Study of consumer oriented sales promotion in FMCG sector

Author: Ravi Sharma, Regional Debt Manager
ICICI BANK LTD, New Delhi
Co-Author: Rachna Arya, HOD Management Dept.
BITS, Mohana, Sonepat, Haryana

Abstract: The term FMCG (fast moving consumer goods), although popular and frequently used does not have a standard definition and is generally used in India to refer to products of everyday use. Conceptually, however, the term refers to relatively fast moving items that are used directly by the consumer. Thus, a significant gap exists between the general use and the conceptual meaning of the term FMCG.

Further, difficulties crop up when attempts to devise a definition for FMCG. The problem arises because the concept has a retail orientation and distinguishes between consumer products on the basis of how quickly they move at the retailer’s shelves. The moot question therefore, is what industry turnaround threshold should be for the item to qualify as an FMCG. Should the turnaround happen daily, weekly, or monthly?

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. 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. Then after 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

Key words: FMCG, Retail Orientation, Projective theory, Consumer behavior

I. Introduction

The term FMCG (fast moving consumer goods), although popular and frequently used does not have a standard definition and is generally used in India to refer to products of everyday use. Conceptually, however, the term
refers to relatively fast moving items that are used directly by the consumer. Thus, a significant gap exists between the general use and the conceptual meaning of the term FMCG.

Further, difficulties crop up when attempts to devise a definition for FMCG. The problem arises because the concept has a retail orientation and distinguishes between consumer products on the basis of how quickly they move at the retailer’s shelves. The moot question therefore, is what industry turnaround threshold should be for the item to qualify as an FMCG. Should the turnaround happen daily, weekly, or monthly?

One of the factors on which the turnaround depends is the purchase cycle. However, the purchase cycle for the same product tend to vary across population segments. Many low-income households are forced to buy certain products more frequently because of lack of liquidity and storage space while relatively high-income households buy the same products more infrequently. Similarly, the purchase cycle also tends to vary because of cultural factors. Most Indians, typically, prefer fresh food articles and therefore to buy relatively small quantities more frequently. This is in sharp contrast with what happens in most western countries, where the practice of buying and stocking foods for relatively longer period is more prevalent. Thus, should the inventory turnaround threshold be universal, or should it allow for income, cultural and behavioral nuances?

**Characteristics of FMCG Products:**

- Individual items are of small value. But all FMCG products put together account for a significant part of the consumer's budget.
- The consumer keeps limited inventory of these products and prefers to purchase them frequently, as and when required. Many of these products are perishable.
- The consumer spends little time on the purchase decision. Rarely does he/she look for technical specifications (in contrast to industrial goods). Brand loyalties or recommendations of reliable retailer/dealer drive purchase decisions.
- Trial of a new product i.e. brand switching is often induced by heavy advertisement, recommendation of the retailer or neighbors/friends.
These products cater to necessities, comforts as well as luxuries. They meet the demands of the entire cross section of population. Price and income elasticity of demand varies across products and consumers.

II. REVIEW OF LITERATURE

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 IJMSS Vol.03 Issue-04, (April, 2015) ISSN: 2321-1784 International Journal in Management and Social Science (Impact Factor- 3.25) A Monthly Double-Blind Peer Reviewed Referred Open Access International e-Journal - Included in the International Serial Directories International Journal in Management and Social Science http://www.ijmr.net.in email id- irjmss@gmail.com Page 509 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)

III. RESEARCH METHODOLOGY

Research Objectives:

- To study consumer preferences with respect to sales promotion in FMCG sector.
To examine tradeoffs, relative importance of different attributes while responding to a sales promotion offer.

To study the effect of sales promotions in FMCG sector esp. in soaps and detergent industry.

To study consumer behavior in purchase of soaps and detergent

**Product categories under study**

DETERGENTS: Washing Powder for Clothes

TOILETERIES: Soaps

**Research Design**

Research design selected for this project is Descriptive.

**Data collection Method:**

- **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.

- **Secondary Data Collection method:**
  - Reference books.
  - Internet.

**Sampling Detail**

- **Target population:** The population for this research study consists of the residence of Delhi.

- **Sampling unit:** In this study the sampling unit is individual consumer.

- **Sample size:** 100 consumers 100 retailers.

**Sampling method:** The sample is selected by using convenience-sampling method.
IV. Analysis & Interpretation

With the help of a structured questionnaire filled by 100 Consumers and 100 retailers it was analyzed that the consumers’ future expectations from the whether company to come with new schemes or continue with present one. It shows consumers demand which the manufacturers have to meet.

Retailer suggested that packaging should be further improved and used as promotional tool, to encourage sales during certain periods the company should provide price off or extra quantity because that influences directly to the consumer.

SWOT Analysis of FMCG Sector

Strengths:

- Well-established distribution network extending to rural areas.
- Strong brands in the FMCG sector.
- Low cost operations.

Weaknesses:

- Low export levels.
- Small-scale sector reservations limit ability to invest in technology and achieve economies of scale.
- Several “me-too” products.

Opportunities:

- Large domestic market.
- Export potential.
- Increasing income levels will result in faster revenue growth.

V. Findings of the report:

Sales Promotion, a short-term inducement, offered to a consumer or trade has gained momentum as a promotional tool world over. It represents nearly three fourth of the marketing budget at most consumer product companies. Sales promotions can enhance consumers’ self-perception of being “smart” or a “good” shopper.
• 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 came 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.

• 1+1 or 2+1 or other free schemes are more demanded and more aware schemes in the market.

• People are ready to switch over to another brand if they find better promotional schemes which suits their budget means more qyt + less cost + quality.

• Extra quantity with less or same price, more satisfaction, quality and other factors influence consumers to switch over too other brands.

• Retailer stocks all types of soap and detergent because of competition.

• People are more quality and price oriented.

• 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.

• Retailers are not suggest to purchase particular brand because of personal relation or that customer are brand loyal.

• Margin and of better relations with consumers and too provide quality product to consumers they suggest consumers too bye particular brand.

• Customers are looking for any type of the promotions on the product before them going to purchase.
VI. Recommendations:

The findings of the empirical study indicate that unless the brand to be promoted is in the consideration set of the consumer, sales promotion by itself is unlikely to have any major impact. Clearly this shows that managers need to invest into brand building exercise so that his/her brand appears in the consideration set of the target consumers. Only after this should he spend time, money and energy on sales promotion activities.

Sales promotion should not be used in isolation but need to be integrated with other tools and in line with the overall positioning of the brand. Also the importance of the role of mass media came out clearly in the study.

Companies need to create sufficient awareness about sales promotion schemes through mass media in order to create awareness. FMCG products are low involvement products characterized by switching behavior. Also the person going to the shop for the purchase of soap is the final decision maker of the brand. Hence it is essential that companies need to design attractive, striking, visible POPs for scheme announcements.

VII. 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 Bye 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.

VIII. REFERENCES

BOOKS


WEBSITES

- http://www.nirma.co.in_files
- http://www.hul.co.in_files
- http://www.pg-india_files
- http://www.godrej_files