Ayurveda: A New Mantra in FMCG business

HUL's latest launch or rather re-launch of ‘Ayush’, a set of eight ayurvedic products, centres on ecommerce; these products will be only sold in ecommerce marketplaces. There aren't any foot soldiers gathering feedback from kirana shops in villages and towns for this range either. Feedback is generated online, and customers often leave detailed comments that are gathered by analysts. HUL is investing in owning online search keywords around Ayurveda, testing the market, advertising online and embracing change. With Ayush, HUL is hitting back at the fastest growing FMCG upstart in India, Baba Ramdev's Patanjali Ayurved. While HUL is a giant, expected to touch Rs 35,000 crore in total revenues this fiscal year, the fast-growing Patanjali is eyeing Rs 5,000 crore with a stupendous 150 per cent growth expected this year. With Ayush, an ayurvedic personal care range, HUL can grab some revenues in the core market of Patanjali. Ayush is a decade old brand, once almost dead, that is being revamped. Ayush Therapy Centres, a retail spa-cum-treatment offering, were also launched in 2004 across the country. The network never really took off and HUL was even toying with the idea of killing the Ayush brand. But it had another destiny.

Soon after the launch of Ayush, the ayurvedic products market saw the entry of Patanjali founded by Ramdev's associate Acharya Balkrishna in 1997 as a small pharmacy. Balakrishna owns 92% stake and the rest is held by an expat Indian couple and Baba Ramdev holds no stake in the company. The 'baba' not only became a television celebrity teaching yoga (Patanjali owns 90 per cent in Aastha Channel), but in 2006 it launched ayurvedic medicines and ayurvedic over-the-counter (OTC) products and other consumer foods like ghee, honey and atta, notching up sales of Rs 2,000 crore by 2015. Balkrishna says Patanjali makes high-quality products at affordable rates, which are good enough to sell without much advertising support. "Product development at Patanjali works on three basic principles- competitive pricing, purity of raw materials used and innovation." Instead of outsourcing like established, listed FMCG firms, Patanajli has flourished on a backward integration model, using large tracts of land to cultivate and run its factories. Local sourcing and lack of profit motive has reinvested the gains in building up modern machinery and production facilities to ensure quality. Baba says the quality is better than many established MNC products. Till now Patanjali has spent minimally on marketing and zero on advertising, preferring to rely largely on word-of-mouth via its yoga classes (1 lakh free yoga classes every day across the country). But Ramdev is planning to rope in top advertising agencies like McCann and Mudra to roll out the next phase of expansion. Acharya Balkrishna also explained the 15% profit margin is earned due to less administrative cost around 2.5 % of revenue as compared 10-15% in large companies. The brand has 72 super distributors who distribute to 1500 Patanjali Chikitsalayas, 3500 Arogya Kendras and 2000 distributors who supply to more than 3,00,000 retailers. In October 2015; it has also tied up with the Future Group to sell its products at Big Bazaar and other Future Group stores in 245 cities and towns. Kishore Biyani, Founder and CEO, Future Group says "its competitive pricing is a big attraction. We are creating special and permanent shelf space for some of its flagship products." He expects to start with Rs 80 crore worth of supplies per month from Patanjali.

Patanjali is planning focus on six big product portfolios to drive its growth: a breakfast range including cornflakes, 'healthy' noodles, ghee, Kesh Kanti (hair care products), Dant Kanti (oral care products), which is already a Rs 250 crore range, and Chaywanprash. His unconventional marketing and strong follower base coupled with aggressive pricing helped him overtake established players in ayurvedic FMCG like Emami and Himalaya.

Ayurveda – Growing Bet

Samir Singh, HUL's executive director for personal care who handles Ayush, points to the global trend of 15-20% growth rate and growth in premium segment of the use of herbal and natural products as a trigger for HUL to breathe new --life into the Ayush range; thus justifying HUL's premium positioning of its products. One industry estimate suggests that the natural/herbal personal care market alone in India is worth around Rs 9,000 crore, 20-25 per cent of which are ayurvedic products excluding ayurvedic medicines and OTC ingestibles (including toothpastes) like Chyawanprash. The Indian herbal medicines and personal care products market is fragmented that there is no clear assessment of how big it is. There are thousands of small companies and local units that produce and sell ayurvedic medicines and OTC offerings. The large organised players are Dabur, Emami and Himalaya, which produce both medicines and OTC products. There are premium players like Forest Essentials and now HUL. And then there is the price warrior, Patanjali, most of whose products are 20-30 per cent cheaper than the rest in the market (look at figure- Price Warrior). HUL products are priced at between 2 and 2.5 times the average market price.

Battle-ready: Patanjali & HUL

Patanjali success is not merely a coincidence but a planned strategy which identified consumer market, launched products, made the easy access of the products, made transformations in the products and added categories in products ranges. Will Patanjali be able to achieve the scale it seeks?

By premium positioning, packaging and bringing products onto ecommerce channels only along with online advertising, will HUL defend and lead in ayurvedic segment with Ayush???