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The Effect of Sales Promotion of FMCG on Consumer's Trial Purchase Behaviour

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Abstract

This paper is an attempt to see the effect of sales promotion of Fast Moving Consumer Goods on consumer's trial purchase behavior in Kerala. Sales promotion is an activity intended to stimulate purchases by adding an incentive to the inherent features of the product or services offered. Most sales promotions have a specific duration. They produce results quickly but once the promotional period is over that incentive induced sales tend to disappear. A properly designed sequence of sales promotion can accomplish various objectives like encourage an initial purchase, foster increased purchases and reward repeated purchase. Fast moving consumer goods (FMCGs) are products that have a quick shelf turnover, at relatively low cost and do not require a lot of thinking time and financial investment to purchase. It refers to a wide range of frequently purchased consumer products including toiletries, soaps, cosmetics, teeth cleaning products, shaving products, detergents, other non-durable such as glassware, bulbs, batteries, paper products and plastic goods, such as buckets. The Fast Moving Consumer Goods selected for the study are Tea, Toothpaste, Cereals and Detergent, representing the four important categories of FMCGs like beverages, personal care products, food and toiletries respectively. Geographically the study is limited to the state of Kerala in India.

Key Words: *Fast Moving Consumer Goods, Sales Promotion, Trial Purchase, Post Hoc Analysis, Inter-Product Analysis.*

Introduction: Kerala, the southernmost state in India, is widely acclaimed for its unique pattern of development. Kerala model development is a much debated topic all over the world and it has been regarded as a model for many other developing societies. Quite often the state with its distinctive socioeconomic and demographic characteristics has been compared with developed nations. Though the state is lagging behind many of the other states in percapita income, agricultural and industrial development, the living standard of the people is relatively high. A high level consumption of food, non-food and non-essential items marks the consumption standard of the people. A considerable part of the Keralite's income is being allocated to purchase of consumer durables and luxuries. Consequent upon this Kerala has been referred to a consumerist society and resemblance with developed nations has been attributed to it. Unlike the developed nations where consumption is an

outcome of industrial development and economic growth, the paradoxical situation in Kerala is that people maintain high standard of living despite of poor economic growth. Economists identify the gulf boom in 1970s and subsequent spurt in the flow of foreign remittances as the single most important reason for the situation.

Sales promotion represents nearly two-third of the marketing budget of most of the consumer product companies. Compared to the West, India is at a lower stage of economic development as shown by macroeconomic indicators such as GDP and percapita income. Consumer disposable income is much lower than that of consumers in the developed countries. Correspondingly the market penetration and the consumption intensity of consumer products are much lower in India as compared to western countries. The Indian retailing sector is also very different from the developed countries. It is largely unorganised with a predominance of small family owned retail stores.

In India sales promotion expenditure by various marketing companies is estimated to be Rs. 5,000 crores and is growing at a rapid pace every year. In the past 3 to 5 years the spending on promotion is estimated to have grown by 500-600 %. In the year 2001 there were as many as 2050 promotional schemes of different kinds in the Rs. 80,000 crores Indian FMCG market. The FMCG companies increasingly use newer tools of promotion like contests and sweepstakes. Consumer sales promotion schemes, to be effective, should be well planned, properly implemented and results correctly measured. Marketers should know which tool is suitable for a particular product and at a particular time to attain a specific objective, how consumers perceive the scheme he is going to implement and the level of attractiveness of the scheme among the consumers. It has been observed that as in the case of advertisement, a promotion clutter has been developed in the case of fast moving consumer goods category, which makes the promotion efforts less effective.

Fast moving consumer goods (FMCGs) are products that have a quick shelf turnover, at relatively low cost and do not require a lot of thinking time and financial investment to purchase. According to *Wikipedia Encyclopedia* Fast Moving Consumer Goods is a classification that refers to a wide range of frequently purchased consumer products including toiletries, soaps, cosmetics, teeth cleaning products, shaving products, detergents, other non-durable such as glassware, bulbs, batteries, paper products and plastic goods, such as buckets. In the words of Philip Kotler the FMCG is characterised by products having low unit value and requiring frequent purchases and consumer behaviour reflecting less loyalty, impulse buying and low involvement on the part of a consumer.

The Indian FMCG industry is a fast growing sector, which is characterised by the presence of a large number of multinational companies, well established distribution networks and intense competition between organised and unorganised segments. It is the fourth largest sector in the economy with a total market share in excess of US \$ 13.1 billion. Many new players entered the sector with a variety of products leading to cutthroat competition. The result was that no company is able to charge a good price for their products and make a reasonable profit.

Review of Literature: The dynamic nature of sales promotion has inspired many researchers to conduct studies on various problems associated with sales promotion. Sales promotion may be directed to consumers, business buyers, sales force and traders or channel members. Consumer directed promotion schemes are the most widely researched topic. Studies involving different tools of consumer promotion, their impact on consumer's decision, behavioural response and perception, etc. were done on many occasions. The whole studies were classified into four broad categories as Studies on Consumer Promotions, Sales People Promotions, Trade Promotions and Other Studies Related to Promotions. A sub division of the consumer sales promotion literature in to Impact Study,

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Perception Study and Evaluation and Relationship Studies is also done with a view to simplify the presentation.

Almost all consumer sales promotion tools in use were subjected to research on different occasions in different countries. Coupon is the tool, which is studied in maximum number of cases. Next to coupon, price-offs and premiums are other important tools received researcher's attention worldwide. Several studies were also conducted on product bundling strategy, price matching refund policies, gifts and compliments and contests and sweepstakes.

Several studies related to the planning, implementation and evaluation of promotional schemes involving more than one element of promotional mix i.e., advertising, sales promotion and personal selling, were also studied in the context of the research.

Most of the studies conducted so far on sales promotion were done in developed countries. Studies reported from developing countries are very limited. Planning aspect of promotion received maximum attention of researchers. A few studies conducted in India were also reviewed. Most of these studies are by marketing faculty members of the Indian Institute of Management, Ahmedabad. Priya Jha Dang, Abraham Koshi and Dinesh Sharma presented an empirical view of various sales promotions launched in the market for the period, 1996-2003. Preeta Hemang Vyas examined the ratio of incentives and outlays when consumers buy fast moving consumer goods under various sales promotion offers. In another study the same author attempted to study consumer preference with regard to sales promotion in FMCG category. In 2004, Preeta Vyas reviewed recent contributions in the area of sales promotion through Meta-analysis. Along with Kureshi Sonal, the same author conducted some other studies on sales promotion. K.M. Krishnakumar conducted the only study in Kerala on sales promotion. The researcher studied consumer's perception about sales promotion strategy adopted by marketers of fast moving consumer goods in Kerala.

The Research Problem: Sales promotion is an activity intended to stimulate purchases by adding an incentive to the inherent features of the product or services offered. Most sales promotions have a specific duration. They produce results quickly but once the promotional period is over that incentive induced sales tend to taper off. A properly designed sequence of sales promotion can accomplish various objectives like encourage an initial purchase, foster increased purchase and reward repeated purchase. Sale promotion often results in large sales effect for a promoted item. Sales promotion technique is one of the strategies that help FMCG companies to get a better market share for its sustainable growth. The present study is a step in this direction. Specifically it examines the possibility of trial purchase due to sales promotion and evaluates the effectiveness of sales promotion tools in motivating trial purchase. Hence, this study has been undertaken to offer a few suggestions to marketers on how to improve their consumer sales promotion strategy.

Objectives of the Study: The broad objective of the study is to know the effect of sales promotion on consumer's buying and consumption behaviour. It specifically centers on the following objectives.

1. To evaluate the possibility of trial purchase due to sales promotion
2. To study the effectiveness of sales promotion tools in motivating trial purchase
3. To offer a few suggestions to marketers on how to improve their consumer sales promotion strategy.

Hypothesis:

H.0: There is no significant difference in the effectiveness among important sales promotion tools in initiating trial purchase or making category expansion.

H.1: There is significant difference in the effectiveness among important sales promotion tools in initiating trial purchase or making category expansion.

Research Methodology: The study is designed as a descriptive one based on primary and secondary data. The study is mainly based on primary data collected from consumers of Fast Moving Consumer Goods in Kerala. Secondary data relating to the study have been collected from various Journals, Textbooks, Periodicals and Dailies. For the purpose of collecting data a Questionnaire and Structured Interview Schedule were used.

The data were collected from the respondents directly through an undisguised personal interview by the researcher himself. Multistage sampling technique was adopted to select the required number of respondents from different parts of Kerala. The state is divided into two equal parts on the basis of number of revenue districts. Southern districts including Thiruvananthapuram, Kollam, Pathanamthitta, Alappuzha, Kottayam, Idukki and Ernakulam constitute the first part. The second part comprises of districts like Thrissur, Palakkad, Malappuram, Kozhikode, Wayand, Kannur and Kasargode. From each part one district is selected randomly viz. Ernakulam and Malappuram. From each of the selected district 200 respondents were selected after giving due representation to the diverse groups of consumers. Altogether there are 400 respondents who represent a cross section of consumers of fast moving consumer goods in Kerala.

To understand the veracity of data, mathematical and statistical tools such as Percentages, Standard Deviation, Mode, Chi-square test, t-test, One-Way ANOVA, Least Squared Deviation (Post-Hoc), Correspondence Analysis were used.

Analysis and Interpretation: Consumer sales promotion of FMCGs has both short-term and long-term objectives. Short-term objectives include warding off competition by loading the consumers, initiating trial purchase of the brand in a highly competitive market and clearing out stock during the off-season. Long-term objectives include building brand image, loyalty and category expansion. Successful sales promotion creates additional revenue to the marketer or helps to maintain current revenue. While switching in favour of the marketer's brand, stockpiling and consumption acceleration help the former, preventing a switch out by using an appropriate promotion strategy is required to attain the latter.

Four products, representing four important categories of fast moving consumer goods, have been selected in order to study the effect of sales promotion on customer's buying and consumption behaviour. These products are Tea, Toothpaste, Cereals and Detergent representing beverages, personal hygiene, food and toiletries respectively.

Trial Purchase Due to Sales Promotion: Trial purchase is one of the most important objectives of sales promotion in the case of fast moving consumer goods. This is necessary when a new brand of a mature product is introduced in a highly competitive market where penetration in to the market is possible only through some attractive offers. Distributing samples of the product, giving gifts and complements and providing deep discounts are some of the tools generally adopted by marketers to achieve this objective. It is also possible that the consumers of a product buy its substitutes if it is suitably promoted. For example, occasional buyers of tea may buy an attractively promoted brand of the product instead or along with his regular beverage of coffee; regular consumers of toothpaste may buy toothpaste; buyers of unbranded cereals may buy a promoted brand of the product; and users of soap powder or cake may switch over to detergent. This phenomenon, which is also called category expansion, is a component of trial purchase. In this study category expansion and trial purchase are considered as one and the same.

Consumer's possibility of making a trial purchase of the selected products under sales promotion offers was measured and recorded in terms of certain levels or degrees. Accordingly there are five different groups of consumers: - (1) consumers who will never make a trial purchase of a promoted brand; (2) consumers whose possibility of making a trial purchase is less than 25 percent; (3) consumers whose possibility of making a trial purchase is 25 to 50 percent; (4) consumers whose possibility of making a trial purchase is 50 to 75 percent; and (5) consumers whose possibility of making a trial purchase is above 75 percent. For the convenience of analysis and reporting the above groups were renamed as 'no possibility group', 'very low possibility group', 'low possibility group', 'high possibility group' and 'very high possibility group' respectively. The following table contains data relating to the consumer's possibility of making a trial purchase of the promoted brand of tea, toothpaste, cereals and detergent.

Table 1
Possibility of Trial Purchase Due to Sales Promotion

Level of Possibility	Tea		Toothpaste		Cereals		Detergent	
	No.	%	No.	%	No.	%	No.	%
No Possibility	295	73.6	263	65.6	289	72.1	251	62.6
Very Low Possibility	76	19.0	69	17.3	79	19.8	78	19.5
Low Possibility	9	2.3	41	10.3	11	2.8	37	9.3
High Possibility	9	2.3	17	4.3	9	2.3	15	3.8
Very High Possibility	11	2.8	10	2.5	12	3.0	19	4.8
Total	400	100.0	400	100.0	400	100.0	400	100.0
Mode	1 st item							

Source: Survey Data

The table 1 provides the following information:

Tea: Consumer's possibility of making a trial purchase of a promoted brand of tea is either zero or very low. 73.6 percent respondents are of the view that there is no possibility of purchasing a new brand or the product for the first time due to an offer and 19 percent opined that there is very low possibility in their case. Higher-level possibilities are very limited. As the model value is computed as the first item it can be concluded that there is no possibility of trial purchase of tea on account of a promotional offer.

Toothpaste: The possibility of making a trial purchase of a promoted brand of toothpaste is higher than that of tea as is clear from the table. While 65.6 percent of respondents answered quite negatively, 17.3 and 10.3 percent of respondents indicated that there is 'very low' and 'low' possibilities. As the model value is computed as the first item it can be concluded that there is no possibility of trial purchase of toothpaste on account of a promotional offer.

Cereals: Results of analysis are very similar to that of tea. 72.1 percent respondents are of the view that there is no possibility of purchasing a new brand or the product for the first time due to an offer and 19.8 percent opined that there is very low possibility in their case. The remaining 8.1 percent respondents are more optimistic of making trial purchases. As the model value is computed as the first item it can be concluded that there is no possibility of trial purchase of cereals on account of a promotional offer.

Detergent: Maximum possibility of trial purchase is there in the case of this product. The share of respondents who are not at all interested in making a trial purchase is 62.6 percent. 19.5, 9.3, 3.8 and

4.8 percent of respondents indicated very low, low, high and very high possibilities of making a trial purchases respectively when the product is put on promotional offer. As the model value is computed as the first item it can be concluded that there is no possibility of trial purchase of detergent on account of a promotional offer.

From the foregoing discussion it is clear that detergent is the product that is subject to maximum trial purchase incidences followed by toothpaste, cereals and tea. Various levels of possibilities of trial purchase are also different from product to product.

Effectiveness of Sales Promotion Tools in Motivating Trial Purchase: Though the possibility of trial purchase of fast moving consumer goods, on account of sales promotion, is very limited it is worth to examine the role of various sales promotion tools individually in motivating trial purchase. Promotional strategies can be redesigned by selecting appropriate tools that is capable of motivating the customers to try new products or brands in the place of a substitute product or another brand. Therefore it is very essential to know which of the consumer sales promotion techniques/s are effective in creating a mind set in consumers to make trial purchases in the case of fast moving consumer goods. Respondents who were found motivated to try new products or brands due to sales promotion were asked to give their priorities of promotional tools by distributing 100 points. The mean and standard deviation of these scores were obtained in order to identify and rank these tools in their order of acceptability. Table 2 provides information with relate to the four products on this aspect of study.

Table 2
Effectiveness of Sales Promotion Tools in Motivating Trial Purchase

Product	No.	Statistic	Price-Off	Couponing	Premium	Sampling	POP
Tea	105	Mean	34.047	14.90	19.00	16.44	15.60
		S. D.	23.58	9.63	13.80	13.58	13.87
Toothpaste	137	Mean	29.08	14.48	20.91	17.50	18.75
		S. D.	20.75	9.66	16.25	13.26	18.56
Cereals	111	Mean	31.48	15.49	16.48	17.14	20.01
		S. D.	21.83	9.83	13.17	14.94	18.61
Detergent	149	Mean	31.56	13.36	19.42	17.23	18.53
		S. D.	23.88	10.64	15.95	16.81	19.12

Source: Survey Data

The table reveals the following information:

Tea: In the case of tea, 105 respondents were found motivated by sales promotion to make trial purchase of the product or a particular brand of the product. ‘Price-off’ is the most effective sales promotion tool in motivating buyers to try the product for the first time or after the gap of a reasonable period or a new brand of tea for an existing user. Its mean score is 34.047 with a standard deviation of 23.58, which is in the acceptable limit. ‘Premium’ (mean value 19.0), ‘sampling’ (mean value 16.44), ‘POP’ (mean value 15.60) and ‘couponing’ (mean value 14.90) can be arranged in the order of their power to motivate buyers in making trial purchases.

Toothpaste: In the case of toothpaste, 137 respondents were found motivated by sales promotion to make trial purchase of the product or a particular brand of the product. ‘Price-off’ with a mean score of 29.08 is the most effective sales promotion tool in motivating buyers to try the product for the first time or after the gap of a reasonable period or a new brand of tooth paste for an existing user. ‘Premium’ (mean value 20.91), ‘POP’ (mean value 18.75), ‘sampling’ (mean value 17.5) and

'couponing' (mean value 14.48) can be arranged in the order of their power to motivate buyers in making trial purchases.

Cereals: In the case of cereals, 111 respondents were found motivated by sales promotion to make trial purchase of the product or a particular brand of the product. 'Price-off' with a mean score of 31.48 is the most effective sales promotion tool in motivating buyers to try the product for the first time or after the gap of a reasonable period or a new brand of cereals for an existing user. 'POP' (mean value 20.01), 'sampling' (mean value 17.14), 'Premium' (mean value 16.48) and 'couponing' (mean value 13.36) can be arranged in the order of their power to motivate buyers in making trial purchases.

Detergent: In the case of detergent, 149 respondents were found motivated by sales promotion to make trial purchase of the product or a particular brand of the product. 'Price-off' with a mean score of 31.56 is the most effective sales promotion tool in motivating buyers to try the product for the first time or after the gap of a reasonable period or a new brand of detergent for an existing user. 'Premium' (mean value 19.42), 'POP' (mean value 18.53), 'sampling' (mean value 17.23), and 'couponing' (mean value 13.36) can be arranged in the order of their power to motivate buyers in making trial purchases.

To summarise the above discussion, 'price-off' is the best and 'couponing' is the least effective sales promotion tools in motivating buyers to make a trial purchase in the case of all the four categories of FMCG selected for the study. Other tools take interchangeable positions

Consumer's perception about the effectiveness of each sales promotion tools in motivating them to make trial purchases can be further analysed product wise. As per the table 2 'price-off' appears to be most successful in the product tea (mean value 34.07) and then products detergent (mean value 31.56), cereals (mean value 31.48) and toothpaste (mean value 29.08) follow in that order. Couponing has greatest influence on the product cereals (mean value 15.49) followed by tea (mean value 14.9), toothpaste (mean value 14.48) and detergent (mean value 13.36). In the case of premium, the highest influence is on toothpaste (mean value 20.91) followed by detergent (mean value 19.42), tea (mean value 19.0) and cereals (mean value 16.48). Influence of sampling on trial purchase is at the maximum level on toothpaste (mean value 17.5) followed by detergent (mean value 17.23), cereals (mean value 17.14) and tea (mean value 16.44). Finally, point-of-purchase promotions exert maximum influence on cereals (mean value 20.01) followed by toothpaste (mean value 18.75), detergent (mean value 18.53) and tea (mean value 15.60). Standard deviation in all of the cases is less than the mean value and hence the results are reliable except in the case of POP on detergent.

Analysis of Variance: A study of the significance of difference in the effectiveness of a sales promotion tool in motivating trial purchase among the four products would be useful to the marketers to take appropriate decisions. Results of the analysis of variance using 'F-test' are presented in the Table 3. It can be observed from the table that the motivational role of each sales promotion tool in making trial purchase in the case of all the four products is not significantly different as the 'P' values in all the cases are more than 0.05, at the confidence limit of 5%.

Table 3
Results of Analysis of Variance (Inter-Product Analysis)

Sales Promotion Tools	Source	D.F.	Sum of Squares	Mean Square	F-Ratio	P-Value
Price-Off	Between Groups	3	1472.4	490.8	.964	.409
Couponsing	Between Groups	3	319.1	106.3	1.064	.364
Premium	Between Groups	3	1225.4	408.4	1.809	.145
Sampling	Between Groups	3	69.0	23.0	0.105	.957
POP	Between Groups	3	1128.7	376.2	1.177	.318

Source: Survey Data

Table 4
Results of Analysis of Variance (Inter-Promotional Tool)

Product	Sources	D.F.	Sum of Squares	Mean Square	F-Value	P Value
Tea	Between Groups	4	26909.0	6727.2	27.6	<. 001
Toothpaste	Between Groups	4	16513.6	4128.4	15.7	<. 001
Cereals	Between Groups	4	19164.3	4791.0	18.1	<. 001
Detergent	Between Groups	4	28187.1	7046.7	22.2	<. 001

Source: Survey Data

It is observed that the effectiveness of various sales promotion tools in making trial purchases in the case of the four products is different. These differences are further tested for their significance using 'F- test' and the results are presented in the table 4. Since the 'P' values in all the cases are less than 0.05, at the confidence limit of 5%, it is concluded that the motivational role of the five tools of promotion in making trial purchase in the case of each of the four products is significantly different.

Post Hoc Analysis: The analysis of variance in the trial purchase motivational capacity of various sales promotion tools in the case of each product is done taking all the tools together. A more detailed study taking two tools at a time, in order to know the significance of difference between them is conducted using the method of Least Square Difference. The results of analysis are incorporated in Table 5

Table 5
Results of Post Hoc Analysis (Inter-Promotional Tool)

Pair of Tools Compared	Tea		Toothpaste		Cereals		Detergent	
	Mean Diff.	P Value						
Price-off-Coupons	19.143*	<.001	14.595*	<.001	15.990*	<.001	18.200*	<.001
Price-off-Premium	15.047*	<.001	8.161*	<.001	15.000*	<.001	12.137*	<.001
Price-off-Sampling	17.600*	<.001	11.580*	<.001	14.342*	<.001	14.333*	<.001
Price-off-POP	18.447*	<.001	10.330	<.001	11.468*	<.001	13.033*	<.001
Coupon-Premium	-4.095	0.058	-6.433*	<.001	-0.990	0.649	-6.062*	0.003

Coupon-Sampling	-1542	0.474	-3.014	0.001	-1.648	0.449	-3.866	0.061
Coupon- POP	-.695	0.747	-4.264*	0.030	-4.522*	0.038	-5.166*	0.012
Premium-Sampling	2.552	0.236	3.419	0.082	-0.657	0.763	2.196	0.287
Premium- POP	3.400	0.114	2.169	0.269	-3.531	0.106	0.896	0.664
Sampling-POP	.847	0.694	-1.250	0.524	-2.873	0.188	-1.300	0.528

* The mean difference is significant at the 0.05 level

The following inferences can be drawn from the above table showing the significance of difference between mean values of various tools taken in pairs for comparison:

1. The mean difference between 'discount' and each of the other tools of promotion is very much significant in the case of all the four products, except between discount and POP in the case of toothpaste, since the 'P' values are less than 0.05.
2. In the case of tea the mean difference between other tools are insignificant.
3. In the case of toothpaste the difference between coupon and premiums; and coupon and POP are also significant.
4. In the case of cereals the mean difference between coupon and POP are also significant.
5. In the case of detergent the mean difference between coupon and premiums; and coupon and POP are also significant.

Result of hypothesis:

On the basis of the above findings the following null hypothesis is tested and the results are given below:

H.0: "There is no significant difference in the effectiveness among important sales promotion tools in initiating trial purchase or making category expansion in the case of FMCG".

H.1: "There is significant difference in the effectiveness among important sales promotion tools in initiating trial purchase or making category expansion in the case of FMCG".

The Null Hypothesis (H₀:5) is rejected and the Alternative Hypothesis (H₁:5) that there is significant difference in the effectiveness among important sales promotion tools in initiating trial purchase or making category expansion in the case of FMCG is proved and hence accepted.

Suggestions: Based on the findings of the study and the observations of the researcher, the following suggestions are made for optimizing the effectiveness of sales promotion.

- ❖ The level of awareness about various sales promotion tools is very low except in the case of Price-Off and Premium schemes. It is suggested that sales promotion schemes should be sufficiently backed and supported by print and electronic media advertising.
- ❖ Consumers prefer to get value added offers in the form of additional quantity of the same product they buy as incentives. Bonus pack schemes can be used more effectively than free gifts and compliments.
- ❖ Coupon distribution system should be streamlined, as consumers mostly prefer to get them through newspapers and magazines.
- ❖ Marketers should stop mindless promotion of FMCGs and use promotion schemes more sensibly and rationally. The promotion clutter has created a situation where none of the scheme is very attractive.
- ❖ Marketers may use Price-off or discount strategy to achieve the short-term objectives of promotion like brand switching, trial purchase, and stockpiling ahead of other schemes.

- ❖ Sales promotion is more effective in the case of non-food categories like detergent, toothpaste, etc. These items can be more frequently promoted.

Conclusion: The findings of this study provide some useful insights in to the nature of influence of various sales promotion schemes on divergent consumer behaviour. The results of the study on the effect of sales promotion on buying and consumption behaviour may be useful to promotion managers of FMCG companies to streamline their sales promotion strategies and make their promotional efforts more fruitful.

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