Traditional Wisdom in Indian Entrepreneurship - A Case Study on Patanjali

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ABSTRACT

India is an attractive destination for the globe due to several reasons like its growing population, demographic divide, culturally diversity and is an emerging market. Several MNCs have established their business in India to tap the potential markets and become a household name over a period of time. Though it was not smooth sailing for these FMCG companies initially, they managed to emotionally capture the hearts of diversified Indian consumers. A paradigm shift in the consumer behavior was observed in the recent past that lead to the emergence of new models of business. In the recent past many unexpected domestic entrepreneurs emerged with a model that is sustainable and suitable for tradition and culture of India. It was a sheer shock to the FMCG giants when a well known Yoga guru in India transformed into a multi core business man within a short span of time. India, being the land of Sadhus and Saints, the deep rooted values of Indians are taking its fangs again to adopt the Indianized way of living. With this backdrop the case explores the growth of Patanjali as an FMCG company with traditional roots in the light of change in Indian consumer’s behavior and to understand the successful business model developed by Baba Ramdev.

Keywords--- Patanjali, Baba Ramdev, FMCG, Consumer Behaviour, Ayurveda, Business Model

I. INTRODUCTION

India’s FMCG sector has undergone a phenomenal change after the liberalization policy in 1991. It has paved way for several multinational companies to set their foothold in India. These MNCs with their enormous resources and experience were expected to be a threat to domestic entrepreneur’s. However; this anticipation was short lived as the Indian companies strengthen their position in Indian market and subsequently increased overseas investments. Today Indian FMCG emerged as the 4th largest sector contributing to the GDP of the country. In order to cope up with the changes in the macro environmental factors, FMCGs in India are looking for new business models, sustainable innovation, new products that suit the markets and competitive strategies to reach the huge potential in India. Earlier it was modern trade that influenced the consumer behavior, then e-commerce buzz and now inclination of consumers towards health and wellness products especially Ayurvedic based products has intensified the competition between FMCG giants fighting for their share. In the recent past FMCG Sector has witnessed the rise of a desi FMCG, Patanjali has surprisingly taken the FMCG giants in India. This change has taught an important lesson to FMCG MNCs in India that Indian consumers need spiritualism and consumption under the same umbrella.

II. CHANGING LANDSCAPE OF FMCG SECTOR

Indian FMCG sector have been a play ground for both domestic and Foreign players, grown tremendously since the liberalization policy. It is now the fourth largest sector in India estimated to grow to $74 billion industry by 2018, as per the report by A C Nielsen. However, unlike other sectors volume growth in FMCG is less vulnerable to changes in macro-economic factors. Indian FMCG sector has a huge potential for further expansion in Rural and Urban India alike. The reasons for the growth of FMCG sector can be attributed to factors like globalization that has bought life style changes (urbanization and nuclearization), Change in tastes and preferences of Indian consumers which is witnessing an interesting change towards health and wellness products, Increasing discretionary purchasing power due to the emergence of
Middle class, As per FICCI report, 2015, share of consumption of affluent and elite households to double to 48% by 2025 and that of tier 2,3 and 4 will account for approximately 45% of consumption by 2025. Todays customers are more aware of products and brands, as per A C Nielson report about 71 percent of Indians look for labels of packaged goods for nutritional information when compared to that of past, Untapped markets in rural pockets where 70 percent of Indian population are distributed they are estimated to contribute 50 percent of sales, highly fragmented market with unbranded, unpacked food, giving scope for branded products, Improvement in distribution system due to the boom in the retail sector. FMCG major, However respond to these huge changes by making their products adaptable to Indian consumers and new positioning strategies. For instance, the Increasing demand for ayurvedic and natural based products has made giants like Colgate-Palmolive, HUL etc to add product categories that suits Indian Taste.

Over the years, Indian FMCG Companies have overtaken MNC giants in different front, companies like Godrej, Dabur, ITC, Marico, Parle Agro has grown leaps and bounds. One of the first MNC company is that has foothold in India was HUL, even now holds the number one position. HUL Initially failed to understand the Indian customer and their business model catered to only affluent customers in India, leaving a huge need gap with the middle class and lower middle class. The confidence of this FMCG major was shaken when a small entrepreneur (eg: Nirma) started hitting back with a “value for money” products even to reach the lower strata of the consumers. Another company that has threatened FMCG Company was regional company like Joythi Laboratories with its detergent and toothpaste. This is when HUL realized the ground realities of rural potential in India. Since then the FMCG majors like HLL, Goderej, Marico, Henkel, Colgate to name a few are in a race to build rapid expansion strides in rural India. Companies like Nestle which has its presence in India for more than 100 years catering to mostly urban customers have now realized the need for reaching the mass customers, for Instance Nestle Maggie noodles were widely accepted as India’s own food, was available in affordable packets even in deeper pockets of India.

FMCG companies have adopted several strategies to survive in India in tune with the changing needs of Indian consumers. One phenomenal change in the FMCG sector in the recent past is the low volume packs (Sachets), which have the power to attract new customers and induce trials. The evolving categories in FMCG sector in recent past includes the beauty, Health and Wellness products. According to the Pwc-FICCI report winds of change, 2013: the wellness consumer, nutrition foods, beverages and supplements comprise a INR 145 billion to 150 billion market in India, is growing at a CAGR of 10-12%. According to CII National FMCG summit 2015, report Re-Imaging FMCG in India, FMCG in sector in India is expected to reach approximately 220-240 USD by 2025. Survival of companies depends upon setting new imperatives that include creating scales, capable partners, with strong governance, invest differently in consumer offers an assortments, leveraging IT, bottom-up market view with an optimal, cost effective distribution model, strategic approach to new emerging channels supported with strong marketing channels. Understanding the demand of consumers provides opportunities for FMCG companies to provide innovative solutions to customers.

III. POTENTIAL FOR AYURVEDA AND RELATED PRODUCTS IN INDIAN MARKET

Originated 5000 years ago, Ayurveda is the world’s oldest healthcare system. This business is growing in a faster phase and is expected to grow as a $5 trillion market by 2050. This industry has its uniqueness to withstand the changes in the macro environment and can reach customers with different demographic profile. However, Indian traditional cure ayurveda is regaining its lost glory with an increasing interest in domestic and west. This phenomenon can be witnessed in the huge comeback of, herbal therapies, natural medicines and yoga centers. Besides these developments in ayurveda, there is a strong support government of India. Report on wellness, a make in India initiative elevated the profile of Ayurveda. The report states “Indian systems of medicine and homoeopathy particularly Ayurveda and yoga are widely recognized for their holistic approach to health and capability for meeting emerging health challenges. These systems are playing an important role in achieving the national health outcome goals of reducing Maternal Mortality Rate (MMR), Infant Mortality Rate (IMR), malnutrition, and anemia. “The reasons for the increasing demand for Ayurveda in India due to changing lifestyle of people, stressful working culture, growing ailments due to less healthy environment. The PWC-FICCI report findings found that traditional products and services continue to appeal to Indian consumers if it meets the present day requirements of customers. The industry that was once the playground for FMCG MNC giants are joined recently by new companies especially to meet the growing demand for ayurvedic medicines included within the broad category of FMCG products. Major suppliers of ayurvedic and related FMCG products include Dabur, Badyanath, Zandu, Himalaya, VICCO labs, Emami. In the words of Devendra Chawala of Future group “Ayurveda is now a strategic element in many FMCG companies. The advantage lies squarely with the traditional companies whose DNA brings the insights of Ayurveda, while others reformulating ayurveda strategy. This strategy was well implemented by Baba Ramdev’s, through his Patanjali ayurveda ltd, a
company build on the basics of ayurveda and Indian ethos. Patanjali's growth was rocketeering and could not have predicted by any FMCGs in India. Pankaj Jindal of reliance analyzed that “we sold close to 5,000 packs of Patanjali biscuits in the first month it was launched, about a few months back. For a brand to have this kind of consumer traction in such a short span is remarkable”. Patanjali is creating more enemies than friends, many FMCG companies feel the heat. According to IIFL Institutional equities report “we estimate the highest impact on Colgate as Patanjali is gaining substantial traction in oral care, followed by Dabur due to multiple category overlap. They commented that Patanjali is injurious to listed FMCGs health.”

IV. JOURNEY OF BABA RAMDEV FROM A YOGA GURU TO THAT OF A BUSINESS GURU

As many entrepreneurs in India Baba Ramdev have a humble background. Born in a poor family at Ali Saiyad Pur village of Mahendragarh District in Haryana. With only education till 8th standard and deeply influenced by a book called “yogik sadan” written by Aurobindo Ghosh, he joined yogic monastery(gurukul) where he studied Sanskrit and yoga. Later he earned a postgraduate degree with specialization in Sanskrit grammar, Hindu philosophy, Yoga, Vedas and Upanishads, this lead him towards a spiritual path he rechristened from Ramakrishna Yadav to Ramdev. Initially he offered free yoga trainings to villagers cross Haryana. He also spent time in Himalayas practicing self-discipline and meditation. In 1995, Achara Karmaveer an expert in yoga and veda and Acharya Balkrishna a physcian with a degree in Aurveda, Baba Ramdev established Divya Yoga Madir Trust in order to promote Yoga. It didn’t take much long for this spiritual yoga guru to reach the hearts of Indian households and foreigners alike. He established Patanjai YOG peeth Trust in the year 2006 with the objective of research and promoting the ancient science Ayurveda. Several other institutions were established by him thereafter with the same objective that includes Patanjali Ayurved college, Patanjali Chikitsalya, Yog Gram, GO-Shala, Patanjali Herbal Botanical Garden, Organic Agriculture Farm, Patanjali Food and Herbal Park Ltd. Divya Prakaashan: “Yog Sandesh”, a, Monthly journal of yoga, published in 14 languages. As a part of international expanding the Patanjai Yog Peeth, he set up a wellness retreat by acquiring a scottish island. However, Baba Ramdev does not hold any stake in Patanjali Ayurveda Ltd. Balakrishna is believed to have 92% and the balance 8% stake is held by Scottish couple. Baba Ramdev was in limelight quite recently for his revolt against black money and Lokpal bill. His close compliance with the present Government and its initiative like “Make in India “boosted the spirit of Baba Ramdev in developing a host of FMCG products for Indian consumers. He had a chance to closely monitor the demands from customers who come for yoga practice. The major turning point of his business is setting up a food park in 2009 utilizing the scheme of the Indian Government, which turned out to be the largest food park in the world spanning over 100 acres and employing 6500 people.

V. CHANGING INDIAN CONSUMERS- INCLINATION TOWARDS HEALTH AND WELLNESS PRODUCTS

Recent past has witnessed a change in the Indian consumer behavior, there is a more inclination towards health and wellness products. Sandeep Ahuja chairman, FICCI National Wellness Committee Opined that “Even as consumer spending has grown at its slowest rate in the last 8 years, the wellness sector has bucked the trend and continues to grow from strength to strength. Resilence in consumer spending on wellness products and services is a reflection of increasing consumer awareness and acceptance of wellness as an integral part of their lifestyle. The 700 billion INR opportunity offered by the Indian wellness industry has sparked the interest of global and domestic entrants into this space, even as incumbents are directing their efforts on scaling up operations”. The drivers attributed to the development in this sector includes consumer spending in wellness products, rising competitive industry, increased availability of funding and the scope for expanding to tier 2 and tier 3 cities. Patanjali basically produces products that suit to the health and wellness industry is therefore an instant clique with the Indian consumers who are looking for a credible pure products. As per the study on health and wellness products by PWC, there is an increasing demand in the following categories Better for you products, Naturally healthy products, Dietary supplements, Fortified foods and beverages as. Patanjali has a competitive edge as they have products catering to all these categories. Another opportunity for Patanjali was changing preference and lifestyle of consumers who are looking for products that positively impact their overall health, looking for natural ingredients with no artificial preservatives. Contains less sugar or cholesterol, dairy based with health benefits, baked instead of deep fried and so on. Patanjali was able to adapt to these requirements of customers quite easily and produce products that suits the consumers immediate requirements and budget. The penetration of internet has helped consumers to research, evaluate and then make purchase decisions, if consumers are convinced they don’t hesitate to promote to different groups. Though multinationals are trying their best to introduce products with these propositions it doesn’t seem to satisfy Indian consumers anymore, they are looking for purity in their...
products. The recent controversy of Nestle Maggi noodles have tampered the belief of Indian consumers on their offerings. With Patanjali products hitting hard on the established players companies like Colgate has recorded worst performance and losing its market share in the oral care category to Patanjali. Nevertheless, FMCG giants are trying their level best to indianize their products ,for instance to cope up with the challenge from Patanjali Colgate introduced toothpaste with neem extract. These changes in the business environment have paved way for Baba Ramdev to grow as a business Guru.

VI. COMPETITIVE ADVANTAGE OVER OTHERS

There are many strategic advantages for Patanjali over any multinational giants that can be viewed from the marketing mix of the company. Patanjali has developed a range of products from toothbrushes to noodles in the market. Many of the products are in close competition with several FMCG Giants like Dabur, Himalaya, HUL, Emami, GSK, who went berserk seeing the growth of Patanjali. His swadeshi campaign has also proved fruitful to improve market for his products.In an interview Ramdev said “Our efforts is to promote swadeshi and give a tough fight to MNCs”. A rare phenomenon in consumer behavior was observed in the case of Patanjali as said by Future Groups Chawala “Consumers buy many categories simultaneously –a phenomenon not seen with other FMCG companies where individual categories gain or lose a consumer to competition”, Patanjali is constantly increasing its product portfolio because of the mass appeal it achieved .Daubur chief executive Sunil Duggal calls “It’s a disruptive Force”. They claim to have done no market research or demand assessment like many other FMCG companies.

Quality products and sustainable solutions are the backbone of Patanjali. For instance, when the Amala framers faced a dire loss in the market Ramdev found a solution of transforming it into amala juice which has several health benefits in traditional ayurveda, which he insisted his yoga practitioners to follow. This product received an overwhelming response from the customers. Instead of spending much on market research or market survey the company spend effectively on R&D ,product development and Quality control. Other advantage lies in understanding the consumers, especially those who are followers of his yoga classes. People trust demonstration, Baba Ramdev utilized his yoga classes for demonstrating his own products at no cost whereas multinationals depend on huge advertising expenditure.

The prices of Patanjali products are lesser than any FMCG products in India because of the sourcing advantage, they eliminate the middle men and procure the raw materials directly and all the essential herbs required by them are produced by themselves. This gives them cost leadership and hence lesser prices. There is stiff competition for patanjali from major companies for its different product categories.ITC is the major competitor competing in three product categories wheat, biscuits, and body care products and DABUR ,HUL,MARICO ,GODEREJ and NESTLE also in different product categories. New players like Sri Sri Ayurvedic products are also picking up in the market giving a siff competition to several FMCGs in the future.

Exhibit I

The greatest advantage lies in the distribution of Patanjali products. It has the advantage to reach out to more than 200 million who are directly or indirectly linked to his yoga programme. Initially products were sold through his own yoga kendras, exclusive outlets ,kirana stores, and recently Future group has entered into a deal with Patanjali to sell its products through its store spread across India, which further intensifies the competition. Currently Patanjali’s distribution network consists of 72 super distributors,1500 Patanjali chikitsalayas,3500 Patanjali Arogya Kendras,2000 distributors and more than 3,00,000 Retailers’ .Future Groups Chawala said” This is the beginning of new wave of home grown brands, we are seeing that both mass and very affluent consumers are picking up Patanjali products”. He also added “he is someone no one has dealt with before and there are no existing analogies which can match him .So we have to deal with them differently”. The biggest advantage in distribution is that his followers are spread across urban and rural alike and many of them started their own outlets in villages, giving Patanjali an advantage of reaching the villages, a dream of every FMCG as huge markets lies in Indian villages.

Patanjali products were sold initially in the market with no advertising; the greatest publicity was by Baba Ramdev himself. His followers who are from different segments of the consumers are best ambassadors for him. This gave him the cost advantage as the products were initially sold without any advertisement. The popularity and followership as yoga guru helped him even to penetrate into the huge rural market where multinational FMCGs were unable to capture even after their long
association with India. However, Patanjali is now aggressively advertising and was a number one spender on advertising recently. The company claims that aggressive advertising will help them retain the existing customers.

**EXHIBIT III - PATANJALI BUSINESS MODEL CANVAS**

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Propositions</th>
<th>Customer Relationship</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic partnership with Retailers (Future Group).</td>
<td>Multi channel formats</td>
<td>Healthy Solution for Indian customers.</td>
<td>Life time partnership with customer through Baba Ramdevs Yoga centers.</td>
<td>Rural customers</td>
</tr>
<tr>
<td>Direct connection with farmers.</td>
<td>Expansion to other categories of products</td>
<td>Purity guaranteed</td>
<td></td>
<td>Urban customers</td>
</tr>
<tr>
<td>Franchisers</td>
<td>Aggressive advertising</td>
<td>Transparent process</td>
<td></td>
<td>Products for age groups from children’s to adults of both gender</td>
</tr>
<tr>
<td>Kirana shops and other distributors</td>
<td>Continuous innovation</td>
<td>Natural and herbal products.</td>
<td></td>
<td>Popular with North Indian Customers.</td>
</tr>
<tr>
<td>Equipment manufacturers</td>
<td>Expansion to other geographic regions.</td>
<td>Swadeshi tag-Made In Bharath.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service providers</td>
<td></td>
<td>Demonstration to consumers.</td>
<td></td>
<td></td>
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<tr>
<td>R&amp;D Partnership</td>
<td></td>
<td>Animal friendly products</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key Resources**

- Support from government-financial assistance under make in India programme.
- Baba Ramdevs Liaison with present government
- Indigenous machinery
- Direct procurement from farmer community.
- Changes in customer behavior towards health and wellness products.
- Tremendous growth opportunities in growth and wellness markets.
- R&D

**Channels**

- Super distributors
- Franchisee models
- Exclusive outlets
- Retail stores
- Yoga centers
- Ayurvedic clinics
- Word-of-mouth
- Online partnership with marketing companies
- Baba as brand ambassador.
- Celebrities to endorse products.
**Cost structure**

| Cost is less compared to many multinational FMCG companies due to cost savings in HR-Training Sadhus as a part of succession planning. Operational cost Marketing Cost Advertising Cost-Initially with no advertising, now backed by McCain and Mudhra. R&D cost. Procurement cost-Less as procured directly from farmers. |

**Revenue Stream**

- Franchisee
- Clinics
- Memberships
- Retail outlets
- Customers willing to pay for purity
- Variety of products
- Expansion plans
- Category extension plans
- Strategic alliances

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**Social cost Benefit**

Entrepreneur – Profit model adapted by him reduce the social cost

**Social Responsibility**

He is a socially responsible entrepreneur, the profit of the company is utilized for socially productive works

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The strategies implemented by Swami Ramdev can be compared with that of Professor C. K. Prahalad's ideas on business and entrepreneurship. Many of Professor Prahalad's key suggestions are seen imbibed in the business model of Patanjali. Baba Ramdev’s sustainable solution keeping in view all the segments of customers have attributed to his success. Baba Ramdev can also be called as a Jugaad Innovator. Navi Radjou, Jaideep Prabhu & Simoe Ahuja in their book on jugaad innovations mentioned the characteristics of jugaad innovator; “jugaad innovator don’t plan – they improvise”. Founders of Patanjali had no plans in advance instead they improvise their course of action as circumstances change, they have thorough knowledge of what they are doing.

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**Exhibit IV: COMPETITIVE ADVANTAGE OF PATANJALI**

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>ACTION PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>New value proposition</td>
<td>Understand the different aspirations, influences and tradeoff this segment. Identified that customers are looking for products mixed with traditional beliefs and trust with 100% purity.</td>
</tr>
<tr>
<td>Low cost differentiation</td>
<td>Position products beyond cost, pricing beyond functional consideration Direct procurement, less advertising and variety of products at lower prices.</td>
</tr>
<tr>
<td>Mass Customization</td>
<td>Simplify the product design for diversity Products are equally acceptable by all segment of customers</td>
</tr>
<tr>
<td>Collaboration with right ecosystem</td>
<td>Understand the new areas which gives you synergy and collaborate Collaborated with the traditional health and wellness system ayurveda.</td>
</tr>
<tr>
<td>Single brand strategy</td>
<td>Easy for customers to identify and familiarize the products. Reduce advertising budget. Consumers show the tendency to bundle all Patanjali products when they make a purchase.</td>
</tr>
<tr>
<td>Efficient Supply Chain-value creation through forward and backward integration</td>
<td>Identify smart way of reaching the customers He has created a value addition chain that benefits suppliers who are basically farmers and using multiple channels to reach potential customers.</td>
</tr>
<tr>
<td>Entrepreneurial development model</td>
<td>Develop new entrepreneurship-profit models Farmers are benefited and profitable contributing to the</td>
</tr>
</tbody>
</table>
Word of mouth marketing | Ramdev himself as the brand ambassador | Trust in Ramdev and his products made Patanjali a household name.

**VII. BOTTLENECKS, CONCLUSION AND FUTURE AHEAD**

It is not smooth riding for Baba Ramdev, he is in the midst of controversy that seems to have no effect on his credibility. However, Patanjali products should protect its Desi tag as their entire business model is based on Trust and Belief of customers on traditional system. The major bottleneck which he is likely to face is likely from the politicians. The changing government policies may be threat to him in the future. The biggest challenge with ayurveda itself is the lack of documented evidence. It is the brand image he has created through his yoga helped him to survive any hurdles, but if he continue to give false claims that are not scientifically proven like guaranteeing a Son, Treating mongoloid children etc may ruin the trust build by customers on him, this may affect his business. Apart from these Patanjali also encountered problems from FICCI and ASCI. However, amidst the controversy; faith of the people in Patanjali products are becoming a household name. There are several areas Patanjali is planning to foray into, that include infant products, products for plants and veterinary products. The competitive edge Patanjali is enjoying cannot be copied by any FMCG companies as it involves, Trust. However, it is the entrepreneurial acumen in this yoga guru made him achieve a niche in Indian Market. Matchstick to that of a university degree, the speed at Patanjali brand has been positioned in the heart of Indian consumers is astonishing. To conclude the entire business of Patanjali is build on three key words Trust, Belief, Tradition and Purity. It is essential for Patanjali promoters to protect these ethos’s.

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