Effect of Sales Promotion on Consumers with reference to FMCG Companies in India

Rahul Goel  
Ph.D Scholar (Management)  
Kalinga University, Raipur, C.G.  
Enrollment No. 15031014 (KU002MMXIV02010762)

Abstract

The main objective of sales promotion is to increase the sales of products in short term by influencing behaviour of buyers. Sales promotion methods are many and these are selected as per the target groups. For this purpose, a sales promotion strategy is to be prepared to achieve the objectives effectively. Sales promotion strategy directs the manager in selection of parties, methods of sales promotion, implementation of methods and measuring effectiveness of whole efforts regarding sales promotion. 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. Now a days Sales promotion tools are applied by majority of marketers may it be an 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 the effect of sales promotion on consumer of FMCG companies in India.

1. 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.

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.

**Alternative Types of Promotional Programs for FMCG**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Alternative Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Inquiries</td>
<td>Free gifts-Mail in coupons for information, Catalog offer-Exhibits-Demonstrations.</td>
</tr>
<tr>
<td>2. Product trails</td>
<td>Coupons-Rupees off specials-Free samples, Contests-Premiums.</td>
</tr>
<tr>
<td>5. Inventory building</td>
<td>Multi- packs – Special price on twos – Merchandise allowance – Return allowance.</td>
</tr>
<tr>
<td>6. Promotional support</td>
<td>Reusable display cases – Sales contests for distributor sales people- Promotional allowance – Cooperative Promotions.</td>
</tr>
</tbody>
</table>


**2 Objectives and Research Methodology**

**Objectives:** The study of this topic has been undertaken with following objectives:

a. To understand the concept of sales promotion,
b. To analyse the scenario of FMCG market in India.
c. To study the effect of sales promotion on FMCG customers.

**Research Methodology:**

It is always important to be critical of the information presented in sources, especially since the material might have been gathered to address a different problem area. Moreover, many secondary sources do not clearly describe issues such as the purpose of a study, how the data has been gathered, analysed and interpreted making it difficult for the researcher to

---

assess their usefulness. In order to address this problem I have tried to triangulate the secondary data by using numerous independent sources.

The topic for the research study is sales promotion strategy and the nature of the topic is theoretical and descriptive. So the conduct the research study the type of research suitable is descriptive research only. The data are collected from sales records, dealers, customers and salesmen of the companies performing in FMCG sector. The descriptive research has met the requirement of research study.

The research type is descriptive research. A data from respondents was collected with the help of convenience sampling method. The sample has chosen from select supermarket of Delhi / NCR city. The data used was direct field survey data and journals references. And was collected with the help of the interview schedules. It has tabulated, analyzed and interpreted using suitable suitable tools.

3. An overview of Indian FMCG Sector

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, nondurable 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 3billion USD in FMCG sales in India by 2015.

Major FMCG Companies in India are given as below:
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

---

2 [http://www.hul.co.in/aboutus/introductiontohul/](http://www.hul.co.in/aboutus/introductiontohul/)
the leading brands of the company are Pantene, Oral-B, Vicks, Tide, Ariel, Whisper, Ambipur, Olay, Gillette, Pampers, Head & Shoulders, etc.\textsuperscript{4}

**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.\textsuperscript{5}

**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).\textsuperscript{6}

**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

\textsuperscript{5} [http://www.dabur.com/default.aspx](http://www.dabur.com/default.aspx)  
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.

**4. Effect of Sales Promotional**

Abhinna Srivastava and Vineet Singh (2015) mentioned in their study that 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:

i. **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.

ii. 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

iii. 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.
5. Conclusion

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 flashlight, 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.

6. References


4. http://www.hul.co.in/aboutus/introductiontohul/


