies have discovered that concentrating resources and meeting the needs of a narrowly defined market segment is more profitable than spreading resources over several different segments.

6.2.4. Customized targeting

In some markets, the requirements of individual customers are unique and their purchasing power is sufficient to make designing a separate marketing mix for each customer a viable option.

We suggest Patanjali to go with **Multi Segment Targeting** by clubbing the potential market segments to 4 or 5 segment groups and introduce different variant of the product for each group based on the characteristics of the group. Though it can choose focused targeting as this process demands marketing and operations to be done for each segment separately which costs more.

6.3. Positioning Strategy

The process of creating an image of a product in the minds of the consumers is called as positioning. Positioning helps to create first impression of brands in the minds of target audience. In simpler words positioning helps in creating a perception of a product or service amongst the consumers.

Steps for Product Positioning

1. **Target Customers:** Young to Middle aged Male and Female
2. **Product features:** Patanjali should come up with multiple variant products to solve couple of problems faced by the youth of India, like for pimples & dull skin one variant, for glowing & soft skin other variant, dark & rough skin another variant.
3. **Unique Selling Propositions:** Unique selling propositions will be limited, as there are already enough unique selling points competitors came up with for all types of skin problems yet, pathanjali can add a tag saying in a "**Natural way**" for all of its new products.
4. **Knowing competitors:** Most of the competitors started producing and promoting ayurvedic products, But Patanjali has its own advantage on this aspect as its already became leader in India.
5. **Ways to promote the brand:** Patanjali should aggressively promote its products through online, mobile apps and social media, that's where most of the youth spending most of their leisure time in a day.
6. **Maintaining the brand:** Continuously seek for feedback and analyze the reviews and try to introduce new variants with a limited quantity of production as an experiment.

7. Conclusion

Overall Pathanjali is performing very well in the market with growth rate of 100% increment in the revenues over last FY'17 and Aloe Vera Gel and Juice combined being at 5th place in the overall contribution of the revenue. Still there are lot of areas to improve by introducing multi variants of Aloe Vera Gel, printing labels on the products in local languages, strengthening the digital marketing channels and finding the alternatives for the branding in spite of Ramdev Baba in order to sustain in the long run.