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PRICING STRATEGY OF FMCG COMPANY:

With special reference to Patanjali Ayurved Limited

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Abstract

Fast moving consumer good (FMCG) is the fourth largest sector in Indian economy. There are many entrants come from national and international market in this sector. Patanjali Ayurved Limited (PAL) is one of the fastest growing Ayurved based FMCG Company established in 2006. Marketing strategy, consumer behaviour, place, price, promotion, product, etc are some of the factors that affect growth of any business. FMCG sector major players in India are; Hindustan Unilever Limited(HUL), Indian Tobacco Company(ITC), Procter & Gamble(P&G), Dabur India Ltd, Colgate-Palmolive India, Patanjali Ayurved Limited, Coca Cola, PepsiCo Inc., Nestle, Britannia India Limited. The study is based on secondary data. The aim of the study is to evaluate the pricing strategy used by the PAL and comparative price analysis of Patanjali products with Dabur India limited; as both are, Ayurved based company. Patanjali Ayurved Limited follows various pricing policies and strategy in their marketing strategy. Discount differential pricing, uniform delivered price policy, even pricing policy, offers and discounts, penetrating pricing strategy are some of the policies and strategies adopted by PAL and Patanjali product prices are lower as compared to Dabur products.

Keywords: FMCG, Patanjali Ayurved Limited, Pricing strategy

Introduction:

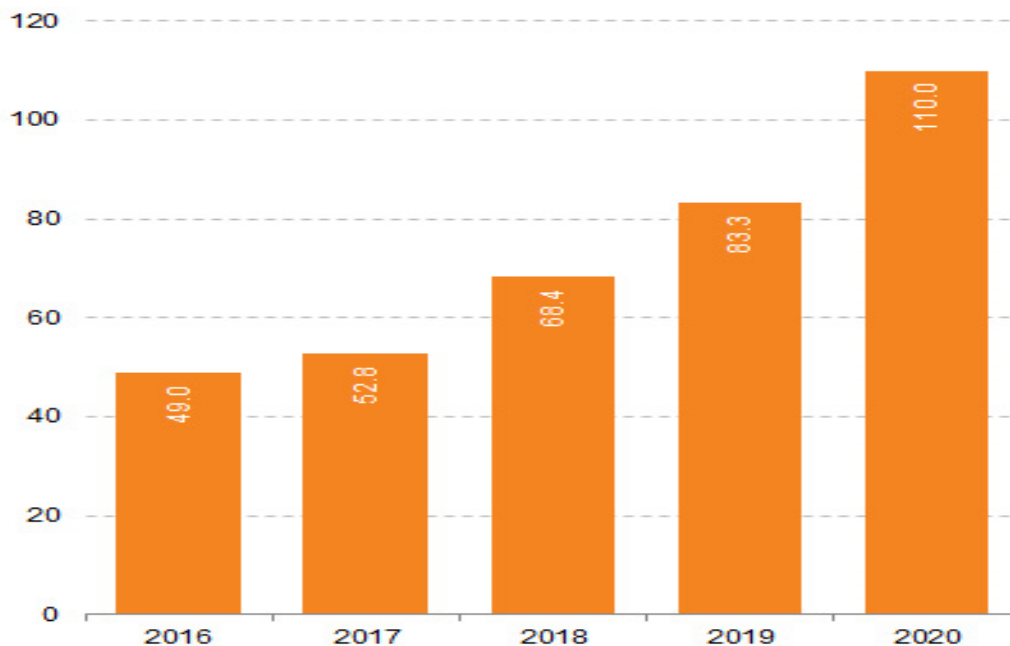
Patanjali is the rising name in the FMCG sector; Patanjali began as a small pharmacy in Haridwar in 1997 and became a company in 2006 to produce a diverse range of Ayurvedic products such as home care, grocery, personal care, food and beverage products through company-owned outlets.¹ It has also positioned itself as a Swadeshi brand, which appeals to a specific consumer group. Patanjali entry into FMCG has placed existing

players in all categories on the high alert. The success of the India's fastest growing FMCG Company Patanjali also depends on the marketing strategy adopted by it.² Consumer buying behaviour depends on various factors such as place, price, product, promotion, psychological factors.³ This marketing mix used by company in proper way make a company from zero to billion.⁴ Marketing Strategy is the process of using the marketing mix to attract and satisfy consumers to make a profit for the organization.⁵ Various types of strategies are there – product line and product mix strategy, Channels of Distribution strategy, pricing strategy, Sales promotion strategy.⁶ Focus of the study is Pricing Strategy and policies adopted by Patanjali Ayurved limited (PAL) and comparative price analysis of Patanjali with Dabur since both are Ayurveda based company.

An Overview of Indian FMCG Sector

The Fast Moving Consumer Goods (FMCGs) sector is the fourth largest sector in Indian economy. Food product is the leading segment accounting more than 53% in this sector. Personal care 20% and fabric care 10% come next in term of market share. The major players in FMCG sector in India are; Hindustan Unilever Limited(HUL), Indian Tobacco Company(ITC), Procter & Gamble(P&G), Dabur India ltd, Colgate-Palmolive India, Patanjali Ayurved Limited, Coca Cola, PepsiCo Inc., Nestle, Britannia India Ltd.⁷

Trends in FMCG revenues over the years (US\$ billion)



Source: <https://www.ibef.org/industry/fmccg>

Patanjali Ayurved Limited

Patanjali Ayurved Limited is a FMCG company established in year 2006 by Baba Ramdev along with Acharya Balkrishna; headquartered in Haridwar (Uttarakhand) India.⁸ Patanjali deals in various product categories such as Natural Food products, Ayurvedic Medicines, Personal care products, Natural health care products, Home care, Patanjali publications, etc. Patanjali sells products that are herbo-mineral and ayurvedic based. At present Patanjali deals in 1000+ products. Patanjali is present in India as well as in global markets in various foreign countries.⁹ Patanjali Ayurved Limited (PAL) entered into the most competitive segment of FMCG industry. There are many competing firms dealing in same category such as, ITC, HUL, P&G, Dabur, etc.¹⁰

PATANJALI PRODUCTS

Natural, Herbal, & Ayurvedic



Source: https://www.google.com/search?q=patanjali&source=lnms&tbn=isch&sa=X&ved=2ahUKEwif7jgkIP4AhUo63MBHUUbAboQ_AUoBHoECAMQBg&biw=1366&bih=657&dpr=1#imgcr=D41_tbMyc46xhM&imgdii=rc-qda8YP_WWVM

Objectives:

- To study the pricing strategies and policies adopted by PAL.
- To study price comparison of Patanjali Ayurved Limited product with Dabur India Limited products.

Marketing Strategy:

Marketing strategy of an organisation describes how the firm will fulfill the needs and wants of its customers. It can also include activities associated with maintain relationship with other stakeholders. Marketing Strategy is a plan of action how the organisation will use its strength and capabilities. It includes primary and secondary target market, branding strategy, product strategy, pricing strategy of product, distribution system, promotion strategy, etc. in this paper focus is on pricing strategy and policies adopted by Patanjali Ayurved Limited.

Pricing policies of Patanjali Ayurved Limited:

Pricing play a vital role in marketing decisions of any company or firm in the same way pricing policies and strategies has an important role in the pricing decision of goods and services. Pricing policies and strategies made considering company's objective, customers need, rivals in the market and product in product life cycle.¹¹ Patanjali uses mix of various pricing policies.

1. Uniform Delivered Price Policy:

Uniform delivered price policy also known as FOR destination price policy. In this policy, company absorbs full transportation cost and transportation cost is included in the product price. As the name depicts uniform price charged from each customer irrespective of location or distance where they live.¹² The customer in any part of country will pay the same price for similar product. Patanjali follow Uniform delivered price policy. As Patanjali, products are available online at their website www.patanjaliayurved.net that is same for all customers in whole country.

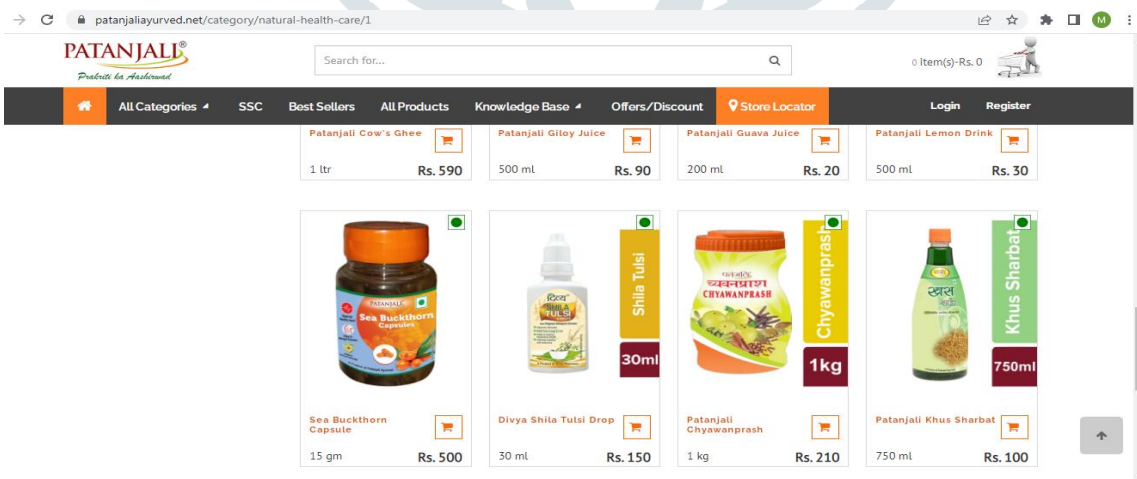


Fig.1 Price of Patanjali products online

Source: <https://www.patanjaliayurved.net/category/natural-health-care/1>

2. Price differential policy:

Price differential policy is useful in providing incentives to customers, to capture market and to achieve financial objective of the firm/company.¹³ Patanjali follow discount differential pricing, various attractive offers and discounts provided to the customers.¹⁴ The reduction in the quoted price is advantageous to the customers, as they need to pay fewer amounts from the quoted price.¹⁵ We can see this clear from the figure below e.g. Patanjali natural water quoted price is Rs. 60 but after discount, it is of Rs. 40.¹⁶

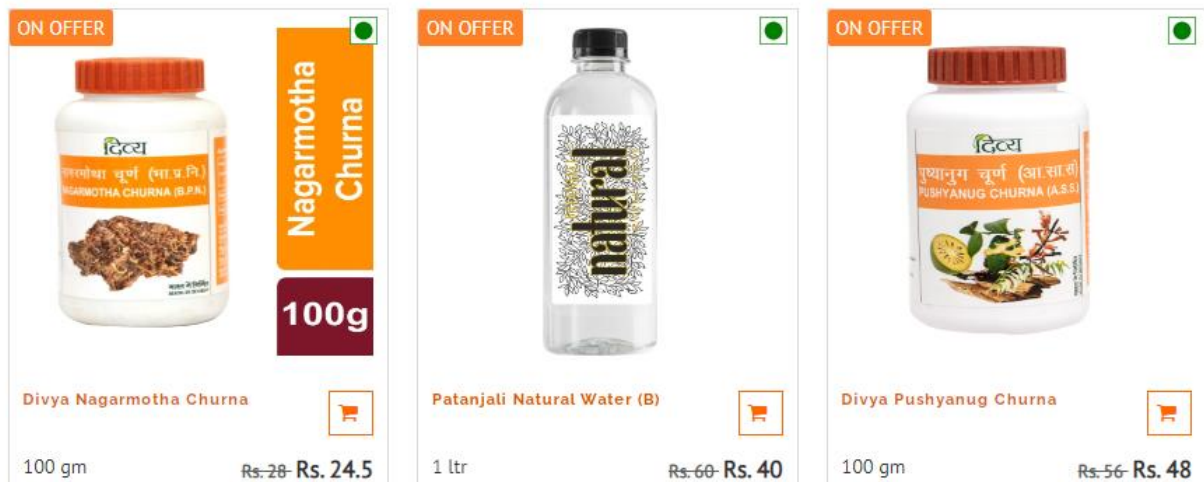


Fig.2 Offers-Discount on various products

Source: <https://www.patanjaliayurved.net/offers>

3. Psychological Pricing Policy:

Psychological pricing policies have an emotional appeal for the customers. In this, price seems to be lower than it actually is. Patanjali follow even pricing policy. It is clear from the picture given below that company is using even pricing, as there is no round of number.¹⁷ Price of Patanjali apple vinegar is Rs 130 not Rs.130.5, 130 is even and 130.5 are odd.¹⁸

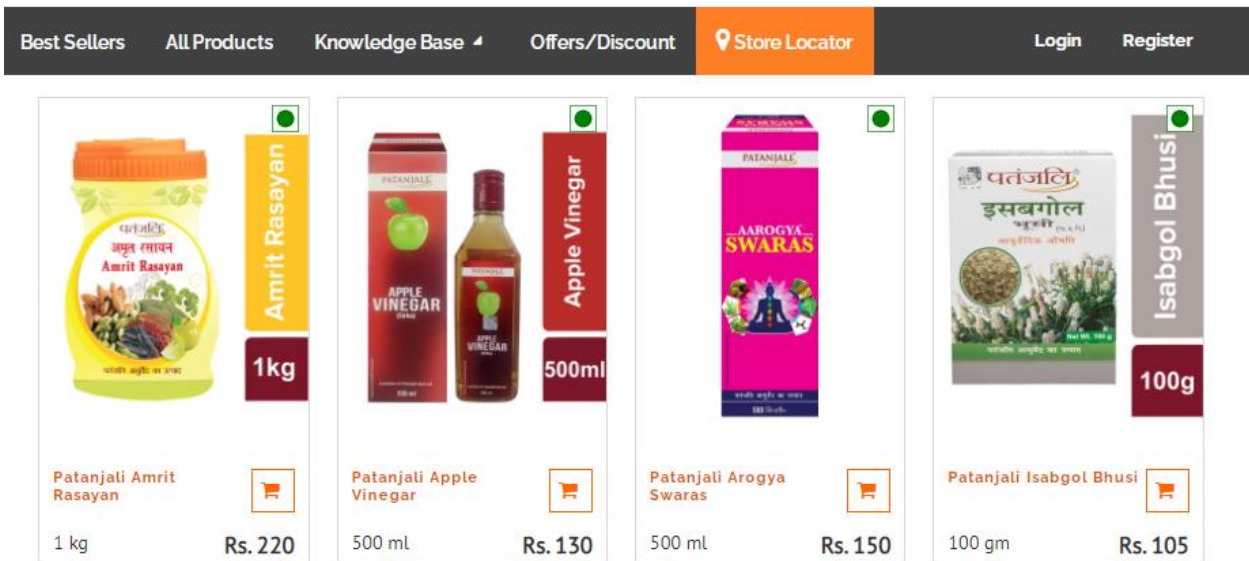


Fig.3 Even pricing policy example

Source: <https://www.patanjaliayurved.net/offers>

Patanjali Pricing Strategy:

Indian FMCG industry is highly competitive and saturated for new entrants. PAL adopted penetrative pricing strategy, as there is very high competition in the market to capture market. Penetration pricing means setting price low initially to capture market share and let be famous with word of mouth and after that increasing price later on.¹⁹ PAL follow penetrative pricing strategy because ingredients are natural and domestic, the cost of the product is lesser too.²⁰

Penetrating Pricing:

Penetrating Pricing (Low Pricing) strategy generally used in following conditions:

- ❖ When there is intense competition in the market for the product.
- ❖ When there is possibility, that product used by the public for daily use.
- ❖ When a substantial economy of scale is achieved and wide manufacturing and distribution is carried out.²¹

Penetrative pricing strategy has many advantages on demand side, it invokes customers to buy product at low price, attracts potential buyers and it leads to publicity through word of mouth (WOM) marketing. On supply side, it leads to economies of scale by large production hence greater cost efficiency and motivation on side of retailers and distributors through large turnover.²²

Patanjali Ayurved Limited deals into various segments hence the pricing Strategy of Patanjali is determined by the competition in the segment. Patanjali noodles compete with Maggi, honey with Dabur honey, toothpaste with colgate, Chyawanprash with Dabur cornflakes with Kellogs, etc. Thus, the prices of Patanjali Ayurved Limited products acquired from segmentation, geography and competition.²³

Keeping in mind Company's objectives, customers, and stage of the product in Product Life Cycle pricing policies and strategies are framed. The Yoga Guru Baba Ramdev uses marketing mix of marketing Savvy and smart pricing. The pricing varies with product to product, some are priced premium (Example: Ghee) and on other categories the product are cheaper compared to competing brand in the market.²⁴

Baba Ramdev one motivation behind Patanjali is 'Upkar' (Favor and help) not 'Vyapar' (Business). PAL objective to provide quality products to the customers at low prices.²⁵

Patanjali provides offers and discounts on various competitive products to attract more people to buy at low cost. Company uses farm to plate method for raw material. It means no intermediaries are involved and raw materials acquired directly from farmers and delivered to manufacturing unit. After from production unit goods are directly transferred to the outlets of Patanjali through its own vehicles. Therefore, elimination of intermediaries reduces cost of production hence lower price of product to the customer.²⁶

Patanjali Ayurved Limited focusing on providing healthier and natural choice to its target market (demographic); category, region, competitive pricing are the factors that affects the pricing of Patanjali product. Natural product are available at lower cost through contract farming with nearby farmers hence, products cost is lower in comparison to international brands.²⁷

Low Pricing and Cost dynamics:

Patanjali is good quality at disruptive pricing. Most Patanjali product prices are on average 10 to 30% lower than that of competitors. This gives them a massive edge, especially in a price-conscious market such as India²⁸.

In a media interview, Balkrishna said that; "We buy raw material directly from farmers and we work on a single channel right from the farmer to the end consumer and that is the real reason why our quality and costs are under control"²⁹

The company's contract farming, sales and distribution methods help it to keep its costs low³⁰. Other factors that contribute to Patanjali's competitive pricing include lower overheads, lower distribution margins, lower advertising, and promotional spending. A large proportion of the India population, especially the middle class, is extremely price-sensitive and looks for quality products at a reasonable price. Patanjali offer products at lower price as compared to other FMCG companies.

Comparison of Prices of Patanjali Ayurved Limited product with Dabur products

Table No. 1

| S.N. | CATEGORIES OF PRODUCT | QUANTITY | PATANJALI AYURVED LIMITED PRODUCT PRICE | DABUR INDIA LIMITED PRODUCT PRICE | Percentage difference in Price |
|------|-----------------------|----------|---|-----------------------------------|--------------------------------|
| 1 | Mixed Fruit Juice | 1 Litre | 95 ³¹ | 110 ³² | 15.78% |
| 2 | Gulabjal | 120 ml | 35 ³³ | 45 ³⁴ | 28.57% |
| 3 | Amla Juice | 1 Litre | 140 ³⁵ | 235 ³⁶ | 67.85% |
| 4 | Shampoo | 200 ml | 85 ³⁷ | 120 ³⁸ | 35% |
| 5 | Hair oil | 200 ml | 85 ³⁹ | 95 ⁴⁰ | 11.76% |
| 6 | Cow Ghee | 1 Litre | 590 ⁴¹ | 610 ⁴² | 3.38% |
| 7 | Tulsi Drop | 30 ml | 150 ⁴³ | 195 ⁴⁴ | 30% |
| 8 | Honey | 500 gm | 180 ⁴⁵ | 199 ⁴⁶ | 10.55% |
| 9 | Chyawanprash | 500 gm | 145 ⁴⁷ | 210 ⁴⁸ | 44.82% |
| 10 | Coconut Oil | 500 ml | 190 ⁴⁹ | 220 ⁵⁰ | 15.78% |

Average Percentage difference in Price= Total percentage difference in price/Total number

$$= (15.78+28.57+67.85+35+11.76+3.38+30+10.55+44.82+15.78)/10= 26.349\%$$

From the above table we can see that Prices of patanjali products are lower as compared to the products of dabur.

Findings:

Pricing policy and strategy plays vital role in success and downfall of any business. Companies goes through various research before adopting any pricing policy and strategy method. As there is immense competiton in

the FMCG industry, any firm/company before entering into the market it under goes indepth study and research.

From the above work it is seen that Patanjali products prices are less as compared to Dabur india Limited. I have made comparitive study of Patanjali and Dabur as both are ayurvedic company. Ten products prices have been taken from patanjali and dabur of similar weight, quantity and same products. It is clearly seen from table Patanjali all products are cheaper than dabur.

Conclusion:

Pricing policy and strategy plays vital role in success and downfall of any business. Companies goes through various research before adopting any pricing policy and strategy method. As there is immense competiton in the FMCG industry, any firm/company before entering into it under goes indepth study and research.

Conclusion drawn from the above study is that Patanjali Ayurved Limited follows various pricing policies and strategy in their marketing strategy. Discount differential pricing, uniform delivered price policy, even pricing policy, offers and discounts, penetrative pricing strategy are some of the policies and strategies adopted by PAL as there is very huge competition in the market. In the Table, no.1 mentioned above Comparison of Prices of Patanjali Ayurved Limited product with Dabur products prices, in which we see a vast difference in price of both. On an average Patanjali product, prices are 26.349 % lower than Dabur product prices. Patanjali products are cheaper as compared to Dabur. Middle class family prefers low price products as compared to products whose prices are high.

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