

“A COMPREHENSIVE STUDY OF CONSUMERS RELATED SALES PROMOTION IN FMCG”**Mahesh A. Mirge**

Sinhgad Institute of Management, Pune

Dr. Satish N. Pawar

Sr. Faculty, MBA Department, Sinhgad Institute of Management, Pune

ABSTRACT

FMCG are products that have a quick shelf turnover, at relatively low cost and don't require a lot of thought, time and financial investment to purchase. The margin of profit on every individual FMCG product is less. However the huge number of goods sold is what makes the difference. Hence profit in FMCG goods always translates to number of goods sold. Promotion is one of the pillars of marketing mix and same way sales promotion is also one of the elements of promotion. With respect to consumer oriented sales promotion there are certain theories narrated as operant conditioning and projective theory. Based on secondary source certain theoretical aspects are also included as a part of study. After then concentration is given to the primary research. It includes the analysis and results of survey which was focuses on consumer's behavior towards sales promotion campaign. The survey was conducted with the help of structured questionnaire. At last conclusion of report, findings and suggestions was given based on study of secondary source as well as primary research. The study reflects that the use of sales promotion undeniably has increased over the years in India. Future holds lot of promise for such schemes across wider range of product-markets. At last this study found marketer tries to increase sales of large pack goods by using sales promotion tactics like price off and percentage extra.

BUSINESS ENVIRONMENT

The growth potential for FMCG companies looks promising over the long-term horizon, as the per-capita consumption of almost all products in the country is amongst the lowest in the world. As per the Consumer Survey by KSA-Technopak, of the total consumption expenditure, almost 40% and 8% was accounted by groceries and personal care products respectively. Rapid urbanization, increased literacy and rising per capita income are the key growth drivers for the sector. Around 45% of the population in India is below 20 years of age and the proportion of the young population is expected to increase in the next five years. Aspiration levels in this age group have been fuelled by greater media exposure, unleashing a latent demand with more money and a new mindset. In this backdrop, industry estimates suggest that the industry could triple in value by 2015 (by some estimates, the industry could double in size by 2010).

In our view, testing times for the FMCG sector are over and driving rural penetration will be the key going forward. Due to infrastructure constraints (this influences the cost-effectiveness of the supply chain), companies were unable to grow faster. Although companies like HLL and ITC have dedicated initiatives targeted at the rural market, these are still at a relatively nascent stage.

The bottlenecks of the conventional distribution system are likely to be removed once organized retailing gains in scale. Currently, organized retailing accounts for just 3% of total retail sales and is likely to touch 10% over the next 3-5 years. In our view, organized retailing results in discounted prices, forced-buying by offering many choices and also opens up new avenues for growth for the FMCG sector. Given the aggressive expansion plans of players like Pantaloon, Trent, Shopper's Stop and Shoprite, we are confident that the FMCG sector has a bright future.

India offers a large and growing market of 1 billion people of which 300 million are middle class consumers. India offers a vibrant market of youth and vigor with 54% of population below the age of 25 years. These young people work harder, earn more, spend more and demand more from the market, making India a dynamic and aspiration society. Domestic demand is expected to double over the ten-year period from 1998 to 2007. The number of households with "high income" is expected to increase by 60% in the next four years to 44 million households.

India is rated as the fifth most attractive emerging retail market. It has been ranked second in a Global Retail Development Index of 30 developing countries drawn up by A T Kearney. A.T. Kearney has estimated India's total retail market at \$202.6 billion, is expected to grow at a compounded 30 per cent

over the next five years. The share of modern retail is likely to grow from its current 2 per cent to 15-20 percent over the next decade, analysts feel.

The Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of US\$ 13.1 billion. The FMCG market is set to treble from US\$ 11.6 billion in 2003 to US\$ 33.4 billion in 2015. Penetration level as well as per capita consumption in most product categories like jams, toothpaste, skin care, hair wash etc in India is low indicating the untapped market potential. Burgeoning Indian population, particularly the middle class and the rural segments, presents an opportunity to makers of branded products to convert consumers to branded products.

India is one of the world's largest producers for a number of FMCG products but its FMCG exports are languishing at around Rs 1,000 crore only. There is significant potential for increasing exports but there are certain factors inhibiting this. Small-scale sector reservations limit ability to invest in technology and quality up gradation to achieve economies of scale. Moreover, lower volume of higher value added products reduce scope for export to developing countries.

The FMCG sector has traditionally grown at a very fast rate and has generally out performed the rest of the industry. Over the last one year, however the rate of growth has slowed down and the sector has recorded sales growth of just five per cent in the last four quarters.

The outlook in the short term does not appear to be very positive for the sector. Rural demand is on the decline and the Centre for Monitoring Indian Economy (CMIE) has already down scaled its projection for agriculture growth in the current fiscal. Poor monsoon in some states, too, is unlikely to help matters. Moreover, the general slowdown in the economy is also likely to have an adverse impact on disposable income and purchasing power as a whole. The growth of imports constitutes another problem area and while so far imports in this sector have been confined to the premium segment, FMCG companies estimate they have already cornered a four to six per cent market share. The high burden of local taxes is another reason attributed for the slowdown in the industry

At the same time, the long term outlook for revenue growth is positive. Give the large market and the requirement for continuous repurchase of these products, FMCG companies should continue to do well in the long run. Moreover, most of the companies are concentrating on cost reduction and supply chain management. This should yield positive results for them.

LITERATURE REVIEW

Consumer promotions are now more pervasive than ever. Witness 215 billion manufacturer coupons distributed in 1986, up 500% in the last decade (Manufacturers Coupon Control Center 1988), and manufacturer expenditures on trade incentives to feature or display brands totalling more than \$20 billion in the same year, up 800% in the last decade (Alsop 1986; Kessler 1986). So far, not much work has been done to identify the purchasing strategies that consumers adopt in response to particular promotions, or to study how pervasive these strategies are in a population of interest. Blattberg, Peacock and Sen (1976) define a purchase strategy as a general buying pattern which "incorporates several dimensions of buying behaviour such as brand loyalty, private brand proneness and deal proneness." A greater understanding of the different types of consumer responses to promotions can help managers to develop effective promotional programs as well as provide new insights for consumer behaviour theorists who seek to understand the influence of different types of environmental cues on consumer behaviour. Blattberg, Eppen, and Liebermann (1981), Gupta (1988), Neslin, Henderson, and Quelch (1985), Shoemaker (1979), Ward and Davis (1978), and Wilson, Newman, and Hastak (1979) find evidence that promotions are associated with purchase acceleration in terms of an increase in quantity purchased and, to a lesser extent, decreased inter purchase timing. Researchers studying the brand choice decision-for example, Guadagni and Little (1983) and Gupta (1988)-have found promotions to be associated with brand switching.

Montgomery (1971), Schneider and Currim (1990), and Webster (1965) found that promotion-prone households were associated with lower levels of brand loyalty. Blattberg, Peacock, and Sen (1976, 1978) describe 16 purchasing strategy segments based on three purchase dimensions: brand loyalty (single brand, single brand shifting, many brands), type of brand preferred (national, both national and private label), and price sensitivity (purchase at regular price, purchase at deal price). There are other variables that may be used to describe purchase strategies, examples are whether the household purchases a major or minor (share) national brand, store brand, or generic, or whether it is store-loyal or not. McAlister (1983) and Neslin and Shoemaker (1983) use certain segments derived from those of Blattberg, Peacock, and Sen but add a purchase acceleration variable to study the profitability of product promotions. Throughout the world, consumer sales promotions are an integral part of the marketing mix for many consumer products. Marketing managers use price-oriented promotions such as coupons, rebates, and price discounts to increase sales and market share, entice trial, and encourage

brand switching. Non-price promotions such as sweepstakes, frequent user clubs, and premiums add excitement and value to brands and may encourage brand loyalty (e.g., Aaker 1991; Shea, 1996). In addition, consumers like promotions. They provide utilitarian benefits such as monetary savings, added value, increased quality, and convenience, as well as hedonic benefits such as entertainment, exploration, and self expression (Chandon, Laurent, and Wansink, 1997).

OBJECTIVES OF THE STUDY

Objectives

- ☐ To study the affect of sales promotion in FMCG sector
- ☐ To identify which medium is affective on consumer in sales promotion
- ☐ To study the brand loyalty of consumer in FMCG sector
- ☐ To understand various promotionscheme and it affect on customer.

Scope

- ☐ The present study can be extaded on the other FMCG product as well.
- ☐ It can be extended to studyof future sales promotion trend coming in FMCG
- ☐ This study can be extended to understand the switchingbehavior of a particular consumer in FMCG sector

RESEARCH METHODOLOGY

Research Approach

There are two major approaches exist in research literature i.e. qualitative and quantitative. For this project the approach used is quantitative approach.

Quantitative Research Approach: - It uses a standard format, with a few minor interdisciplinary differences of generating a hypothesis to be proved or disproved.

METHOD OF DATA COLLECTION

The following methodology has been adopted during undertaking the present study.

Data Collection:-

The Data has been collected from both primary and as well as secondary sources.

- ✓ Primary Data
- ✓ Secondary Data.

Collection Of Secondary Data

Secondary data means data that are already available i.e. they refer to the data which have already been collected and analyzed by someone else. Secondary data may either be published data or unpublished data. Usually published data are available in:

- a) Books, Magazines and Newspapers;
- b) Report and Publication of various associations connected with business and industry, bank, stock exchanges, etc.;
- c) Technical and Trade journals;

The sources of unpublished data are many; they may be found in diaries, letters, unpublished biographies and also may be available with scholars and research workers, trade associations, labour bureaus and other public/private individuals and organizations.

Product categories under study

DETERGENTS: Washing Powder for Clothes

TOILETERIES : Soaps

Research Design

Research design selected for this project is Descriptive.

Data collection Method:

1. Primary Data Collection Method:
 - Survey method was used for primary data collection.
 - We used questionnaire as an instrument for survey method.
 - Structured questionnaire.

- Type of questionnaire: Open ended and closed ended.
2. Secondary Data Collection method:
 - Reference books.
 - Internet.

Sampling Detail

1. Target population: The Population for this research study consists to the residents of Chakan.
2. Sampling unit: In this study the sampling unit is individual consumer.
3. Sample size: 100 consumers .
4. Sampling method: The sample is selected by using convenience-sampling method.

INTERPRETATION

Q1. Which brand of Soap / Detergent do you use?

Bathing –soaps	Respondents
Lux	41
Hamm	3
Lifebuoy	14
Nima	8
Others	34

It shows those consumers' purchase and use of that particular brand. It will help to the company to know the market scenario and the major brands in the market.

Q2. .Which of the following detergent you use for washing the cloth?

Detergent powder	Respondents
Nirma supper	19
Wheel	14
Surf	35
Ariel	18
Others	14

Interpretation:

Form the above result it is clear that out of 100 customers 35 are purchasing the same brand of detergent, whereas all others are on same level.

Q3. Do you always buy the same brand of Soap / Detergent?

Particulars	Respondents
Yes	56
No	44

The objective behind the formation of this question is to know the level of brand loyalty of the consumers towards the brands of soaps available in the market. FMCG are such a market where the level of loyalty remains low and this is because of many reasons.

Q4. Which factors do you normally consider while purchasing a particular brand of Soap / Detergents?

Factors	Bathing soap	Det.powder
Fragrance	19	18
Quality	33	36
Company image	16	13
Price	23	19
Packaging	6	11
Others	3	3

The objective behind this question is to know the effect of influencing factors in the purchase decision of the soaps and detergent powders. It mainly contains the factors like, quality which plays an important role in the purchase decision of the soaps and detergents both.

Q5. Do you consider promotional schemes while purchasing a particular brand of Soap / Detergent?

Particulars	Respondents
Yes	78
No	22

Answer of this question will give idea about the effect of promotional schemes in the purchase decisions. Such types of schemes always attract more and more consumers towards particular brand. Simultaneously it gives idea about the factors which consumers look most in the product before they make final decision

Q6. Which of the following promotional schemes you have come across so far?

Promotional schemes	Respondents
Coupons	16
price off	84
Freebies	24
scratch cards	12
lucky draw	9
Bundling	31
extra qty.	44

The above stated question clearly states the awareness of promotional schemes offered in the market by the marketers to attract more and more consumers.

The results show that price off and extra quantity is the two main offers/schemes which consumers have come across at the time of purchase. It will help the manufacturers and marketers too how too launch their new products in the market with which schemes.

Q7. Which medium do you feel is suitable to promote the various promotional schemes?

Source	Respondents
Radio	11
TV	69
Newspaper	43
Hoarding	15
Others	12

The above result shows TV as the best media to market the product which will cover majority of the viewer ship. On the second place it shows news papers as the media to promote the product in the market.

Q8. Is there any existing scheme on the Soap / Detergent you are currently using?

Particulars	Respondents
Yes	58
No	42

It shows that people are not much aware of the schemes which continue in the market it may be because of the present stock of the product at their place.

Q9. If you get an attractive promotional offer in the product other than of your choice will you switch over?

Particulars	Respondents
Yes	73
No	27

This shows the level of brand loyalty among the consumers. The result clearly shows that out of 100, 73 people are ready to switch over to another brand if they find better promotional schemes which suits their budget means more quantity + less cost + quality.

Combination of all these schemes will run better in the market.

Q10. Give reason for the same?

Particulars	Respondents
Cost+qty	16
Quality	17
Satisfaction	2
Brand loyal	5
More benefit/budget	22
Season change	2
No answer	36

Interpretation:

Above question it gives specific reasons for switching too other products. It shows that extra quantity with less or same price, more satisfaction, quality and other factors influence consumers to switch over too other brands.

FINDING AND RECOMMENDATIONS

FMCG are such a market where the level of loyalty remains low and this is because of many reasons.

- Quality as the most influencing factors in the purchase decision while price is also an important for purchase decision.
- Schemes always attract more and more consumers towards particular brand. Simultaneously it gives idea about the factors which consumers look most in the product before they make final decision
- Price off and extra quantity is the two main offers/schemes which consumers have come across at the time of purchase
- TV as the best media to market the product which will cover majority of the viewer ship. On the second place it shows news papers as the media to promote the product in the market
- People are not much aware of the schemes which continue in the market it may be because of the present stock of the product at their place.
- People are ready to switch over to another brand if they find better promotional schemes which suits their budget means more qty + less cost + quality.
- Extra quantity with less or same price, more satisfaction, quality and other factors influence consumers to switch over too other brands.
- Consumer remember that name of the product by the company name and also from the past performance of that company
- Consumer remembers that name of the product by the company name and also from the past performance of that company

CONCLUSION

The study reflects that the use of sales promotion undeniably has increased over the years in India. Future holds lot of promise for such schemes across wider range of product-markets.

Sales Promotion has ceased to be major differentiator at least in the metros, with almost all companies offering similar freebies and gifts. As a result now marketers have to find out some innovative ways of sales promotion to differentiate from competitors. Currently Price off and Buy one get one free offers are very effective to attract the consumers towards the products.

We have noted that these kind of promotional tools are useful for short term increase in sales and to induce first trial. These types of promotional schemes should be consistent and changed from time to time depending upon season and competitor's schemes.

With the Increasing number of supermarket, the branded packaged goods work as silent sales person. So in such stores, sales promotion plays a more effective role in stimulating consumers' demands.

One of the very important facts we came to know from this project is that sale of goods which contain large quantity and having big packaging e.g. detergent are stagnating because consumer prefer

to buy small pack goods, the reasons are: small pack goods reduce risk of bad quality, It had low cost or say price, and last but important factor i.e. mentality to purchase just to try first. Sales of small pack goods are quite high, but from the company's point of view small pack goods is less profitable compare to large pack goods.

So here marketer tries to increase sales of large pack goods by using sales promotion tactics like price off and percentage extra.

REFERENCES

1. Ailawadi, K.L., Neslin, S.A. & Gedenk, K. (2001) Pursuing the value-conscious consumer: store brands versus national brand promotion. *Journal of Marketing*, 65(1), pp. 71–89.
2. Bawa, K. & Shoemaker, R.W. (1987a) The coupons-prone consumer: some findings based on purchase behavior across product classes. *Journal of Marketing*, 51(4), pp. 99–110.
3. Bawa, K. & Shoemaker, R.W. (1987b) The effects of direct mail coupons on brand choice behavior. *Journal of Marketing Research*, 24(4), pp. 370–376.
4. Bawa, K. & Shoemaker, R.W. (1989) Analyzing incremental sales from a direct mail coupon promotion. *Journal of Marketing*, 53(3), pp. 66–78.
5. Beerli, A. & Martin Santana, J. (1999) Design and validation of an instrument for measuring advertising effectiveness in the printed media. *Journal of Current Issues and Research in Advertising*, 21(2), pp. 11–
6. Lavidge, R.J. & Steiner, G. (1961) A model for predictive measurements of advertising effectiveness. *Journal of Marketing*, 25(6), pp. 59–62.
7. Mulhern, F.J. & Padgett, D.T. (1995) The relationship between retail price promotions and regular price purchases. *Journal of Marketing*, 59(4), pp. 83–90.
8. Neslin, S.A. (2002) Sales promotion. *Handbook of Marketing*, 13, London: Sage, pp. 311–338.
9. Neslin, S.A., Henderson, C. & Quelch, J. (1985) Consumer promotions and the acceleration of product purchases. *Marketing Science*, 4(2), pp. 147–165.
10. Ram, S. & Sheth, J.N. (1989) Consumer resistance to innovations: the marketing problem and its solution. *Journal of Consumer Marketing*, 6(2), pp. 5–14.
11. Rust, R.T., Ambler, T., Carpenter, G., Kumar, V. & Srivastava, R.K. (2004) Measuring marketing productivity: current knowledge and future directions. *Journal of Marketing*, October, pp. 76–89.
12. Schiffman, L.G. & Kanuk, L.L. (2000) *Consumer Behavior*, 7th edn. Upper Saddle River, NJ: Prentice Hall.
13. Shoemaker, R. (1979) An analysis of consumer reactions to product promotions

