Impact of Sales Promotion Techniques on Consumers towards FMCG

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Abstract

Sales promotions are generally looked at as tools that undermine the brand; yet a tool that is necessarily meant to speed up sales. Consumer sales promotion take up a large share of the total marketing expenditure despite which it remains an area that still attracts attention as an essential component of the promotion mix meant to increase short term sales. It is therefore not surprising that most of the marketers resort to sales promotions to attract the competitor's market share. The present paper reports the results of the impact of consumer sales promotions on 579 consumers. This study has attempted to explore which sales promotional techniques going to be dominate on personal care products in Fast Moving Consumer Goods.

Defining of Sales Promotion

Sales promotion has been defined as ‘a direct inducement that offers an extra value or incentive for the product to the sales force, distributors, or the final consumer with the primary objective of creating an immediate sale’ (Haugh 1983). Belch and Belch (2003) have proposed a similar definition. The many definitions of sales promotion have a common viewpoint: they all involve a temporary and tangible modification of supply, for the ultimate goal of direct impact on the behaviour of the consumer, retailer or sales force. Within the marketing mix, sales promotion has one of the strongest impacts on short-term consumption behaviour (Laroche Et al. 2003). It is an ‘action-focused’ marketing event (Blattberg & Neslin 1990).

Introduction

Sales promotion as a pivotal component of marketing mix has been heavily used as a major incentive tool to pull consumers to stores and increase short-run sales volumes. Since 1980s, researchers have constantly proposed a variety of concepts to illustrate how sales promotion might affect consumer purchase behavior via overcoming "consumer entropy" (Beem & Shaffer 1981), inviting consumers to engage in transactions (Kotler 1988), heightening the psychological value associated with the transactions (Thaler 1983), or by providing consumers with a script of purchase behavior (Gardner & Strang 1984). No matter what effects of sales promotion would be, all the convictions alleged by the preceding studies indicate that sales promotion may activate or facilitate certain consumer psychological mechanism based on the notion that sales promotion "affects consumer by acting on basic mental processes common to all decisions" (Schindler & Rothaus 1985). Although sales promotion has become a ubiquitous element of consumer marketing, large portions of
ineffective promotional activities indicate a great need of refining and redirecting the focus of the impact sources. Numerous studies have focused on consumer attitudinal and behavioral responses to price promotion and its utilitarian benefits (see Dobson et al. 1978, Gupta 1988).

Sales Promotion for FMCG

Sales promotion in FMCG industries is used to create a temporary stimulus on the sales of a brand by making consumers a special offer. This promotional stimulus is part of the marketing offer made up of factors such as product features and benefits, price, availability, customer service and quality. Consumers are expected to act on this offer, which, in turn, has an immediate effect on the sales rate of an organization.

The fast moving consumer goods sector (FMCG) is witnessing growing use of sales promotion activities all over the world. The sector is characterised by products having low unit value, requiring frequent purchases, consumer behaviour reflecting less loyalty, impulse buying, and low involvement on the part of a consumer. As the risk of purchase is relatively less compared to high involvement buying situation, consumers do not mind experimenting different brands while availing sales promotion. A consumer's decision of which brand to buy and how much quantity of that brand to buy depends on brand-specific factors (e.g. price and promotion of various brands) and consumer-specific factors (e.g. consumer's brand loyalty, consumption rate, product inventory, and sensitivity to price and promotion). Further, long-term marketing activities of brands may alter consumers' sensitivity to short-term marketing actions. For example, extensive advertising over the years may make consumers less sensitive to short-term price discounts. Also frequent promotions of brands make it unnecessary for loyal consumers to switch brands (as it becomes increasingly likely that a deal on the favoured brand will be forthcoming) but makes them more likely to stockpile when their favourite brand is on promotion (because they fulfill a greater portion of their demand in promoted periods). But if there are several brands in a consideration set a buyer does not mind switching among these brands. Blattberg and Neslin (1997) show that majority (more than 60 percent) increase in sales owing to sales promotion comes from brand switching when incremental sales are decomposed into brand switching, stock-piling, and purchase acceleration.

The FMCG category is also witnessing severe competition like Indian markets. A number of sales promotion offers are made ranging from simple price-offs to innovative contests and gift offers to lure deal-prone consumers. All kinds of brands (international, national, regional and local) in a given category design innovative sales promotion offers to attract consumers. For example: in toilet soap category Lux International, Hamam (national), Tulsi Neem (regional) and local brands (unbranded) fight for market share through innovative sales promotion efforts. It would be of interest to both practitioners as well as academicians to find out what incentives are offered to consumers and how much outlay is expected from consumer depending on the terms and conditions of the offer, what kind of relationships exist between size of incentive and brand, its market share, whether a brand is newly introduced in the category or not.
Techniques of Consumer Sales Promotion

Consumer sales promotions encompass a variety of short-term promotional techniques designed to induce customers to respond in some way. The most popular consumer sales promotions are directly associated with product purchasing. These promotions are intended to enhance the value of a product purchase by either reducing the overall cost of the product (i.e., get same product but for less money) or by adding more benefit to the regular purchase price (i.e., get more for the money).

While tying a promotion to an immediate purchase is a major use of consumer sales promotion, it is not the only one. As researchers noted above, promotion techniques can be used to achieve other objectives such as building brand loyalty or creating product awareness. Consequently, a marketer’s promotional toolbox contains a large variety of consumer promotions. The following techniques are followed in general that are

- Coupons
- Free gift offer
- Saver packs offer
- Sampling and free trials
- Free extra product
- Premiums
- Contests and sweepstakes

Review of Literature

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 Liebmann (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).

Research and Analysis

Regression Measurement Model-Overall Sales Promotional Impact-PCP
The below portion of the output shows how Amos arrives at degrees of freedom as the difference between the number of distinct sample moments and the number of distinct parameters that have to be estimated.

**Notes for Model (Overall Impact-PCP)**

**Computation of degrees of freedom (overall Impact-PCP)**

- Number of distinct sample moments: 36
- Number of distinct parameters to be estimated: 16
- Degrees of freedom (36 - 16): 20

**Result (overall impact PCP)**

Minimum was achieved
Chi-square = 344.303
Degrees of freedom = 20
Probability level = .000

**The regression factor model contains the following variables**

**Observed, endogenous variables**

- Free extra Quantity offer PCP
- Price Discount offer PCP
- Consumer Contest PCP
- Free gift offer PCP
- Saver pack offer PCP
- Sweepstakes PCP
- Free samples PCP
- Discount coupons PCP

**Variable counts**

- Number of variables in the model: 17
- Number of observed variables: 8
- Number of unobserved variables: 9
- Number of exogenous variables: 9
- Number of endogenous variables: 8
Regression Weights: (Male - Overall impact PCP)

<table>
<thead>
<tr>
<th>Sales Promotional Techniques</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
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</thead>
<tbody>
<tr>
<td>Price Discount offer PCP</td>
<td>&lt;-- overall</td>
<td></td>
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<tr>
<td>Consumer Contest PCP</td>
<td>&lt;-- overall</td>
<td></td>
<td></td>
<td>.674</td>
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<tr>
<td>Free gift offer PCP</td>
<td>&lt;-- overall</td>
<td></td>
<td></td>
<td>.765</td>
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<tr>
<td>Saver pack offer PCP</td>
<td>&lt;-- overall</td>
<td></td>
<td></td>
<td>.747</td>
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<tr>
<td>Sweepstakes PCP</td>
<td>&lt;-- overall</td>
<td></td>
<td></td>
<td>.806</td>
</tr>
<tr>
<td>Free samples PCP</td>
<td>&lt;-- overall</td>
<td></td>
<td></td>
<td>.604</td>
</tr>
<tr>
<td>Discount coupons PCP</td>
<td>&lt;-- overall</td>
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<td></td>
<td>.654</td>
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<tr>
<td>Free extra Quantity offer PCP</td>
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<td></td>
<td>.672</td>
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</table>

The above table displays the un-standardized estimates, were the path between promotional offers and the overall sales promotional impact got supported significantly, its standard error (abbreviated S.E.), and the estimate divided by the standard error (abbreviated C.R. for Critical Ratio). In the probability value P column, all of the regression coefficients in this model are significant at .01 level. Hence, it is concluded that the overall sales promotion got significantly impacted by price discount offer, Consumer contest, sweepstakes, saver pack offer, free gift offer, free samples, discount coupons and free extra quantity offer.

Standardized Regression Weights: (Group number 1 - overall impact PCP)

<table>
<thead>
<tr>
<th>Sales Promotional Techniques</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
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<td>Consumer Contest PCP</td>
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<tr>
<td>Free gift offer PCP</td>
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<td>Saver pack offer PCP</td>
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<td>Sweepstakes PCP</td>
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<tr>
<td>Free samples PCP</td>
<td>.554</td>
</tr>
<tr>
<td>Discount coupons PCP</td>
<td>.759</td>
</tr>
<tr>
<td>Free extra Quantity offer PCP</td>
<td>.809</td>
</tr>
</tbody>
</table>

The above Standardized estimates allow you to evaluate the relative contributions of each predictor variable namely promotional offer dimensions towards outcome variable namely overall sales promotional impact. It is observed that the free gift offer estimates the overall sales promotional impact to the greatest extent with the standardised regression weight of 0.907 followed by saver pack offers and sweepstakes.
Conclusion

Based on the regression measurement model, researchers were tested for personal care products which reveals that free gift offer dominate among other sales promotional techniques for consumers followed by saver pack offers and sweepstakes.

References

27. Taylor Nelson Sofres (2003) Hong Kong households shop more than ever – but are spending less as bargains abound.