

Changing Landscape Of FMCG Sector: Review Of External And Internal Factors Affecting Short Term & Long Term Growth Trajectory Of An Indian MNC

Dr Monika Jain

Abstract: The FMCG sector has gone through sea of changes over the years. However the most recent one has been the growth of Ayurvedic segment in the Indian FMCG Sector. Patanjali has been the disruptor & a prominent pioneer in this field . It changed the landscape of FMCG sector in India and forced the MNC's and Indian companies to go back to their roots. Ayurveda though had its roots in India but somewhere lost amid the dazzle and shine of products offered by these MNC's. This paper reviews the external and Internal factors responsible for this dramatic shift.PAL has been selected but because it's the first company which witnessed phenomenal success in the shortest time and made MNC's to sit back and, review and revamp their product –mix. At the same time analysis of Long term growth trajectory is also done that as to how market forces behave differently in the short run & Long run.

Index Terms: Ayurveda, Herbal Brands, FMCG,AYUSH, multinationals, Patanjali, health

1 INTRODUCTION

The FMCG sector dominates the Indian economy as its 4th largest sector. The forecast for US\$52.75 billion sector for the current year revenue growth is around 11-12% in FY19. FMCG sector comprises of 3 segments with y Household and Personal Care tops the list by contributing almost 50% of the overall market, food and beverages contributes 19 % of the sector and healthcare 31 %. The FMCG sector registered a compounded annual growth rate of 9.1 in 2016 and is expected to grow by a whopping 20.6% by 2020.The FMCG market is expected to grow to USD 103.7 bn by 2020 from 49 bn in 2016 (Source: Emami Ltd Annual Report FY18). The US\$53 billion FMCG sector is in a transitional phase & is showing clear interest towards the Ayurvedic sector. The fame of Ayurveda has expanded massively on account of developing inclination for natural items. Support of a few prominent otherworldly pioneers like Baba Ramdev , Sri Ravi Shankar and so forth has additionally added to its ubiquity prompting exceptional example of overcoming adversity of PAL. Ayurvedic products which were earlier limited to products like chavanprash, over the Presence of Ayurveda can be traced in almost every segment of FMCG sector ,from shampoos, to skincare creams, oils, to talcum powder to Ayurvedic variant in toothpaste to cleansers to hack syrups, teas, natural juices , and dietary enhancements etc. By the year 2022, Ayurvedic market in India is expected to rise to US\$8 billion. FMCG companies which have ventured in Ayurveda have a wide and better scope as the consumer preference is going more towards natural, organic and Ayurvedic products. The market seems bright for FMCG companies as there is no dearth of varieties and Ayurveda is popular among people.

FMCG companies have introduced competitive prices on their products in this category and the consumption for these has increased. Consumption for such products is higher in urban areas as compared to the rural areas and the gap between these two is going to reduce in coming years with the increasing popularity of Ayurvedic trend. Baba Ramdev not only brought Ayurveda back on the forefront but also gave a makeover . Ayurveda is undergoing a facelift as Indians have rediscovered their affinity for age-old natural and herbal medicine . Through innovation and customization of herbal products for young customers, businesses like Hamdard and Dabur are bringing in their Ayurvedic cold and cough remedy in Afza in tetra packs to chocolate and mango flavors of Chyawanprash. TechSci Research points out that Ayurveda is an expanding market segment in India's FMCG sector and its powerful growth is due to expanding urbanization, improvement in lifestyle, increased awareness of the side impacts of synthetic goods & allopathic medications, etc. New innovations and growing demand in this market segments is attracting FMCG giants players to focus on this Ayurvedic ecosystem. With the growing interest of not only the people but big players of FMCG sector may change the face of Ayush Industry. Multinationals are constantly fighting to increase their revenue and capture more market share in this 1.37 billion populated country. One company which outshined and outperformed and gave these multinationals a run for their money and eventually made them revamp their portfolios is Patanjali Ayurveda Limited Patanjali showed a phenomenal growth trajectory in a very short span of time & arrived at the milestone income of Rs10000cr in FY 2016-17. HUL might be a leader in FMCG products but not in the Ayurvedic space. Patanjali's rapid rise , fueled by a wide range of products with its unorthodox marketing, has disrupted the entire FMCG sector and transformed the industry in a record time and pace. The triumph tale of Patanjali is now the discussion of board debates and case study at leadership universities

2 LITERATURE REVIEW

A study by Indian Brand Equity foundation(2017) concluded that the Indian FMCG industry provides enormous growth

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• Dr Monika Jain, Assistant Professor ,Birla Institute of Management Technology, Greater Noida, India, PH-9212115599. E-mail: monikaj14@gmail.com

potential. According to the study the FMCG sector has been growing at an annual average of about 11 per cent for the last decade. The sector is further expected to grow at 14.7% Compound annual growth rate and is expected to touch US\$ 110.4 billion by 2012-2020. The rural sector is expected to grow 17.7% Compound annual growth rate and is expected to touch US\$ 100.4 billion by 2012-2025. Food products has the lion's share of 43 per cent of the overall market followed by Personal care (22 per cent) and fabric care (12 per cent). According to a report by Nielsen (2014) Fast-Moving Consumer Goods (FMCG) Industry ranks fourth with a complete market size of over US\$ 13.1 billion in 2014 in the economy, and is expected to grow to a US\$ 49 billion industry by 2016. It has a strong presence of multinationals and is characterized by a well established distribution network, tough competition between organized and unorganized sections and low operating conditions. Competitive benefit, unexploited market potential, change in consumption pattern and increase in demand are some of the factor that will further help in the growth of this sector. Categories such as health and wellness, standard of life and comfort have grown because of innovation, variety along with competitive distribution channels. The FMCG sector wants to capitalize on this and shift in preference for nation's oldest medicinal science. According to Karnik (2016), the segment of Ayurvedic products is likely to develop at 15% by 2020 in India. A report by Nomura, the Japanese broking firm, reinstated that the FMCG market has grown at a compounded annual growth rate of 10.7% in the year 2015-16 which includes food and drinks (including confectionery), all packaged food and beverages, personal care Products, household care goods, tobacco & electronic goods. The presence of Ayurvedic / herbal content has not been equal across the board of all the above-mentioned FMCG sub-segments. Its presence is heavily felt in the category of personal care and the sub-segment of food and drinks. Tobacco and electronic goods are anyways out of the brand's jurisdiction and herbal presence in Household items is very less. Presence of herbal & Ayurvedic products is not a new phenomenon on the Indian FMCG market. We had the presence of old & established businesses like Baidyanath, Dabur India Ltd. etc. who not only have their own market share but enjoy customer loyalty as well. Personal Care Products under Ayurvedic brands have really caught the attention of the people and these products have actually giving tough competition to MNC's under this segment and is actually eating their market share. Malviya and Tyagi (2016), noted the demand for herbal shampoos has dramatically increased to 194 percent, while for MNCs, the demand declined to 15 percent from their earlier market share of 21 percent. Demand for Ayurvedic and herbal cosmetics has been increasing at a phenomenal rate. According to Bundhun (2015) the market for herbal cosmetics products in India is likely to develop even more rapidly in the coming years and it will be a while before it becomes too crowded. More than a decade ago, the wider acceptance and popularity of Ayurvedic products started with the market disruption created by Patanjali Ayurved Limited. According to a latest study released by TechSci Research, Market growth is expected due to increased consumer awareness about various natural therapy alternatives, growth of e retailers, and wide variety of products. Demand for Ayurvedic products is higher in the southern and northern regions of the country and the growth in the North is

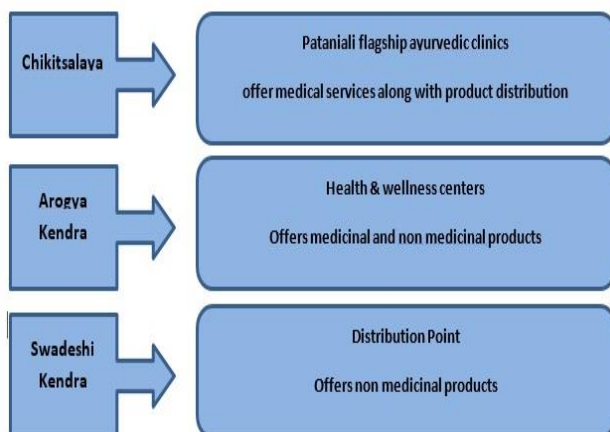
fast emerging as the hub of Ayurvedic products. Together these two regions alone account for almost two-thirds of the Indian Ayurvedic products revenue. P. Pandey and Rahul Sah (2016) in their study on Patanjali said that with lower prices PAL was able to increase its sales but it should focus on the rural sector where there is insufficient demand for patanjali products and also look forward to targeting overseas market alongwith domestic market. The study by M. Rupali Khanna (2015) concluded that the perception of the customer towards a brand is based mainly on the adequate value that users receive after the use of the product. In his study of FMCG products in Siliguri, Shomnath Dutta (2015) concluded that the marketing instruments and strategies have great significance for selling Ayurvedic products and that among the 12 famous Ayurvedic businesses in Siliguri, Patanjali's growth has been commendable in terms of sales, awareness, amount and size of stores. Sajitha S Kumar (2016) in her study revealed that, Patanjali ayurved was targeting 250% revenue growth in 2016 and to achieve his revenue target they have expansion plans of increasing the number of their outlets to 100000 in couple of years. Infact the partnership with future group was sealed for this expansion. Patanjali's growth trajectory has been nothing short of phenomenal. HUL took more than a century to cross the `20,000 crore turnover. On the other hand Amul took over half a century to reach to its present turnover of `30,000 crore. Dabur, Himalaya and Emami which are direct competitor to Patanjali in this sector took many decades to even reach `1,000 crore mark. Modest Beginning- Ramdev, a little known yoga teacher in Haridwar along with his close associate, Acharya Balkrishna, set up Divya Pharmacy, registered under a trust to make Ayurvedic medicines using herbal products. With the increasing popularity of these medicines diversification and expansion was the next logical step. Divya Pharmacy which was founded under the trust became too small for their expansion plans and ultimately leading to the birth of [Patanjali Ayurved Limited](#) as a private limited company in the year 2006. What started in 1997 as a small sized pharmacy, under the aegis of Divya Pharmacy soon became a USD 470 million industry not only surviving but giving tough competition to multinational like that of Unilever, P&G, Nestle, Colgate - Palmolive, Johnson & Johnson. Patanjali Ayurveda Ltd. (PAL), is one of the fastest growing company in the Indian FMCG sector, growing by leaps and bounds in terms of revenue, an exceptional achievement. Internal factors which contributed to the initial phenomenal growth Baba as Brand Ambassador-One of the major factors in Patanjali's side is having Baba as their brand ambassador. He is not only a recognized face in India but across the globe. Patanjali has been able to ride on Baba Ramdev's image of a propounder of a healthy lifestyle and his image of a Yog Guru and a firm believer of Ayurveda and things which are Deshi (Indian). In Indian market where brand ambassadors are looked upon and their personalities supersede products, it's important to have a brand ambassador with mass following. Sri Sri Tattva (previously called Sri Sri Ayurveda) another player in this sector also plans to grow its value chain adding natural ingredients for its personal care and food products line. The basic difference between Patanjali & Sri Sri Tattva is while Patanjali caters to mass Sri Sri Tattva's products cater for an urban middle-class consumer. The firm is not only looking for expansion plan but also increase its revenue. Personal Branding is the Backbone of Patanjali Business. Baba Ramdev, is the face of Patanjali Business. His popularity soared with

mass yoga camps which was broadcasted on major spiritual channels. He became popular because of his success in popularizing the benefits of yoga and giving hope to millions of Indians in a very short span of time. He made people realize the age old benefits of the science of yoga and that yoga can heal every single pain of life. Baba's Twitter following has now surpassed the fan followings of most of the prominent CEOs of the country. So they were able to advertise free of cost as Baba Ramdev promoted Patanjali products during these yoga camps which were attended by thousands of his followers but the same was telecasted on major channels. Again what worked in favour of PAL was single brand ambassador & single brand strategy unlike many brands of P&G and HUL.

Baba Ramdev's Segmented Target-Baba started his journey with educating the senior citizens who are the decision makers in most of the Indian families. The geriatric population who still have a lot influence in the household is the biggest fans of Baba. A unique strategy used by baba was not direct selling of the product but informing the followers about the product. So created a willing-to-buy consumer mass and then launched the product.

Word of Mouth advertisement -By the time Patanjali launched its products, it already had a large volume of influencers on both offline and online realms. A strong wave of word-of-mouth became the strongest element that skyrocketed the sales in just few months.

Distribution strategy – Their distribution strategy rests majorly on word-of-mouth .Patanjali products are sold through three types channels namely Patanjali Chikitsalayas (These are Ayurvedic polyclinics run by entrepreneurs). PAL trains and certifies Ayurvedic practitioners from these stores which help them prescribe Patanjali products. This naturally adds credibility because of the larger than the life impact of Baba Ramdev on Yoga and Ayurveda.The word of mouth of these early adopters, alongwith free medical consultation bring in extra footfalls. Then they are able to skillfully cross-sell pharmaceutical and FMCG products. Once a significant consumer base is developed through these super specialty shops, customers would expect to find Patanjali products in general stores, grocery stores and chemists in their area. Then retailers are compelled to stock up on the products of Patanjali for fear of losing out on the goodwill of a customer even at small margins.



E-Commerce and Scalability-Today, Patanjali products are sold on most of the prominent e-commerce portals and mobile apps like Amazon, flipkart, Bigbasket whose distributor network is highly active and accepted even in the most remote locations of the country, hence boosting the scalability of the Patanjali business.

Smart pricing-PAL has kept the pricing low and a number of factors are responsible for it. Modest salaries, No middlemen, has lower marketing spends, low administrative costs of 2% as compared to industry 10%, low profit margins, local raw materials and overhead cost compared to its peers etc are some of the thrift practices followed and has enabled them keep their prices low for their products. Patanjali also uses simple packaging. Not only this eu natural look appeals to the customer is it cost effective as well. Also they hire the right talent. They do not hire MBA's from top notch Universities but hire science graduates from humble background who can understand and appreciate the products more

Focus on Product Quality- When it comes to FMCG, quality is of primary significance and the most important component. Patanjali products despite their low prices did not compromise on the quality. Even though there were enough competitors for both ghee & toothpaste these two became Patanjali's bestseller.

Product experimentation and innovation-Patanjali began its journey when multinationals were at the top of the game and enjoyed customer loyalty and trust. Despite the competition from the multinationals ,dwindling, Patanjali products have been able to carve a niche for themselves by amalgamation of technology with Ayurveda.

Cultural Appeal-Patanjali products are marketed as historically and culturally rooted in sync with their Swadeshi campaign . As an exceptionally Indian brand, the business caught the attention of Indian consumer projecting the Indianness. It also advertises its products without artificial or synthetic components as eu-natural products. One can not deny that an Indian market still exists. With Swadeshi campaign ,Patanjali products are marketed as deep rooted Indian products sourcing its origin from Indian Ayurveda. The company caught the attention of customers who bwere rying hard to go back to their roots. The fact that an Indian market still exists for eu-natural product & has an appetite for swadeshi products cannot be denied. Patanjali also conducted market research and analyzed that only a few companies manufacture pure Ayurvedic products in the FMCG market. This gave the idea to manufacture natural products .Prakriti ka aashirwaad business tagline is also concentrated solely on natural product As a flag bearer of swadeshi & nationalist sentiments, Patanjali was able to tab similar sentiments among people and that multinationals have done nothing but taken away the wealth like they used to do in the colonial era and at same time have been able to maintain the quality and price of the product

External Factors- Ayurvedic sector is driven by increasing population, awareness of AYUSH medications, enhanced side effects of mainstream drugs, increased expenses of standard health care and public support. India today is one of the world's top exporters of alternative medicines. The major

target for exports involves nations in the United States and Europe, such as Germany and France. The government also supports the sector by investing adequately in AYUSH scientific research, constructing the required infrastructure and regulatory framework.

Political- The present political environment is conducive to the growth of AYUSH products.. So Patanjali's presence & expansion plan at the right time has definitely helped. The Government is not only promoting Ayurveda and Yoga but also has set up a separate ministry for this called "Ayush – Ministry" to promote Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH). Patanjali operates under AYUSH. To encourage traditional medicine, AYUSH ministry gets Rs 1,939.76 crore. Government's thrust towards this ministry can also be seen by the fact that Ayush ministry had an enhanced budgetary allocation of 15% this fiscal year to Rs 1,939.76 crore. Indian customers are generally looking for value of the product and Patanjali has hit the bull's eye by giving high value at low prices. As AYUSH's demand and awareness increase, so is AYUSH's demand for products. International Yoga Day celebration on June 21 is an indicator of AYUSH's increasing popularity. In AYUSH, the government has allowed 100% of FDI. By 2020, the industry is expected to create 1 million direct jobs and 25 million indirect jobs. AYUSH has the potential to strengthen the Indian tourism industry. This industry will also benefit from current government initiatives such as easy visa standards, visa upon arrival, advertisement campaigns, information technology development. The major AYUSH industry hubs in India are Maharashtra, Tamil Nadu, Kerala and Delhi. Major investment opportunities include the manufacture and export of drugs, medical tourism and specialized treatment centers. Annual festivities such as the June 21 International Yoga Day encourage fitness and a healthy lifestyle with natural and herbal products. AYUSH is one of the government's twelve champion services industries. Although more facilities are being developed in the public sector, attempts are also being made in this region to encourage private investment and entrepreneurship

Macroeconomic factors- As Patanjali Ayurved source its raw materials for all their products locally and does not have much share in exports, factors like exchange rates and global recession have no significant impact. Mild inflation has people looking for value products. In addition, India is also witnessing strong growth in per capita income, increasing from Rs.79412 in FY14 to Rs.112835 in FY18 (source: Ministry of Statistics). This is leading to an increase in affluent population and rise in disposable income in general, which in turn is resulting in rise in discretionary spending. With increased per capita income people are looking for a solution to their health issues and are willing to spend on health and wellness products. While the young population is likely to provide the steady growth in revenue for FMCG companies, rising affluence and disposable income level is likely to bring the incremental growth for the sector. With an increase in per capita income people are becoming more and more aware of their well being and are getting into healthy lifestyle.

Health consciousness: Growing population and increasing per capita income, key drivers to any sector has also benefitted the Ayurveda sector. This indicates that the growth

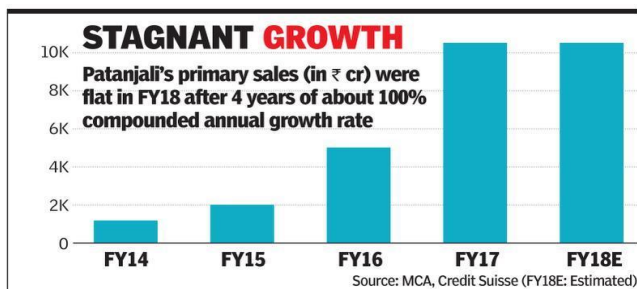
in the non-discretionary consumer demand, like food, healthcare, household and personal care products, are likely to be there for a very long period. Popularity of yoga in the west made our countrymen sit and look back in our culture to find solution to their health issues. According to a report by Confederation of Indian Industry (CII) and PricewaterhouseCoopers (PwC), increased awareness about non-communicable and chronic diseases has led to increased emphasis on lifestyle and wellness. According to this report 7% increase has been there in the number of people using Ayurvedic products from 69% in 2015 to 77% in 2017. Customer preference has shifted towards healthy & natural Ayurvedic goods with more and more report proving the use of unnatural products, processed products. As the world is speedily inclining towards pure and organic stuff, the most ancient science of medicine and healthcare, Ayurveda is reliving with its glory. Many recent studies and report clearly explain that the revival of Ayurveda is not restricted to India and China but from Asia to Africa and North America to Europe, Ayurveda is successful in creating domino impact all across the globe. As per the joint market research of Confederation of Indian Industry (CII) and PricewaterhouseCoopers (PwC), the Indian Ayurveda market is all set to register 16 per cent growth (CAGR) till 2025. At present, the size of the domestic market is INR 30,000 Cr (\$ 4.4 billion), and Ayurveda's market penetration is increasing in both rural and urban areas. The report highlights an increase in the number of people using Ayurvedic products. Patanjali has been able to capitalize this change in consumer preferences. Their rapid development in less than a century has led to a disturbance in the Indian FMCG industry. As a result, the revenues of established multinationals (MNCs) such as Colgate-Palmolive, Hindustan Unilever Limited (HUL), ITC Limited (ITC) and national players such as Dabur India Ltd. and Emami Ltd. have an adverse effect. This resulted their FMCG rivals to launch plans to reinforce their product portfolios in order to compete harshly with PAL.

Nationalism Wave- The nationalism wave has helped to market Indian products and brand names. It makes the consumer more comfortable to experiment with local products, which also ignites nationalistic ideals and gives contentment. The word Patanjali has some profound Indianness connected to it, which attracts the people from pan India at a profound cultural level.

Federal support and regulatory compliance -The Central Acts are in place to regulate the sale and enforcement system of education and exercise, the manufacture of drugs. Ayurveda, Siddha Unani and Homoeopathy drugs are covered by the Drugs and Cosmetics Act, 1940 (A fresh window opens the file referring to the external site). Since most AYUSH drugs are produced of medicinal plant products, the Department has established a National Medicinal Plants Board to support medicinal plant cultivation and guarantee the accessibility of raw material of quality. Since 2002, a distinct National Policy on Indian Medicine and Homoeopathy Systems has been in place

Long term Growth trajectory & Stagnant Growth- A decrease of more than 10% in the Patanjali revenue for the last financial year to Rs 8148 crore has placed a severe barrier to their overall

plan of expansion & growth. Compare the sales growth number in FY18 - at 13.6 per cent - with that in the three preceding years, and the gap tells a story. In 2016-17, Patanjali sales had grown 111.2 per cent, in 2015-16 at 149.3 per cent, and in 2014-15 at 69.4 per cent.



Diversification- The company expanded its portfolio too soon so that to lost is appeal. It was in an unstoppable mode according to its rivals when it diversified further by starting its packaged drinking water, milk and clothing company. In 2016 Patanjali stepped into health food drink (HFD) segment by launching its Power vita brand, competing with GlaxoSmithKline Consumer Healthcare (Horlicks), Mondelez (Bournvit), etc. In 2017 Patanjali Ayurved Ltd, diversified into solar power equipment manufacturing. In 2018 entered the telecom sector in alliance with Bharat Sanchar Nigam Limited (BSNL). Patanjali launched a SIM card in partnership with the government-owned telecom network BSNL. In 2019 Patanjali has acquired Ruchi Soya, a company which owes Rs 9,345 to banks including State Bank of India, Standard Chartered Bank, and DBS. Patanjali has ventured into areas which did not fall into the category of traditional or Ayurveda. One can extend the brand value. Patanjali faces concentrated rivals in sub-brands (Parle and Britannia in biscuits and Unilever in personal care). When competing with so many brands in so many areas under the same brand name, a company can not be the winner in each category. The dynamics of each of these categories are very distinct. The brand's entire ecosystem needs to be looked at to see how much more development can be accommodated in this limitless stretch of Patanjali. Patanjali has not limited itself to just one segment of FMCG but has diversified into other segments like medicines, Ayurveda hospital and a medical college in its campus Patanjali Yogpeeth near Haridwar. Patanjali recently stepped into health food drink (HFD) segment by launching its Powervita brand, which now strongly competes against HFD majors, such as Horlicks maker GlaxoSmithKline Consumer Healthcare, Bournvita Mondelez, etc. With diversification and brand proliferation at this speed puts an immediate question on the quality of the products. Yoga guru Baba Ramdev's fast moving consumer goods (FMCG) company Patanjali, known for its natural beauty and health products, has now entered the Indian telecom market. Patanjali has launched a SIM card in partnership with the government-owned telecom network BSNL. As Patanjali has ramped up its offering to more than 2,500 goods, it has prioritised scale over quality and farmed out production to third parties, which has dented quality.

Brand Fatigue- After the initial euphoria has died down Patanjali is facing brand fatigue which has resulted in because of the absence of innovation in the already existing

products. Rival companies have flooded the market with host of Ayurvedic & herbal products but Patanjali in its quest to diversify ignored product innovation for the existing line of products. Patanjali saw a huge increase in household penetration in calendar year 2017 from 27% to 45%, driven primarily by non-core consumers who purchased the brand's Ayurvedic and natural positioning rather than core supporters. The novelty factor and the buzz around the brand is gradually diminishing as other companies are also offering the same products. Companies like Dabur started focusing on protecting market share instead of profits in the face of disruption caused by Patanjali.

Inability to crack general trade distribution - Patanjali began by selling its products from its own chikitsalaya network and then spreading to the overall distribution of trade. That's where it was pitched against giants like Hindustan Unilever, Colgate, and Nestle. Patanjali products were accessible in two lakh traditional retail stores popularly known as kirana stores in 2016, according to an ET study. For Colgate and Nestle, the numbers were 47 lakh and 35 lakh, respectively. According to a recent ET Prime report, Patanjali's own chikitsalaya network faces stress as the company is focusing on new distribution and trade channels. The report said Patanjali had developed an uncontrolled hunger for new distributors and new channels of trade, often at the expense of older allies. General trade distribution remains a challenge for the company. FMCG cracks the Patanjali code, naturally.

Poor management of trade channels- Though the company has held demonetisation and the GST responsible for its sharp drop in its growth rate, Experts believe that the reason for this fall has been that Patanjali has somewhere lost its focus. Telecom, security services, and online applications are among the new business areas that it ventured into recently. Constant innovation is a necessity in today's competitive fast-moving consumer goods (FMCG) market. Heightened competition from existing players meant a loss of competitive advantage for Patanjali during the recent quarters. Patanjali products reach close to a million outlets and 10,400 branded stores. A strong distribution network serving rural market, covering modern trade and e-commerce channel is important. Hindustan Unilever (HUL), for example, today gets 1.5 per cent of its sales from online stores," said Roy. Retail reach of HUL, Nestlé, and ITC stood at 80 lakh, 40 lakh and 60 lakh, respectively. In the meantime, Patanjali has worked out a plan to retain an edge in the market. The strategy is to capture the overseas market as fast as possible.

Distribution system- Splitting distribution by product vertical has created an unwieldy system with poor servicing levels, says the IIFL report. That apart, the ordering process has become more complicated now. Gaps in timely servicing have resulted in an increase in the frequency of stock outs in certain categories, which has eventually led to the retailer not keeping that product at all. Servicing problems, according to the IIFL report, are higher for staple foods such as rice, pulses and biscuits, among others. Categories like toothpaste, hair care and ghee have fewer issues.

General trade versus exclusive stores- While Patanjali wants to expand its distribution reach, it is unintentionally alienating its old, loyal retail partners. That apart, broad-basing

of distribution is not happening fast enough. Most exclusive retailers have seen average monthly turnover drop 50 per cent as compared to two years ago, the report says.

Lack of advertising-IIFL believes that Patanjali may be facing a fund crunch and hence is going slow on advertising. Marketing strategies for new launches have been suboptimal, the IIFL report says, with certain products having been advertised even when availability was an issue. "Also, choice of television channels to be used may be driven by various factors other than commercial considerations. Patanjali has been investing heavily in new capacities – Nagpur, Guwahati, Greater Noida – even as capacity utilisation levels at existing facilities are low," IIFL says.

Trade margins-Though the end-consumer demand for Patanjali products remains strong with brand affinity still intact among the loyal consumer base, IIFL's channel checks in Mumbai reveal lower trade margins and lack of schemes in Patanjali products versus others has meant that retailers in general trade do not prefer to push sales of Patanjali products. Categories fronting major servicing issues are staples – wheat flour, rice and pulses, among others.

Regulatory Issues- Many Patanjali products doesnot have necessary from Food Safety and Standards Authority (FSSAI) approval. Despite its inability to secure approvals, the huge price difference up to 40% in some instances has led to customers opting for Patanjali products.

Revamping in the FMCG Industry- Patanjali's rivals retooled their portfolios with their natural-herbal products at similar price points. Patanjali's rise to a Rs 10,500-crore company in a very short span of time made these multinationals shift their focus to Ayurveda or face lost market share. Patanjali faces strong competition from established domestic competitors such as Dabur, Godrej Consumer, Emami, Hamdard, ITC, Dr Vaidya's, and the Himalayan Drug Company who were in the same segment for much longer than Patanjali and had some loyal customers as well and overseas competitors includes Colgate-Palmolive and Hindustan Unilever Limited (HUL) . Dabur India Ltd was founded more than century before in the mid-1880s is one of India's oldest manufacturers of natural/herbal products with a customer base in more than 120 countries. Yet, despite its original focus, Ayurveda was not at the heart of its marketing strategy until recently. That's because since the 1990s, by producing non-Ayurvedic products, Dabur has begun to diversify its initial company. As of 2016, non-Ayurvedic product sales accounted for 40 percent of the complete US\$ 1.2 billion revenues of the company. Despite it started as an Ayurvedic company it soon lost its focus and shifted its base in the face of tough competition given by Multinationals and started diversifying into non-Ayurvedic products. Infact in the year 2016, 40% of their total sales of US\$1.2 billion came from non-Ayurvedic products . However, with Patanjali's fast increase, the firm was compelled to make a U-turn, reinforcing Dabur's image as the first Ayurvedic business in India. Dabur has almost doubled its acreage under cultivation of rare herbs from 2,000 acres to 4,500 and thereby becoming India's biggest farmer of these herbs. In order to combat the marketing model of Patanjali, Dabur eliminated the outsourcing its sale in rural areas to

third party vendors recognizing the strength and potential of rural market. Hul's strategy included relaunching the brand Ayush and started producing a raft of Ayurvedic personal care products, launching Citra, a natural skincare brand and also purchasing an Indian brand of Ayurvedic personal care products Indulekha, for US\$48 million in 2015 to increase its footprint in Ayurveda sector swiftly . Colgate -Palmolive who enjoyed the top position in the oral care sector, launched several products containing herbal components like Cibaca Vedshakti, aimed squarely to counter Dant Kanti ,patanjali best seller and L'Oreal introduced natural ingredient hair care under Garnier Ultra Blends.

Conclusion-Patanjali has reinforced the popular sentiment there is always a scope for disruption at any point in the industry. Notwithstanding the presence of big multinationals ,dwindling demand Patanjali products could still make a mark. It proves that there is always a room for new moats – which are not easy to replicate or compete with. A fall into the ' Icarus Paradox' where in the companies fall after reaching great heights because of the same reason. A host of factors like brand fatigue(too many products under thye Patanjali umbrella),keep up with the distribution system like that of the multinationals, dilution of the brand Patanjali by foraying into non Ayurvedic products, diversification into unrelated products, not been able to withstand the competition given by domestic and international multinationals and recession both global & domestic. While Baba Ramdev has been able to make Indians rekindle their love for this age old Ayurvedic homegrown businesses like Dabur and Hamdard are heading a step further by tweaking herbal remedies to you ng consumers to suit their preferences and liking. Customer tastes and preferences are capricious and can spring up surprises. No matter how popular the products are or how much market share companies have ,they cannot afford to be oblivious to change in customer taste and preferences and need to be proactive to any change coming their way.

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