“PANJALI ARRIVED JUST IN TIME TO RIDE THE AYURVEDA WAVE”

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TDB: What factors contribute to Patanjali’s success?
AJ: The primary reason behind Patanjali’s success is that people – whether in India or abroad – are now more health conscious. Other companies were very tentative in their understanding of the potential of the ayurvedic FMCG market. So, you had companies like Dabur, which started off with ayurvedic products but were not aggressive enough in marketing their products. Patanjali has shown that aggression. There was a wave and Patanjali arrived just in time to ride the wave. The other thing that Patanjali did well was to leverage Baba Ramdev’s popularity among yoga and ayurveda enthusiasts. He has millions of followers across the globe and his relationship with them is very strong. People trust him and that has helped Patanjali grow fast, across markets. Another factor that contributed big time to Patanjali’s success is that Ramdev’s followers became evangelists for Patanjali’s products. They went out and convinced their relatives and friends to buy the company’s products. It was a team of few lakh people marketing for you at no cost. The word-of-mouth has been phenomenal.

TDB: Many FMCG brands are re-entering the ayurvedic products market. What impact will this have on the market?
AJ: Indeed, there will be an impact. With the emergence of Patanjali, many FMCG companies have realised that the ayurvedic products market is bigger than what they thought it to be. Now each one of them is coming up with products in this category. Every FMCG company is working on a brand extension or on launching new ayurvedic products. The competition is going to increase. Going forward, I don’t think Patanjali will be able to grab more market share. Having said that, it will continue to grow because the market will grow. People these days are increasingly demanding ayurvedic and organic products.

TDB: Critics believe that Patanjali’s supply chain is still not robust enough to give established FMCG players a run for their money. Your take.
AJ: This is something that I don’t agree with. As of now they seem to be managing well. To be able to grow to this size, a company necessarily needs to have a decent supply chain in place. It may not be as sophisticated as a HUL or ITC as of today, but Patanjali has certainly managed their supply chain efficiently. It’s hard to believe that they are completely disorganised.

TDB: Is Baba Ramdev big enough a brand to attract consumers beyond the Indian diaspora?
AJ: I am not sure. Patanjali may start off with just Indians and then expand. But, it will not happen very quickly. It will take a long time, and it will have to spend on advertising. Patanjali will have to go the conventional way. That is going to be a long haul. The easy market for the company is where there is a large Indian diaspora. My sense is that he will first go to these markets and then follow the conventional route.

TDB: Patanjali has courted controversy for not receiving Food Safety and Standards Authority of India (FSSAI) approvals. With plans to export, do you see Patanjali changing its strategy to deal with health and safety regulations? Will this impact its expansion plans?
AJ: Patanjali will have to send its products for testing and their plants will have to be inspected. But again, as of now, I do not know much about the company’s international plans. Having said that, there are some markets that do not have that many regulations. So, my sense is Patanjali will first tap those markets. To enter EU and US, the company will have to spend a lot of money. And then there is the risk attached that if its products do not get approval in these markets, it will bring a bad name to the brand. It is going to be a challenge.

TDB: Patanjali is now expanding its manufacturing operations outside Haridwar in four other locations across India, including Noida and Nagpur. From a financial standpoint, can Patanjali manage this expansion spree?
AJ: The company is profitable and have financial sources not linked to it. Although the company is not listed on stock exchanges, if it goes public it will do well. Also, I am not sure if the company is going to manufacture everything in-house or opt for contract manufacturing. Typically, many FMCG companies opt for contract manufacturing. If Patanjali is planning to set up new plants, then yes, that is a lot of money. It may set up an ancillary unit though. That would make logical sense.

TDB: What is the biggest threat for Patanjali?
AJ: I think it’s all about managing ‘organisational capability’. Patanjali has already grown big. And if it grows bigger, the question is can it manage the rapid expansion? Be it an FMCG company or a company like TCS, after a while it’s not just about the product. It is about the entire organisational capability including aspects like marketing, sales, distribution, quality control, etc. If Patanjali doesn’t focus on these aspects, there will remain weaknesses that others may exploit or it may run into problems such as quality issues. Hence, the management needs to focus on building a holistic organisation around these requirements. And it takes years to do something like that.