**Marketing Strategy - Disruptive Innovation**

**6 lessons that Patanjali teaches India's FMCG sector**

18 Apr, 2016

**Text: Kiran Kabtta Somvanshi, ET Bureau**

A decade ago it was modern trade which changed the way Indians shopped. Then came e-commerce and online shopping.

And this time around it is Patanjali Ayurveda - the latest force to disrupt the branded consumer goods sector.

Its raging popularity and strong brand resonance have some incisive lessons for the Indian fast moving consumer goods (FMCG) sector.

**Brand Premium - What's that?**

A brand doesn't have to charge a premium to resonate better with its consumers.

Patanjali products are cheaper than its peers in the same category.

"The whole logic of brands charging premium and using that premium to advertise more has been turned upside down by Patanjali products", says Milind Sarwate, former CFO of Marico and founder of Increate Value Advisors.

**Product Efficacy - the ultimate USP**

Patanjali has brought the focus back on product efficacy. Rising above the noise of advertising, products have to first deliver value to the consumers.

Ghee and tooth paste are the two most popular products of Patanjali - even though both of these have enough local and multinational competitors in the organised sector.

According to a recent sector report by Spark Capital, while disruption is painful in the short term, it is slated to bring back a key value proposition of FMCG products - product's efficacy.

**A Strong Brand Ambassador**

The fact that Baba Ramdev, a yoga guru himself, promoting the herbal and organic Patanjali products - has proved that celebrity endorsements work if there is a high connect between the endorser and the features of the brand.

The Maggi ban last year had showed how brand ambassadors can receive flak in case the brand falters.

**Consumers have the last laugh**

Emergence of Patanjali helps keep the established players on their toes and provides the consumer the benefit of more efficacious products at lower prices.

It reminds the FMCG companies that peak margins cannot be sustained at the cost of the consumers.

**Scope for Innovation or Disruption**

Patanjali has reinforced that there is scope for disruption at any point in the industry.

Despite the high clutter & penetration and subdued consumer demand, Patanjali products could make a mark.

"This shows that there is always scope for creating new moats - which are not easy to replicate or compete with", says an analyst tracking the FMCG industry.

**Formal managements can over-sophisticate**

The swift rise of Patanjali in becoming a Rs 5000 crore FMCG business in the past few three years dwarfs the performance of FMCG companies that took several years to reach a similar size.

"Formal management structure can at times slow down the growth of the business due to over sophistication," Sarwate says.

Questions:

1. Reasons for success?
2. What should the existing players do to retain their market share?
3. Will it be sustainable – business model?