AUGMENTATION OF PROMOTION SENSITIVITY FOR FMCG IN INDIA

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ABSTRACT

In the era of hyper competition, market today has become an arena of promotion where product managers have to face enormous pressure to boost sales volume of their products. Most of the companies depend on sales promotion as it is considered to be effective short-term sales tool. Nowadays sales promotion tools are applied by majority of marketers may be producers, distributors, middlemen, retailers or non-profit organisations. Today, on an average FMCG companies allocate its 74% of all marketing budget in sales promotion. Sales promotion are generally more effective when used with advertising, personal selling and other promotional tools. Sales promotion may include many tools, most of the common and effective sales promotion tools are- Consumer Promotion Tools, Trade Promotion Tools and Business Promotion tools. In this paper an attempt has been made to analyze promotion sensitivity on FMCG consumers in India.

Keywords: Promotion-Sensitivity, Consumer, Sales-Promotion, FMCG, India

INTRODUCTION

The term ‘Fast Moving Consumer Goods’ (FMCG) is easy to understand but hard to define. FMCG is by and large used in India for products which are used in our day to day life. In general they are those goods which require less shopping and decision making efforts and used directly by end consumers. It may include any kind of goods bought frequently. Now a days it has become synonymous for consumer goods. Consequently, there is a significant gap between the common use and the conceptual connotation of the term FMCG. In recent marketing trends, majority of FMCG companies do consider sales promotion being an
integral part of their overall marketing strategies. From the study it is apparent here that consumers positively respond to the sales promotion campaign of the companies, but there is still a group of loyal customers who sturdily prefer to attach to a brand name instead of availing promotional benefits.

OBJECTIVES OF THE STUDY

- To examine consumer preferences to sales promotion in FMCG sector.
- To study growing needs of consumer oriented sales promotion in FMCG.
- To find out tradeoffs, relative importance of different attributes while reacting to a sales promotion offer.
- To study the outcome of sales promotions in FMCG sector.
- To study consumer behavior in purchase of FMCGs.

METHODOLOGY

Present study is based on Secondary Data Collection method for which data have been taken from Reference books, Published articles & Journals and online resources from around the world of internet. Further data have been analyzed with the help of Statistical tools like Mean, Percentage and IT tools like MS Excel, MS Word.

REVIEW OF LITERATURE

In his research paper, Preeta H. Vyas (2005) found that sales promotion offer which is unique, which offers immediate incentive specially of price reduction nature is effective in almost all segments, he further observed that behavioral or psychographic way of segmentation is helpful to captivate more consumers to sales promotion offer\(^1\).

Venu Gopal Rao, (2009) discussed the three dimensions of sales promotion say Value Consciousness, Deal Proneness and Price Consciousness, all the three dimensions have an impact on Buying intentions, Brand and Store preferences of consumers, further his findings observed differences among consumers on Value consciousness and Deal proneness however no such difference was detected in Price consciousness\(^2\).

Sonal, Kureshi, and Vyas Preeta (2002) found that Sales promotion is not effective when used in isolation instead it should be put together with other promotional tools and in line with the on the whole positioning of the brand. On the other hand role of mass media in this regard cannot be ignored. Companies therefore in order to create awareness should create ample awareness regarding sales promotion schemes through mass media\(^3\).

Mittal, M., & Sethi, P (2011) in their study, found that in India sales promotions do not help in category extension but they are effective measures for inducing brand switching, stock piling, and purchase acceleration etc\(^4\).

INTERPRETATION

**Promotion:** Selling and promotion are often used as synonymous but in real they differ from each other, selling is concerned with the transfer of title of goods from seller to buyer but promotion is used for all those activities which stimulate the demand of the consumers.
According to Philip Kotler, “Promotion encompasses all the tools in the marketing mix whose major role is persuasive communication”.

PROMOTION AS ONE OF THE FOUR P OF MARKETING

Further Promotion includes several tools, following are the common effective promotional tools;
- Advertising
- Direct Marketing
- Personal Selling
- Sales Promotion

SALES PROMOTION

Sales promotion is a short term incentive to be a magnet for the purchase or sale of products and services. It includes all activities that are performed by the producers or by dealers or by businessmen to boost its sale over a period of time. Purpose behind sales promotion is to motivate and persuade the consumers to buy a certain product and to encourage repetitive purchase of that very product. As Sales Promotion is extensive term it includes;
- Consumer Oriented Sales Promotion
- Trade Oriented Sales Promotion

From above promotional tools Consumer Oriented Sales Promotion is the focal area for this study. Gone are the days when Sales Promotion was used by marketer for a short term benefit only, in modern ever changing marketing scenario sales promotion now is considered as an integral part of promotion strategic.

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<td>2. Product trails</td>
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**Source:** Marketing Management: Strategies and Programmes, J.P Guiltinan and G.W. Paul.
TOOLS OF CONSUMER ORIENTED SALES PROMOTION

When Sales promotion tools are used to urge short-term customer buying or to enhance long term customer relationships it is termed as ‘Consumer Oriented Promotional Tools’ (Kotler, 2009). A number of tools or techniques are available there to the producers for accomplishing target of sales promotion. These tools should be used taking into account all other factors affecting to it for example cost of product, time, attitude of competitors, availability of goods in market, demand elasticity etc. The most common tools are: Coupons, Price-Off, Payback points, Value Packs, Freebies, Scratch Cards, Sweepstakes, Lucky Draws, Bundling Offer, Extra Quantity etc.

RAPID GROWTH OF SALES PROMOTION

Kotler (2009) highlighted following reasons for rapid growth of Sales Promotion:

- As an internal factor, promotion is an effective short-term sales tool to mitigate enormous pressure of product manager to increase their present sales.
- Externally, in order to differentiate products from its competitors one a company uses sales promotion.
- Due to rising Costs, media clutter and legal handcuffs advertising spell has become ineffective, so companies are applying sales promotion tools as an effective option.
- Competition and globalization have made consumers and retailers more deal oriented, hence sales promotion full-fills their demanding deals.

ABOUT FMCG

Fast-Moving Consumer Goods (FMCG) is also known as Consumer Packaged Goods (CPG). FMCG and CPG are products which are sold swiftly and at comparatively low price. Though there is low profit margin on FMCG products yet retailers generate more revenue as they are generally sold in large quantities. FMCG is also known as low margin and high volume business. Some of the examples of FMCG are: soaps and detergents, non-durable goods like grocery, soft drinks etc. According to Nielsen report (Nov, 2012) two growing shopper segments ‘Low income value explorers’ (L-I-V-E) and ‘first time modern trade shoppers’ (F-T-M-T-S) would add around 3 billion USD in FMCG sales in India by 2015.

CHARACTERISTICS OF FMCG PRODUCTS

- Goods offered under this category are usually of little margin
- Due to high sale volume sellers get a good amount of overall profit.
- It occupies the major portion of individual’s budget.
- FMCG products are purchased frequently without taken much into consideration.
- Most of the FMCG Products are perishable in nature.
- There is a high rate of Brand loyalties among FMCG users.
- These products require enormous amount on advertising and sales promotion.
LEAD FMCG PLAYERS IN INDIA

HUL

Hindustan Unilever Limited (HUL) is India's leading FMCG Company with an experience more than 80 years in India, on an average out of every three Indians two use its product in some or other ways. FMCG of HUL includes soaps and detergents, skin care, shampoos, toothpastes, cosmetics, deodorants, packaged food & beverage, ice cream etc. Some of the leading brands of the company are Lux, Lifebuoy, Surf Excel, Rin, Wheel, Fair & Lovely, Pond’s, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Close-up, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall’s and Pureit.

ITC

ITC has rapidly increased its presence in the realm of FMCG businesses consisting of Branded Packaged Foods (Aashirvaad, Mint-o, Sunfeast biscuits, Candyman, Bingo, yippee etc.), Cigarettes (Wills, Gold Flake etc.), Lifestyle Retailing (Wills Lifestyle and John Players), Education and Stationery products (Classmate, PaperKraft, Colour Crew etc.), Personal Care products (Fiama Di Wills, Vivel, Superia and in perfumes- Engage), Safety Matches and Agarbatti (Ship,i Kno, Aim, Mangaldeep etc.), in 2013 it crossed the mark of 7000 crore.

PROCTOR AND GAMBLE

Proctor and Gamble (P&G) is one of the largest and amongst the fastest growing FMCG manufacturing companies in India, comprising Beauty & Grooming, Household Care and the Health & Well Being segment. Some of the leading brands of the company are Pantene, Oral-B, Vicks, Tide, Ariel, Whisper, Ambipur, Olay, Gillette, Pampers, Head & Shoulders, etc.

DABUR INDIA LTD

Dabur India Limited is the world leader in Herbal/Ayurvedic products and the fourth largest FMCG producing Company in India with Proceeds of over Rs 6k Crore & Market Capitalisation of 5b dollars. it operates in key FMCG categories like Home Care & Foods, Health Care, Hair Care, Oral Care, Skin Care,. Some of the popular brands of the company are Chyawanprash, Hajmola Pudin Hara, Dabur Lal Dant Manjan and Dabur Amla hair oil, Dabur Honey etc.

GODREJ CONSUMER PRODUCTS LTD (GCPL)

Godrej Consumer Products Ltd (GCPL) is one of the largest FMCG producer in India, which aims at Household and personal care. Some of the common FMCG brands of the company are Expert hair die, GoodKnight, Hit, Cinthol, Godrej No.1, Nupur, Fairglow face cream, Ezee etc. It is leader in hair die and hair colours with toilet soaps. Four of Godrej brands GoodKnight, Cinthol, Godrej No.1 and Godrej Expert Hair Colour have been ranked among the ‘100 Most Trusted Brands’ in India (Economic Times Brand Equity 2012).
BRITANNIA

Britannia Industries Ltd has been undoubtedly the most recognized and pioneer name in food industries especially in biscuit industries called “Biscuit king”. The company founded in 1892 and still successfully with revenue of Rs. 46.70 billion as on 2011. Britannia has made an anomalous stamp in the spate of other competitive organisations engaged in the same industries in India as well as outside the India. Providing always the best quality has been sparkling factor of the stalking journey of this company. Brands like Creamfruit Marrie with honey and oats, Multigrain Thins & Roasty etc has provided the choice of combination of taste and health.

AMUL

Amul is the leading dairy product co-operative firm in India operated by Gujarat Federation since 1946. Amul has been very much interacted to the thoughts of a common man through its different and interesting advertisement policies. Amul milk, Amul cheese, curd are its main FMCGs.

PROMOTION SENSITIVITY IN FMCG CONSUMERS IN INDIA

The significance of consumer oriented sales promotion in the marketing mix of FMCG category has increased rapidly. Companies are now spending considerable time in planning and executing sales promotion activities effectively. Further we feel these companies should inculcate consumer and retailer need and choice of their desired promotional activities to enhance such effectiveness of consumer oriented sales promotion tools. The present study here concerned to consumer’s perceptions as regards such sales promotion. On the basis of past researches it is clear that promotion itself has an outcome on the apparent value of the brand of a product, it is mainly because consumer oriented sales promotions provide functional benefits in form of monetary savings, value maximization, improved quality and convenience to use as well as some other benefits like entertainment, ascertainment and self-expression of the consumer.

According to Nielsen’s survey (Fig.1.), Loyalty programmes (84%) accounted for major tool of consumer oriented sale promotion, while three-quarters (75%) of global respondents said that discounted or free products was the most valuable loyalty program benefit. Enhanced customer service and free shipping incentives were important to 44 percent and 42 percent of global respondents, respectively. (Nielsen Survey: 2013)
Figure 1: 84 percent of global respondents more likely to visit retailers that offers a loyalty program

IMPACT OF PROMOTIONAL CAMPAIGN

As discussed above, sales promotion campaign efforts complement and reinforce advertising, yet consumer oriented sale promotion may be called as the ‘Plus’ ingredient in the marketing mix and it is indispensable ingredient as it benefits the producers, retailers and consumers; let’s have a look over different perceptions in this regard;

PRODUCER PERCEPTIONS

No need to say that sales promotions incur high long term costs for the company. During Sales promotion offers margins of the product always suffer to cope up with such issues companies need to analyze its cost-benefit before implementing sales promotion in order to minimize cost of sales, in fact such promotional activities have a positive consequences when it is enforced in an interesting manner. Some people consider that sales promotion usually creates a negative impact on brand’s personality and on brand image but reality is that there is no such adverse impact on the contrary brands preference score goes up during this period.

RETAILER PERCEPTIONS

When Consumer Sales promotion is on, sales volume becomes almost double in comparison to the pre-promotional period. During promotional offer, a product’s brand preference count mounts up, and consumers prefer a brand over non-promotional brand if they found it being interesting. During promotional period, preferred brand score of a company skip by 5 to 6 per cent. Usually market leaders of FMCG (like HUL, P&G, ITC
etc.) aim at preference score in between of 65-66 per cent, which go up to 70 per cent during the offer.

CONSUMER PERCEPTIONS

Consumer oriented sales promotions are crafted for alluring them to buy the particular goods and services, it provide an incentive to them – both cash and non-cash. During promotional offer, consumers look for some adjustment and refinement in their spending even beyond predetermined budget. In fact these offers provide consumers incentives to Switch.

As per Nielsen’s survey, almost 41 percent of global consumers are of the opinion that a better price persuade them to switch brands, service providers or retailers, 26% advocated for better quality, while 15% believe in better service agreement, on the other hand consumers switching brand for better selection and better features are 10% and 8% respectively.\(^\text{13}\)

![Figure 2: Incentive to Switch Brand](image)

FINDINGS AND INFERENCES

It was found that most of the FMCG companies are spending good deal of money for the sake of consumer oriented sales promotion. Most of them benefited and some of them faced high long term costs, In fact sales-promotion is a short-term device for quick results, while attractive prices may at the outset offer consumers enough inspiration to transform allegiance to a new product, it won’t keep consumers for long. It is like a flash light, it flashes and disappears. During Sales promotion offers margins of the product always suffer to cope up with such issues companies need to analyze its cost-benefit before implementing sales promotion in order to minimize cost of sales, in fact such promotional activities have a positive consequences when it is enforced in an interesting manner. Companies need to get right price-value equation, for this they are suggested to keep plenty of products in their stock during promotional offer. Sales promotion are more effective when used with advertising,
personal selling and other promotional tools This is also suggested to offer a promising shopping experience to consumers to ensure long-lasting customer loyalty.

CONCLUSION

Present analysis reveals that on an average FMCG companies allocate its 74% of all marketing budget in sales promotion. Promotion sensitivity has augmented meaningfully for FMCG in India and Consumers are vigorously looking for them. Promotions have the ability to influence 27% of consumer purchases in stores for FMCG categories. In 2011; 18% of all shoppers said they switch stores for better promotions; this number has increased year on year and in 2014 it surged to 32%17. Consumers are now willing to switch stores for the right promotional scheme, During Sales promotion offers margins of the product always suffer to cope up with such issues companies need to analyze its cost-benefit before implementing sales promotion in order to minimize cost of sales, in fact such promotional activities have a positive consequences when it is enforced in an interesting manner. Sales Promotion is not for a short term benefit only, sales it is an integral part of promotion strategy which need regular follow-up.

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