

# MRP

*by* Rashmi Meena

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# Report on

**TO STUDY THE IMPACT OF SALES PROMOTION ON SALE OF FMCG PRODUCTS WITH THE REFERENCE TO THE RETAIL MALLS.**

Submitted by

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**Under the Guidance of:**

**Professor Amit Mookerjee**

**Head of the Department**



**UNIVERSITY SCHOOL OF MANAGEMENT  
& ENTREPRENEURSHIP  
Delhi Technological University**

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Submitted by:

Rashmi Meena

## DECLARATION

I hereby declare that the work entitled "TO STUDY THE IMPACT OF SALES PROMOTION ON SALE OF FMCG PRODUCTS WITH THE REFERENCE TO THE RETAIL MALLS." is a record of an original work done by me under the guidance of Professor Amit Mookerjee, Faculty Member, Delhi Technological University. The project is submitted in the partial fulfilment of the requirement for award of the degree of Bachelor of Business Studies. The results embodied in this project have not been submitted to any other institute previously for any purpose.

Place:

Rashmi Meena

Date:

## CERTIFICATE

This is to certify that **Ms. Rashmi Meena**, student of **Masters of Business Administration, Delhi Technological University** has worked under my guidance for the topic titled "TO STUDY THE IMPACT OF SALES PROMOTION ON SALE OF FMCG PRODUCTS WITH THE REFERENCE TO THE RETAIL MALLS.". To the best of my knowledge, the piece of work is original and the student has submitted no part of this project to any other Institute/University earlier.

Rashmi Meena

Professor Amit Mookerjee

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# CHAPTER-1

## Abstract

The main objective of sales promotion is to increase the sales of products in short term by influencing behavior 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 an effective short-term sales tool. Now majority of marketers apply a day's Sales promotion tools may it be an producers, distributors, middlemen, retailers or non-profit organizations. 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.

The Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of US\$ 20.1 billion. It has a strong MNC presence and is characterized by a well-established distribution network, intense competition between the organized and unorganized segments and low operational cost. Availability of key raw materials, cheaper labor costs and presence across the entire value chain gives India a competitive advantage. Also, increase in the urban population, along with increase in income levels and the availability of new categories, would help the urban areas maintain their position in terms of consumption. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%. However, rural India accounts for more than 40% consumption in major FMCG categories such as personal care, fabric care, and hot beverages.

Family income is one of the variables, which should be considered while designing sales promotion schemes more specifically cash discount. There is significant difference between consumer preference of cash discount and gift as sales promotion schemes. It is also very clear that consumers prefer cash discount as sales promotion schemes compare to gift as a sales promotion scheme. It is found that Consumer deal proneness differs according to marital status. Furthermore, it is also proved that married are more deal prone compare to Unmarried. Added to it Brand Equity perception differs according to employment categories. It is concluded that male prefers the newspaper and point of purchase material as a source to know sales promotion schemes to female.

Overall, Sales promotion scheme on international brand, awareness spread out by word of mouth, Scheme is value added type with immediate benefit is preferred by the customers. So while designing sales promotion schemes and its benefits from the perspectives of the



customers above-mentioned attributes of the sales promotion schemes should be considered to achieve the objectives of the sales promotion schemes.

## **CHAPTER-2**

# **Research Objectives**

### **Objectives of the study**

1. To study consumer preferences with respect to sales promotion in FMCG sector.
2. To study consumer behaviour in purchase of soaps and detergent

### **Motivation for the study**

With the growth of population and spending power of the consumer has created the opportunities and challenges for the FMCG companies in the world market. Simultaneously, competition to win consumers has been increased drastically. World is becoming the small village and Many MNC\_s have entered in India and other countries. Marketing paradigm is shifting from consumer satisfaction to consumer delight. Enticing consumers with the various sales promotion schemes is the order of the day. If this tool is not used strategically, company has to follow the trend of promotions to maintain the market share. Considering almost universal applications of designing the sales promotion schemes and understanding its impact on business has motivated to take the steps in the direction to study this crucial aspect of promotion management.

## **CHAPTER-3**

### **Introduction**

#### **3.0 Introduction**

FMCG industry, alternatively called as CPG (Consumer packaged goods) industry primarily deals with the production, distribution and marketing of consumer packaged goods. The Fast Moving Consumer Goods (FMCG) is those consumables, which are normally consumed by the consumers at a regular interval. Some of the prime activities of FMCG industry are selling, marketing, financing, purchasing, etc. The industry also engaged in operations, supply chain, production and general management.

#### **FMCG Industry Economy**

FMCG industry provides a wide range of consumables and accordingly the amount of money circulated against FMCG products is very high. The competition among FMCG manufacturers is also growing and because of this, investment in FMCG industry is also increasing, specifically in India, where FMCG industry is regarded as the fourth largest sector with total market size of US\$20.1 billion. FMCG Sector in India is estimated to grow 60% by 2011. FMCG industry is regarded as the largest sector in New Zealand which accounts for 5% of Gross Domestic Product(GDP).

#### **Common FMCG products**

Some common FMCG product categories include food and dairy products, glassware, paper products, pharmaceuticals, consumer electronics, packaged food products, plastic goods, printing and stationery, household products, photography, drinks etc. and some of the examples of FMCG products are coffee, tea, dry cells, greeting cards, gifts, detergents, tobacco and cigarettes, watches, soaps etc.

#### **Market potentiality of FMCG industry.**

Some of the merits of FMCG industry, which made this industry as a potential one, are low operational cost, strong distribution networks, presence of renowned FMCG companies. Population growth is another factor which is responsible behind the success of this industry.

#### **Leading FMCG companies & Industry Potential**

Some of the well known FMCG companies are Sara Lee, Nestlé, Reckitt Benckiser, Unilever, Procter & Gamble, Coca-Cola, Carlsberg, Kleenex, General Mills, Pepsi, Mars, Coca cola, Nirma, Dabur, Himani etc. The Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of US\$ 20.1 billion. It has a strong MNC presence and is characterized by a well-established distribution network, intense competition between the organized and unorganized segments and low operational cost. Availability of key raw materials, cheaper labor costs and presence across the entire value

chain gives India a competitive advantage. The FMCG market was set to treble from US\$ 11.6 billion in 2003 to US\$ 33.4 billion in 2015. Penetration level as well as per capita consumption in most product categories like jams, toothpaste, skin care, hair wash etc. in India is low indicating the untapped market potential. Burgeoning Indian population, particularly the middleclass and the rural segments, presents an opportunity to makers of branded products to convert consumers to branded products. Growth is also likely to come from consumer upgrading in the matured product categories. With 200 million people expected to shift to processed and packaged food by 2012, India needs around US\$ 28 billion of investment in the food-processing industry. Automatic investment approval (including foreign technology agreements within specified norms), up to 100 per cent foreign equity or 100 per cent for NRI and Overseas Corporate Bodies (OCBs) investment, is allowed for most of the food processing sector.

That will translate into an annual growth of 10% over a 5-year period. It has been estimated that FMCG sector will rise from around Rs 56,500 crores in 2005 to Rs 96,100 crores in 2011. Hair care, household care, male grooming, female hygiene, and the chocolates and confectionery categories are estimated to be the fastest growing segments, says an HSBC report. With the presence of 12.2% of the world population in the villages of India, the Indian rural FMCG market is something no one can overlook. Increased focus on farm sector will boost rural incomes, hence providing better growth prospects to the FMCG companies. Better infrastructure facilities will improve their supply chain. FMCG sector is also likely to benefit from growing demand in the market. Because of the low per capita consumption for almost all the products in the country, FMCG companies have immense possibilities for growth. And if the companies are able to change the mindset of the consumers, i.e. if they are able to take the consumers to branded products and offer new generation products, they would be able to generate higher growth in the near future. It is observed that the rural income has grown, boosting purchasing power in the countryside. However, the demand in urban areas would be the key growth driver over the long term. Also, increase in the urban population, along with increase in income levels and the availability of new categories, would help the urban areas maintain their position in terms of consumption. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%. However, rural India accounts for more than 40% consumption in major FMCG categories such as personal care, fabric care, and hot beverages. In urban areas, home and personal care category, including skin care, household care and feminine hygiene, will keep growing at relatively attractive rates. Within the foods segment, it is estimated that processed foods, bakery, and dairy are long-term growth categories in both rural and urban areas.

The future of FMCG Fast moving consumer goods will become Rs 400,000-crore industry by 2020. A Booz & Company study finds out the trends that will shape its future. Considering this, the anti-ageing skincare category grew five times between 2007 and 2008. It's today the fastest-growing segment in the skincare market. Olay, Procter & Gamble's premium anti-ageing skincare brand, captured 20 per cent of the market within a

year of its launch in 2007 and today dominates it with 37 per cent share. Who could have thought of ready acceptance for anti-ageing creams and lotions some ten years ago? For that matter, who could have thought Indian consumers would take oral hygiene so seriously? Mouth rinsing seems to be picking up as a habit — mouth wash penetration is growing at 35 per cent a year. More so, who could have thought rural consumers would fall for shampoos? Rural penetration of shampoos increased to 46 per cent last year. Consumption patterns have evolved rapidly in the last five to ten years. The consumer is trading up to experience the new or what he hasn't. He's looking for products with better functionality, quality, value, and so on. What he needs is fast getting replaced with what he wants. A new report by Booz & Company for the Confederation of Indian Industry (CII), called FMCG Roadmap to 2020: The Game Changers, spells out the key growth drivers for the Indian fast moving consumer goods (FMCG) industry in the past ten years and identifies the big trends and factors that will affect its future. It has been estimated that FMCG sector witnessed robust year-on-year growth of approximately 11 per cent in the last decade, almost tripling in size from Rs 47,000 crore in 2000-01 to Rs 130,000 crore now (it accounts for 2.2 per cent of the country's GDP). Growth was even faster in the past five years — almost 17 per cent annually since 2005. It identifies robust GDP growth, opening up of rural markets, increased income in rural areas, growing urbanization along with evolving consumer lifestyles and buying behaviors as the key drivers of this growth.

It has been estimated that the FMCG industry will grow at least 12 per cent annually to become Rs 400,000 crore in size by 2020. Additionally, if some of the factors play out favorably, say, GDP grows a little faster, the government removes bottlenecks such as the goods and services tax (GST), infrastructure investments pick up, there is more efficient spending on government subsidy and so on, growth can be significantly higher. It could be as high as 17 per cent, leading to an overall industry size of Rs 620,000 crore by 2020.

### 3.5 The Top 10 companies in FMCG sector

SR.NO.	Companies
1.	Hindustan Unilever Ltd.
2.	ITC (Indian Tobacco Company)
3.	Nestlé India
4.	GCMMF (AMUL)
5.	Dabur India
6.	Asian Paints (India)
7.	Cadbury India
8.	Britannia Industries
9.	Procter & Gamble Hygiene and Health Care
10.	Marico Industries

Source: Naukrihub.com

#### 1. Hindustan Unilever Ltd.

Hindustan Unilever Limited (HUL) is India's largest consumer goods company based in Mumbai, Maharashtra. The British-Dutch company Unilever which controls 52% majority stake in HUL owns it. Its products include foods, beverages, cleaning agents and personal care products. HUL was formed in 1933 as Lever Brothers India Limited and came into being in 1956 as Hindustan Lever Limited through a merger of Lever Brothers, Hindustan Vanaspati Mfg. Co. Ltd. and United Traders Ltd. It is headquartered in Mumbai, India, has an employee strength of over 16,500 employees, and contributes to indirect employment of over 65,000 people. The company was renamed in June 2007 as "Hindustan Unilever Limited". Lever Brothers started its actual operations in India in the summer of 1888, when crates full of Sunlight soap bars, embossed with the words "Made in England by Lever Brothers" were shipped to the Kolkata harbor and it began an era of marketing branded Fast Moving Consumer Goods (FMCG). Hindustan Unilevers distribution covers over 2 million retail outlets across India directly and its products are available in over 6.4 million outlets in the country. As per Nielsen market research data, two out of three Indians use HUL products.

## 2. ITC (Indian Tobacco Company)

ITC Limited or ITC is an Indian public conglomerate company headquartered in Kolkata, West Bengal, India. Its diversified business includes four segments: Fast Moving Consumer Goods (FMCG), Hotels, Paperboards, Paper & Packaging and Agri Business. ITC's annual turnover stood at \$7 billion and market capitalization of over \$33 billion. The company has its registered office in Kolkata. It started off as the Imperial Tobacco Company, and shares ancestry with Imperial Tobacco of the United Kingdom, but it is now fully independent, and was rechristened to Indian Tobacco Company in 1970 and then to I.T.C. Limited in 1974.

The company is currently headed by Yogesh Chander Deveshwar. It employs over 26,000 people at more than 60 locations across India and is listed on Forbes 2000. ITC Limited completed 100 years on 24 August 2010. ITC has a diversified presence in Cigarettes, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, Packaged Foods & Confectionery, Information Technology, Branded Apparel, Personal Care, Stationery, Safety Matches and other FMCG products. While ITC is an outstanding market leader in its traditional businesses of Cigarettes, Hotels, Paperboards, Packaging and Agri-Exports, it is rapidly gaining market share even in its nascent businesses of Packaged Foods & Confectionery, Branded Apparel, Personal Care and Stationery.

## 3. GCMMF (AMUL)

Amul is the name of a dairy cooperative in India. Derived from the Sanskrit word "Amulya," Amul means invaluable. Formed in 1946, it is a brand name managed by an Indian cooperative organisation, Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF), which today is jointly owned by 3.03 million milk producers in Gujarat, India. Amul is based in Anand, Gujarat and has been a successful example of cooperative organization. Amul spurred the White Revolution in India which in turn made India the largest producer of milk and milk products in the world. It is also the world's largest vegetarian cheese brand. Amul is the largest food brand in India and world's largest pouched milk brand with an annual turnover of US \$2.2 billion (2010-11). Currently Unions making up GCMMF have 3.1 million producer members with milk collection average of 9.10 million litres per day. Besides India, Amul has entered overseas markets such as Mauritius, UAE, USA, Oman, Bangladesh, Australia, China, Singapore, Hong Kong and a few South African countries. Its bid to enter Japanese market in 1994 did not succeed, but it plans to venture again. Dr. Verghese Kurien, former chairman of the GCMMF, is recognised as a key person behind the success of Amul. On 10 Aug 2006 Parthi Bhatol, chairman of the Banaskantha Union, was elected chairman of GCMMF.

#### 4. Dabur India

Dabur India Limited is a leading Indian consumer goods company with interests in Hair Care, Oral Care, Health Care, Skin Care, Home Care and Foods. From its humble beginnings in the bylanes of Calcutta way back in 1884 as an Ayurvedic medicines company, Dabur India Ltd has come a long way today to become a leading consumer products manufacturer in India. For the past 125 years, we have been dedicated to providing nature-based solutions for a healthy and holistic lifestyle.

Through our comprehensive range of products, we touch the lives of all consumers, in all age groups, across all social boundaries. And this legacy has helped us develop a bond of trust

with our consumers. That guarantees you the best in all products carrying the Dabur name. Asian Paints (India) Asian Paints is an Indian chemicals company headquartered in Mumbai, India. It manufactures a wide range of paints for decorative and industrial use.

#### 5. Asian Paints

India's largest paint company and Asia's third largest paint company, with a turnover of Rs 77.06 billion. It is one of the largest paint companies in the world and operates in 17 countries. Besides Asian Paints, the group operates around the world through its subsidiaries Berger International Limited, Apco Coatings, SCIB Paints and Taubmans. Asian Paints was founded on 1 February 1942 by Champaklal Choksey, Chimanlal Choksi, Suryakant Dani and Arvind Vakil in Mumbai. Forbes Global magazine USA ranked Asian Paints among the 200 Best Small Companies in the World for 2002 and 2003 and presented the Best under a Billion award, to the company. Asian Paints is the only paint company in the world to receive this recognition. One of the country's leading business magazine "Business Today" in Feb 2001 ranked Asian Paints as the Ninth Best Employer. It has been recognized by "Economic Times" as well. Forbes has also ranked Asian Paints among the Best under companies in Asia in 2005, 06 and 07.

#### 6. Cadbury India

Cadbury India began its operations in India in 1948 by importing chocolates. It now has manufacturing facilities in Thane, Induri (Pune) and Malanpur (Gwalior), Bangalore and Baddi (Himachal Pradesh) and sales offices in New Delhi, Mumbai, Kolkata and Chennai. The corporate head office is in Mumbai. Since 1965 Cadbury has also pioneered the development of cocoa cultivation in India. For over two decades, Cadbury has worked with the Kerala Agricultural University to undertake cocoa research. Cadbury was incorporated in India on 19 July 1948. Currently, Cadbury India operates in four categories: chocolate confectionery, milk food drinks, beverage and candy & gum category. Its products include Cadbury Dairy Milk, Bournville, 5-Star, Perk, Gems, Eclairs, Bournvita, Celebrations, Bilkul Bournville, Cadbury Dairy Milk Shots, Cadbury Dairy Milk Silk, Halls, Tang and Oreo. It is the market leader in Chocolate Confectionery business with a market share of over 70%. The Brand Trust Report, India Study, 2011 published by Trust Research Advisory ranked Cadbury in the top 100 most trusted brands list.

## **7. Britannia Industries**

Britannia Industries Limited is an Indian food-products corporation based in Bangalore, India. It is famous for its Britannia and Tiger brands of biscuit, which are popular throughout the country. Britannia has an estimated 38% market share. The Company's principal activity is the manufacture and sale of biscuits, bread, rusk, cakes and dairy products. The company was established in 1892, with an investment of Rs. 295. Initially, biscuits were manufactured in a small house in central Kolkata. Later, the enterprise was acquired by the Gupta brothers mainly Nalin Chandra Gupta, a renowned attorney, and operated under the name of "V.S. Brothers." In 1918, C.H. Holmes, an English businessman in Kolkata, was taken on as a partner and The Britannia Biscuit Company Limited (BBCo) was launched. The Mumbai factory was set up in 1924 and Peek Freans UK, acquired a controlling interest in BBCo. Biscuits were in big demand during World War II, which gave a boost to the company's sales. The company name finally was changed to the current "Britannia Industries Limited"

in 1979. In 1982 the American company Nabisco Brands, Inc. became a major foreign shareholder.

## **8. Marico Industries**

Marico is a fledgling Indian group providing consumer products and services in the areas of Health and Beauty based in Mumbai. During 2009-10, the company generated a Turnover of about Rs. 26.6 billion (USD 600 Million), in respect of its food, hair care and skin care related activities. Marico's own manufacturing facilities are located at Goa, Kanjode, Jalgaon, Pondicherry, Dehradun, Baddi, Paonta Sahib and Daman. In Bangladesh, Marico operates through Marico Bangladesh Limited, a wholly owned subsidiary Manufacturing facility at Mouchak, near Gazipur. The organisation holds a number of brands including Parachute (brand), Saffola, Hair & Care, Nihar, Mediker, Revive, Manjal, Kaya Skin Clinic, Aromatic, Fiancee, HairCode, Xmen, Hercules, Caivil, Code 78 and Black Chic.



### 3.6 FMCG category and Product

Category :	Products:
<b>Household Care:</b>	Fabric wash (laundry soaps and synthetic detergents); household cleaners (dish/utensil cleaners, floor cleaners, toilet cleaners, air fresheners, insecticides and mosquito repellents, metal polish and furniture polish).
<b>Food and Beverages:</b>	Health beverages; soft drinks; staples/cereals; bakery products (biscuits, bread, cakes); snack food; chocolates; ice cream; tea; coffee; soft drinks; processed fruits, vegetables; dairy products; bottled water; branded flour; branded Rice; branded sugar; juices etc.
<b>Personal Care:</b>	Oral care, hair care, skin care, personal wash (soaps); cosmetics and toiletries; deodorants; Perfumes; feminine hygiene; paper products.

## CHAPTER-4

# Retailing and Retailing Malls

### 4.0. Introduction to Retailing & Retail Malls

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP. The Indian retail market is estimated to be US\$ 450 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail market in the world, with 1.2 billion people. India's retailing industry is essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population). Most Indian shopping takes place in open markets or millions of small, independent grocery and retail shops. Shoppers typically stand outside the retail shop, ask for what they want, and cannot pick or examine a product from the shelf. Access to the shelf or product storage area is limited. Once the shopper requests the food staple or household product they are looking for, the shopkeeper goes to the container or shelf or to the back of the store, brings it out and offers it for sale to the shopper. Often the shopkeeper may substitute the product, claiming that it is similar or equivalent to the product the consumer is asking for. The product typically has no price label in these small retail shops; although some products do have a manufactured suggested retail price (MSRP) pre-printed on the packaging. The shopkeeper prices the food staple and household products arbitrarily, and two consumers may pay different prices for the same product on the same day. Price is sometimes negotiated between the shopper and shopkeeper. The shoppers do not have time to examine the product label, and do not have a choice to make an informed decision between competitive products. India's retail and logistics industry, organized and unorganized in combination, employs about 40 million Indians (3.3% of Indian population). The typical Indian retail shops are very small. Over 14 million outlets operate in the country and only 4% of them being larger than 500 sqft (46 m<sup>2</sup>) in size. India has about 11 shop outlets for every 1000 people. Vast majority of the unorganized retail shops in India employ family members, do not have the scale to procure or transport products at high volume wholesale level, have limited to no quality control or fake-versus-authentic product screening technology and have no training on safe and hygienic storage, packaging or logistics. The unorganized retail shops source their products from a chain of middlemen who mark up the product as it moves from farmer or producer to the consumer. The unorganized retail shops typically offer no after-sales support or 12 service. Finally, most transactions at unorganized retail shops are done with cash, with all sales being final. Until the 1990s, regulations prevented innovation and entrepreneurship in Indian retailing. Some retailers faced complying with over thirty regulations such as "signboard licenses" and "anti-hoarding measures" before they could open doors. There are taxes for moving goods to states, from states, and even within states in some cases. Farmers and producers had to go through middlemen monopolies. The logistics and infrastructure was very poor, with losses exceeding 30 percent. Through the 1990s, India introduced widespread free market reforms, including some related to retail. Between 2000 to 2010, consumers in select Indian cities have gradually begun to experience the quality, choice, convenience and benefits of organized retail industry.

#### **4.1 Retail Malls in India**

My, research would be conducted in three retail malls in Delhi/NCR. A brief background of these retail malls is as under: D'Mart Avenue Super Marts Ltd (ASL) owns and operates hypermarkets and supermarkets by the store name D-Mart. D-Mart seeks to be a one-stop shopping destination for the entire family, meeting all their daily household needs. A wide selection of home utility products is offered, including foods, toiletries, beauty products, garments, kitchenware, bed and bath linen, home appliances and much more. Since D-Mart first opened its doors in the Mumbai region in 2000, it has grown into a trusted and well-established shopping destination in Maharashtra, Gujarat, Andhra Pradesh and Karnataka. D-Mart is now looking forward to growing its stores across India

##### **Big Bazaar**

Big Bazaar is a chain of hypermarket in India. As of June 2, 2012, there are 214 stores across 90 cities and towns in India covering around 16 million sqft. of retail space. Big Bazaar is designed as an agglomeration of bazaars or Indian markets with clusters offering a wide range of merchandise including fashion and apparels, food products, general merchandise, furniture, electronics, books, fast food and leisure and entertainment sections.

Big Bazaar is part of Future Group, which also owns the Central Hypermarket, Brand Factory, Pantaloons, e ZONE, Home Town, futurebazaar.com, KBs Fair Price to name a few and is owned through a wholly owned subsidiary of Pantaloons Retail India Limited (BSE: 523574 523574), that is listed on Indian stock exchanges.

##### **Reliance Fresh**

Reliance Fresh is the convenience store format which forms part of the retail business of Reliance Industries of India which is headed by Mukesh Ambani. Reliance plans to invest in excess of 250 billion in the next 4 years in their retail division. The company already has 453 Reliance Fresh outlets across the country. These stores sell fresh fruits and vegetables, staples, groceries, fresh juice, bars and dairy products. A typical Reliance Fresh store is approximately 3000–4000 square feet and caters to a catchment area of 2–3 km.

## CHAPTER-5

### Sales Promotion

#### 5.0 Introduction to Sales Promotion

The importance of consumer sales promotion in the marketing mix of the fast moving consumer goods (FMCG) category throughout the world has increased. Companies spend considerable time in planning such activities. However, in order to enhance the effectiveness of these activities, manufacturers should understand consumer and retailer interpretations of their promotional activities. The study here pertains to consumer's perceptions regarding

sales promotion. Some past researches have suggested that promotion itself has an effect on the perceived value of the brand. This is because promotions 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.

Broadly speaking most of the companies using Marketing Mix which includes...

Price

Place (Channel of Distribution)

Product

Promotion

These are the four basic pillar of marketing mix. Most of the marketing strategies are built on the basis of these criteria. Promotion is one of the important elements of marketing mix.

There are so many elements of promotion such as ...

Advertising

Direct Marketing

Public Relations

Sales Promotion

Traditionally, sales Promotions have been used by marketer to increase sales in the short term.

However, in the last few decades this communication tool has evolved and now is considered from a strategic point of view. For this reason, it is necessary to realize new studies in this area and study how consumers evaluate sales promotions. Sales promotions have grown in both importance and frequency over the past few decades. Although an accurate estimate for total sales promotions expenditures does not exist, we can be sure that the trend is up. Sales promotion serves three essential roles: It informs, persuades and reminds prospective customers about a company and its products. Even the most useful product or brand will be a failure if no one knows that it is available.

As we know, channels of distribution take more time in creating awareness because a product has to pass through many hands between a producer and consumers.

Therefore, a producer has to inform channel members as well as ultimate consumers about the attributes and availability of his products. The second purpose of promotion is persuasion. The cut throat competition among different products puts tremendous pressure on their manufacturers and they are compelled to undertake sales promotion activities. The third purpose of promotion is reminding consumers about products availability and its potential to satisfy their needs.

## 5.1 Sales Promotion Tools

### *Exchange Offer*

This promotion is seen mainly in the consumer durable product category. This promotion requires the consumer to exchange an old product for a new one and get some benefit, usually a price reduction. For example, in case of cars, the scheme offers the consumer a price reduction of Rs. 10,000 on the new car in exchange for an old car. For pressure cooker, the scheme offers a price reduction of 40% on exchanging an old cooker for a new cooker. In case of household durables, the scheme usually requires the consumer to exchange an old model of a product (e.g.AC, refrigerator, music system, mixer grinder, gas stove) to get a price reduction on the new model. Apart from exchanging an old durable good, the scheme also involves exchanging a small TV for a big TV. Most exchange schemes provide an incentive to purchase in the form of a price reduction. One exchange scheme involved returning an old washing machine for a new one and getting an electric iron as gift. The purpose of the exchange scheme appears to be upgrade existing users of durable products to newer and larger sized models of a product.

### *Free Gift Offer*

This promotion is popular across a range of product categories. It offers the consumer an incentive to purchase in the form of a free product/service. For example, in case of a car purchase, the consumer is offered a free product such as a music system or accessories. The consumer may also be offered a free service such as extended 3-year warranty or free insurance. Often the product offered free is a complement to the original purchase. This is illustrated by instances of the following types of free gift offers:

- a free stabilizer with an AC purchase
- free pillows with a mattress purchase
- free petrol on a 2 wheeler purchase
- free toothbrush with toothpaste
- free shaving blade with shaving gel/foam.

At times, the product offered as a free gift constitutes an upgrade to the original purchase. For example, in case of Computer Printers, a free Internet connection, Internet telephony kit, software titles and multimedia package is offered along with the printer. Or in case of notebook computer/PC, the consumer is offered a Free Internet upgrade and 20 GB, Web Camera, Printer, Britannica CDs, software. In case of fast food restaurants, the free products are items such as soft drink, bread stick, pineapple fudge, garlic bread, ice cream cookies. Here the free products appear to be use complements 'to the original product. At other times the free product may be a related product or product used in a similar context e.g. cooking or cleaning or personal care or eating. For kitchen products, the free product are items used in

the kitchen such as plastic containers, metal spoon, tawa , nonstick pan, idli stand, serving bowl, table mat and OTG.

In case of detergent powder/cake the free products are related cleaning products such as bleach, washing soap, washing powder, bucket, bath soap, floor cleaner and utensil cleaner. In the skincare segment, the free products are other personal care items such as soap, body lotion, shampoo sachet, shaving cream and toothpaste. In case of food products, the free product comprises of other edible items such as biscuits, coffee, namkeen, salt, chocolate. At other time the free product may be totally unrelated to the original purchase. For example the consumer may be offered a free pen with a skin care cream or free batteries with soap. It is possible that, in such, cases, the products through unrelated are targeted to the same segment of consumers. This is particularly seen in free gift promotions targeted at children. For example, in case of health drinks, the free product are items such as cricket bat, zoom ball, story book, pencil box, biscuits, binoculars, toy bike, cricket set, football and trendy wristwatch which are valued by children. Similarly, in case of confectionary products such as chocolates and biscuit, the free products are products relevant to children such as comics, sticker, toy, tattoo, magic paint card and magic candle. In some cases, the free gift offered along with the purchase is another product variant offered by the company. For example in case of fruit juice the consumer is offered the guava flavor fruit juice when he/she buys 5 packs of orange flavor. In case of spices, the consumer is offered Kashmiri mirch along with purchase of the regular spices. Several free gift offers have a pre commitment of size or value of purchase from the consumer. The consumer has to make a certain value of purchase before he is entitled to the free gift. Often, there are smaller gifts associated with purchase of smaller pack sizes and larger gifts associated with purchase of larger pack sizes of a product. In most cases, the price of the free gift is not mentioned. The brand name of the free product e.g. Timex watch or Motorola handset is mentioned in some cases.

#### ***Sweepstake offer***

The sweepstake offer gives the consumer a chance to win a large prize through luck. It usually involves a lucky draw or a scratch card based on which the winners are decided. The prizes offered on this promotion can be broadly classified into two types. The first type of prize is a trip to a foreign location e.g. Paris, London, Thailand, Singapore or Malaysia. Many brands offer a trip to the South Africa World Cup as a promotional attraction. The second type of prize are durable products such as Bike, Car, Watch, Washing Machine, Television, Refrigerator, DVD, Mobile Phone, Cordless phone, PC, Microwave, Camera, Sunglasses, Gold Jewellery, Gold Coin. Gold has a major appeal as a prize on the sweepstake promotion across diverse product categories such as soap and personal computer. In some cases, the details of the prize on the sweepstake promotion is not specified and is stated as prizes worth's. 50 crores.

#### ***Buy more and save/get***

This type of promotion requires a consumer to buy two or more products to avail of the promotional advantage. The promotional benefit is usually in the form of money saved as a result of buying two or more products at the same time. In certain cases, the promotion

requires the consumer to buy additional units of the same product to avail of the promotional advantage. For example, in case of bath soaps and detergent cakes, this promotion requires the consumer to buy three bath soaps/detergent cakes and get one soap/detergent cake free. In case of fruit juice the consumer is required to buy 5 packs of fruit juice and get one pack of fruit juice free. This promotion seems to be popular in categories where the extra units of the product offered on the promotion can be stored for future consumption. When different products are bundled together on this promotion, there is usually a relationship between the products. For example, in case of computer printers, this scheme requires the consumer to buy a printer and scanner together and get a price reduction. In case of consumer durables, this scheme attempts to induce the consumer to buy greater number of products from the same company. For example, the scheme requires the consumer to buy AC and refrigerator or AC and microwave of the same brand and avail a price reduction. In FMCG products, this promotion requires the consumer to buy toothpaste and toothbrush together or buy shaving cream and blade together to get a price reduction. This promotion is seen in case of Fast Food Restaurants as well where the consumer is required to buy a pizza, coke mobile and garlic bread and get a saving on the combination purchase. In case of FMCG products, this type of promotion bundles together products that are use complements.

#### ***Contest offers***

Contest offers are seen mostly in products targeted at children. In case of Fast Food restaurant, this promotion requires the consumer to fill up a coupon and get a chance to meet a film star such as Hrithik Roshan. In case of soft drinks, the contest offer requires the consumer to answer a question in an ad and get a chance to meet a movie star. In other product categories, the prizes offered on this promotion are similar to those on the sweepstake promotion. The consumer is offered the chance to win a car or a flat or various household durable appliances.

#### ***Extra Product Offers***

Most of the extra product promotions (65%) are seen in the FMCG category where the extra units of product serve as additional consumption units for the consumer. There are no extra product promotions seen in the durables product category. In FMCG, the specific products on which the extra product promotion is launched include Talcum Powder, Detergent Cake, Soaps, Fruit Juices and Hair Oil. In case of toothpaste the promotion requires the consumer to buy one toothpaste and get the second toothpaste free. In a talcum powder extra product promotion, the consumer is offered 20% extra in the same pack. This promotion is also seen

in the Services sector. In case of Internet service provider, this promotion offers extra hours on the Internet and free Internet access on Sunday. In case of fast Food restaurants, the promotion offers a second pizza free along with the original pizza or a slice free along with the original pizza.

### ***Other Offers***

A variety of promotions are seen in the Any Other category. One frequent promotion in the consumer durable category is the 0% finance scheme for purchase of two wheelers, notebook/PCs, refrigerator, music system, television, microwave oven, 2 wheelers. A different kind of promotion requires the consumer to invest money in order to avail the promotional benefit. In case of fans, this sort of promotion requires the consumer to purchase 3 fans and pay Rs. 90 to get a wristwatch worth Rs. 480. Another such promotion requires the consumer to buy a fan, pay Rs. 40 and get a free camera worth Rs.300. In case of health drinks, the promotion requires the consumer to pay Rs. 7/-more and get a badminton racket free. A variant of this promotion is another promotion, which requires an investment of effort rather than money from the consumer. For example, in case of tea, the consumer is required to pay Re. 1 and get a Britannia biscuit pack free along with the tea pack. In case of salt, the consumer is required to collect a newspaper coupon and pay Re. 1 to get a pack of salt.

Yet other types of promotions require an investment of both money and effort from the consumer in order to avail of the promotional benefit. For example, a soft drink promotion requires the consumer to collect crowns and put in some money to get a price discount on the soft drink. In case of ice cream, the consumer is required to collect three ice cream wrappers to get a scratch card which gives him the opportunity to win lakhs of prizes. In case of chocolates, the promotion requires a consumer to exchange empty chocolate wrappers to get movie tickets or bunny stickers free

## **5.2 Motive of Sales Promotion**

The ultimate aim or purpose of sales promotion is that of increasing the volume of sales and profits but it differs from advertising and personal selling both in approach and techniques. Personal selling involves face to face contact with specific individuals, while advertising is directed at a large number of potential customers. Sales promotion serves as a link between two by focusing selling efforts on selected small groups of people. Sales promotion usually involves non-recurring and no-routine methods, in contrast with the routine and recurring nature of advertising and personal selling. Under advertising, the media is not owned and controlled by the advertiser except in direct mail advertisements. But sales promotion methods are controlled by the advertiser. Sales promotion covers various stimulants directed to the consumers and dealers that is why it is of two types-consumer's sales promotion and dealers sales promotion. The former simulates consumer's buying at the point of sales and latter improves dealer's effectiveness at the retail outlets.



How Sales Promotion Objectives are set

Sales promotion has dual objective:

- (A) Basic objectives and
- (B) Other objectives

***(A) Basic objectives of sales promotion are:***

- (i) Increasing the buying response of ultimate consumers.
- (ii) Increasing the selling efforts and intensity by dealers as well as by sales personnel.
- (iii) Supplementing and co-coordinating the efforts of advertising and personal selling

***(B) The other objectives are:***

- (i) Calling attention to new products and product improvements.
- (ii) Informing buyers of new brand and new packaging.
- (iii) Improving market share.
- (iv) Obtaining dealer outlets.
- (v) Meeting competition.

These objectives are set on the basis of following criteria.

- (i) Cost of reaching an audience member.
- (ii) Acceptability of the tools to be used.

These criteria are developed taking into consideration the following variables/factors:

***(i) Kinds of product:***

The product is one of the factors determining the form of promotion. Toys, toilet soaps and cosmetics are effectively shown on television. Mass selling consumer goods can be easily promoted through radio and television. Industrial and specialty goods should be promoted through technical journals and through sales engineers.

***(ii) The buyer:***

If the marketers are to provide realistic solutions to the problem of buyers, they must know their customers, their needs and desires, their attitude, values, aspirations and expectations. Hence marketers must have up-to-date information about customer demand and customer behavior. If the buyers are educated, then demonstrations or instructions can be used as sales promotion technique. Similarly, contests and quizzes can be used if buyers are of young age and educated.

**(iii) Nature and size of market:**

The number, geographical location and purchasing power of potential customers exercise a significant impact on the sales promotion. Sampling, coupon, money refund orders, premium offer, price-off and trading stamps etc., are suitable for sales promotion in local markets. On the other hand, fairs, exhibitions and fashion shows are more appropriate for sales promotion on the national level particularly for garments, books and electronic items.

**(iv) Stages in product life cycle:**

This is an important managerial tool in sales promotion. A product life cycle consists of four stages.

- (a) Introduction** of the product requires lot of energy to create awareness, acceptance and demand for the product. Introducing a new product for most companies is a costly and difficult exercise that is why they mostly depend on middlemen,
- (b) Growth.** It includes a fast growth both in sales volume and profit.
- (c) Maturity (Saturation).** This stage is longer. But the speed in achieving sales volume reduces during this stage. Profit also starts declining much faster than the sales.
- (d) Declining.** This is the last stage in product life cycle. After a period of stability, the buyers lose interest on the product, and sales start falling more quickly. At this stage either high cost sales promotion technique may be used or existing product may be improved.

**(iv) Management policy:**

In the management policy, first of all, sales promotion objectives are set, then communication tools required to achieve these objectives are designed, and the third step is to determine the cost required to execute promotional activities and programmes. In short sales promotion expenditure is directly related to the objectives to be achieved.

**(v) Budget allocation available:**

The decision on how much to spend on promotion is externally difficult on account of multitude of promotion tools, on the one hand, and varieties of products and markets on the other. For example, the greater the geographical dispersion of a target market, the greater the communication expenditure required. Similarly, if an offering is in its early life cycle, there is a greater need of expenditure. But promotion budget should always justify the tasks to be undertaken. A basic principle would be the cost and returns of sales promotion tools to be adopted. Hindustan Lever has its well-drawn up sales promotion budget. If any business house does not have its promotion budget fixed, then promotion programmes will have to be designed to support the marketing plan.

**(vi) Government regulations:**

Government has passed various laws and made rules to protect the consumer interest, such as the prevention of Food Adulteration Act, the Drugs and Magic Remedies (Objectionable Advertisements) Act, and Drugs and Cosmetics Act etc. Sales promotion policy must take into consideration the government regulations relating to the particular product, e.g. the commodity rates must be specified on the package and in case of medicines drug contents and date of manufacturing, date of expire, and price must be specified.

**5.3 Sales Promotions in India**

The FMCG sector which had kept the highest advertisement expenses as the proportion of sales, has kept the ad expenses almost proportionate to growth in net sales. The elasticity of advertisement of the sector stood at 0.80 per cent to their net sales during the analyzed period. Income and expenditure statement of the major companies in the segment analyzed for the FMCG companies, which used to be fervent advertisers in the past, have marginally hiked their ad budget in 2008-09 in comparison with 2007-08. According to the analysis of FMCG sector, Hindustan Unilever Limited increased its advertising costs in 2008-09 by 48 per cent to 2,130.92crore which was at 440.22 crore in 2007-08. Another FMCG major, ITC Limited, spent nearly 33 per cent more in 2008-09 than the previous year, as the company earned 8.37 per cent growth in net sales during the same period whereas Britannia which spent about 17.47 per cent more on advertisements in 2008-09 as compared to the previous year recorded a growth of 20.44 per cent in the same period. Dabur spent nearly 14.85 per cent more on advertisements in 2008-09 as against the corresponding period of previous year while the company's net sales increased by 15per cent in 2008-09. Marico Limited which cut its advertising expenses in 2008-09 by 6.05 per cent saw a growth rate of 22.52 per cent in the net sales figure in 2008-09 as compared to 2007-08.

## CHAPTER-6

### Literature Review

Promotion & Consumption Does consumption respond to promotion. Many studies have focused on the effects of promotion on brand switching, purchase quantity, and stockpiling and have documented that promotion makes consumers switch brands and purchase earlier or more. The consumers' consumption decision has long been ignored, and it remains unclear how promotion affects consumption (Blattberg et al. 1995). Conventional choice models cannot be used to address this issue because many of these models assume constant consumption rates over time (usually defined as the total purchases over the entire sample periods divided by the number of time periods). While this assumption can be appropriate for some product categories such as detergent and diapers, it might not hold for many other product categories, such as packaged tuna, candy, orange juice, or yogurt. For these categories, promotion can stimulate consumption in addition to causing brand switching and stockpiling. Thus, for product categories with a varying consumption rate, it is critical to recognize the responsiveness of consumption to promotion in order to measure the effectiveness of promotion on sales more precisely.

Emerging literature in behavioral and economic theory has provided supporting evidence that consumption for some product categories responds to promotion. Using an experimental approach, Wansink (1996) establishes that significant holding costs pressure consumers to consume more of the product. Wansink and Deshpande (1994) show that when the product is perceived as widely substitutable, consumers will consume more of it in place of its close substitutes. They also show that higher perishability increases consumption rates. Adopting scarcity theory, Folkes et al. (1993) show that consumers curb consumption of products when supply is limited because they perceive smaller quantities as more valuable. Chandon and Wansink (2002) show that stockpiling increases consumption of high convenience products more than that of low-convenience products. In an analytical study, Assuncao and Meyer (1993) show that consumption is an endogenous decision variable driven by promotion and promotion-induced stockpiling resulting from forward-looking behavior.

There are some recent empirical papers addressing the promotion effect on consumer stockpiling behavior under price or promotion uncertainty. Erdem and Keane (1996) and Gonul and Srinivasan (1996) establish that consumers are forward looking. Erdem et al. (2003) explicitly model consumer's expectations about future prices with an exogenous consumption rate. In their model, consumers form future price expectations and decide when, what, and how much to buy. Sun et al. (2003)

demonstrate that ignoring forward looking behavior leads to an over estimation of promotion elasticity.

## 6.1 Sales Promotion and Consumer Response/ Preference

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 totaling 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 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 behavior 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 behavior theorists who seek to understand the influence of different types of environmental cues on consumer behavior.

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, Guadagno and Little (1983) and Gupta (1988)-have found promotions to be associated with brand switching. Montgomery (1971), Schneider and Curium (1990), and Webster (1965) found that promotion-prone households were associated with lower levels of brand loyalty.

Blatterberg, 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 Blatterberg, 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).

A large body of literature has examined consumer response to sales promotions, most notably coupons (e.g. Sawyer and Dickson, 1984; Bawa and Shoemaker, 1987 and 1989; Gupta, 1988; Blattberg and Neslin, 1990; Krishnan and Rao, 1995; Leone and Srinivasan, 1996). Despite this, important gaps remain to be studied. It is generally agreed that sales promotions are difficult to standardize because of legal, economic, and cultural differences (e.g., Foxman, Tansuhaj, and Wong, 1988; Kashani and Quelch, 1990; Huff and Alden, 1998). Multinational firms should therefore understand how consumer response to sales promotions differs between countries or states or province.

## **6.2 Price elasticity**

Traditionally the price has been considered an informative element, from which the Consumer can create an expectation on the quality of the product to acquire (Leavitt, 1954; Tull et al., 1964; McConnell, 1968; Lichtenstein et al., 1988). Similarly, manufacturers and retailers act on the price policy to achieve increases in their sales of products. With these reductions in prices, consumers are expected to buy greater amount of the product or brand. Although these are usual effects, they will depend on the brands submitted to such fluctuations (Hoch and Banerji, 1993; Aggarwal and Cha, 1998). In the analysis of the effects of price fluctuations, the concept of price elasticity of the demand must be unavoidably mentioned. As Fibich et al. (2005) point out; price elasticity of demand is the percentage change in quantity demanded as a result of a 1 per cent change in price. The individual's sensitivity to price is conditioned by a series of factors like market share, level of competition, activity in display, brand loyalty or other variables related to the consumer like his income (Lambing, 1991). Cross price elasticity is adequate to know the extent to which variance in a brand price alters the demand of the rival brands.

Some phenomena or issues of interest in relation to this have been analyzed in the previous literature: asymmetric price effect (Lemon and Winer, 1993; Bronnenberg and Wathie, 1996; Seetharaman et al., 1998), asymmetric share effect (Sethuraman, 1995; Sethuraman and Srinivasan, 1999) and proximity to neighbor effect (Sethuraman et al., 1998). The results of Sethuraman (1995) indicate that while reductions in the price of manufacturer brands with more market share will influence the store brands' sales, it is less likely that manufacturer brands are affected by reductions in the price of store brands. The brand choice made by the consumer at the moment of the purchase will be influenced by the price of the different brands of the category of product. In this way, a reduction in the price of an expensive brand may make this more attractive for the consumer and, therefore, the likelihood of choice of this brand may be increased to the detriment of the rest.

### 6.3 Sales promotion: immediate price reductions

Price and promotion strategies are closely related. It is very difficult to distinguish price variances which are caused by decisions derived from the prices policy from those produced as a result of the promotion policy. Thus, proposal has been developed by Cummins (1998), according to which sales promotion must stop being a part of the communication mix to become an autonomous variable.

When the promotion ends, sales are reduced even below the usual levels (without promotion). In the long term, the sales level tends to go back to a position near the initial position. Even Mela et al. (1998) confirm that long-term price promotions make the consumer more sensitive to price and therefore their effectiveness is reduced with the subsequent negative effect on benefits. These results are coherent with those obtained by Mela et al. (1997). Nevertheless, we must clarify that the effects provoked by promotions vary according to multiple factors: the type of incentive, the amount of discount provided or the type of product to which the promotion is applied, among others.

Some years ago, both effects were more intense than nowadays because the use of sales promotion was not as widespread as it is now. Nowadays the consumer observes that the category of products is systematically affected by some promotional actions, and therefore he will not modify the planning of his purchase (Fader and Lodish, 1990; Lal, 1990). Retail establishments should modify their promotional plans in order not to lose the essential objective: modify favorably the consumer buying behavior surprising him with a promotion action.

This element of surprise is now in danger.

Besides, the presence of promotion actions attractive to consumers may make this change establishment (Tellis, 1997). This effect is related to the change of brand, that is, consumers who do not usually acquire the brand feel attracted and buy it. The greater increase in sales occurs because of this reality (Blattbergand Neslin,1990; Gupta, 1993).

It is necessary to be continuously in touch with the market because on certain occasions the use of promotions could cause unwanted effects. This happens when the consumer perceives that he is paying for unnecessary product highlighting and positioning activities, which will make his behavior, deviate from the desired one, and thus, he will stop buying the promoted brand (Simonson et al., 1994). On some occasions the consumer may also stop buying a brand or avoid its purchase when it is promoted so as not to have to justify his behavior before the

group (Simonson,1989). Or the consumer simply decides not to buy the promoted product because he feels that he is being manipulated and he will act punishing the retailers.

The results of works such as those by Suri et al. (2000), detect the need to introduce promotions as explicit elements of the consumer buying behavior. Begona Alvarez and

The results of works such as those by Suri et al. (2000), detect the need to introduce promotions as explicit elements of the consumer buying behavior. Begona Alvarez and Rodolfo Vazquez Casielles (2008) concluded that the brand choice and buying behavior developed by consumers is a complex phenomenon. The variables that influence it are numerous and it is necessary to know them to act and develop useful strategies that achieve the objectives aimed at in each case. The influence of prices on this process is very important.

In previous researchers' questions related to reference prices have been approached in-depth. It seems widely accepted that when consumers buy a product, they compare its price with a subjective level. The problem focuses on finding the most adequate way of estimating that level. While some theoretical trends consider that the consumer forms his reference price from the observation of the prices at the establishment, others defend that the consumer remembers the prices paid on previous occasions and he will form his reference price from them. The analysis

made allows them to propose the estimations from stimuli or observation as explanatory of the brand choice and decision process developed by the consumer.

Just as it was expected, Begonia Alvarez and Rodolfo Vazquez Casillas (2008) have confirmed the importance of prices in the purchasing process. The effects derived from their fluctuations depend on the characteristics of the brand. Specifically, they have found differences in the intensity of response to price variances between manufacturer brands and store brands. The latter appeared to be more vulnerable.

Since one of the most widely used techniques of sales promotion are immediate discounts, they have considered it necessary to clarify the effects this may produce. Interesting results have been obtained regarding this issue. Discounts are perceived as attractive and serve to modify consumer preferences but depending on the category of product.

Thus, for those in which consumers show a strong tendency or preference for the brand, the expected results are not obtained, because they are not relevant in the brand decision process. The application of another promotional tool would be more advisable instead. However, for other categories of product with lower loyalty rates, the application of discounts is the most adequate action, since the use of other promotion actions does not produce any effect.

Sellers use various advertising and promotion tactics to attract customers and increase sales. Previous research has shown that framing of promotion messages and presentation of price



information influence consumers' perceptions of prices and their willingness to buy (Das, 1992; Sinha et al., 1999; Sinha and Smith, 2000).

However, Lan Xia and Kent B. Monroe (2008) have distinguished between consumers who have prior goals to buy the product relative to those who do not have such purchase goals. Further, they have added whether consumers' responses to different promotion message framing and price presentations differ when they do or do not have pre-purchase goals. Since the same promotion information may lead to different perceptions as consumers' goals vary (Shavitt et al., 1994), understanding how consumers with different purchase goals react to various promotion messages can help sellers design effective promotion programs.

#### **6.4 Price promotions and pre-purchase goals.**

Goals play a fundamental role in influencing how information in a promotion message will be processed (Shavitt et al., 1994). When individuals have multiple information processing strategies available, they select among them based on goals, motives, and the environmental context (Taylor, 1998). Thus, information regarding a specific product attracts more attention when consumers have a repurchase goal for that product category compared to when consumers do not have pre-purchase goal.

Price promotions usually provide consumers with monetary savings on specific products. If consumers are in a store intentionally searching for these specific products, then it is expected that they would find promotions on such products more attractive compared to those consumers who are in the store but do not have a prior purchase goal for a promoted product. Therefore, the purchase likelihood is higher. In addition to this main effect, consumers may react to different promotion characteristics in different ways given the existence or absence of a pre-purchase goal.

For example, Howard and Kerin (2006) found that consumers with different levels of involvement, operationalized by whether they are in the market for a product, have different information processing styles and hence respond to different price promotion cues.

Price promotion characteristics can be grouped into four categories: price presentation, deal characteristics, situation factors, and study effect (Krishna et al., 2002). Price presentation research examines whether consumers' perceptions of a promotion are influenced by how the promotion is communicated, e.g. framing.

Research on deal characteristics studies the influence of factors such as deal percentage, gift value, and size of the bundle. Situation factors refer to the overall situation of the price promotion including types of stores, brands and whether the promotion information is received at home or in the store.

Finally, study effect addresses measurement issues including factors such as number of variables manipulated and number of participants. Different promotion characteristics influence current as well as future purchase intentions (DelVecchio et al., 2006). Lan Xia and Kent B. Monroe (2008) examined several important issues related to price presentations and deal characteristics of price promotions focusing on promotion framing, format, and promotion depth.

#### **6.5 Promotion format: Discount vs. Gift.**

In addition to promotion framing, price promotions come in different formats such as discount, coupon, rebate, and purchase with gift, etc. While most promotion forms involve monetary savings, some promotions are non-monetary. One type of on-monetary promotion often used is offering consumers a free product or gift instead of a price discount.

Compared to price discounts, non-price promotions such as free gifts are likely to be perceived as small gains (Diamond and Johnson, 1990) and maintain product quality perceptions comparing to discounts (Darke and Chung, 2005). Discounts reduce the price that consumers have to pay for the product (i.e. reduced sacrifice). However, in a free gift promotion, while the value of the promotion may be equivalent to a discount, nevertheless, it does not reduce the sacrifice with the focal product purchase and therefore it could be perceived as a gain. If consumers with and without repurchase goals respond differently to gains and losses in price promotion perceptions, they may react differently to monetary and non-monetary price promotions Diamond and Abhijit (1990) found that a price discount was more likely to be chosen even when the discount was less than the retail value of the free product.

As discussed earlier, if consumers who are planning to buy a product are more focused on the monetary sacrifice, they would prefer a price discount (reduced loss) over a free gift promotion (small gain). However, consumers who are not planning to buy may be more attracted by a small gain associated with the free gift. Lan Xia and Kent B. Monroe (2008) concluded how consumers with or without a specific pre-purchase goal respond differently to a price promotion. Not surprisingly, Lan Xia and Kent B. Monroe (2008) showed a consistent main effect of goal on participant's willingness to buy. This main effect was not mediated by perceived value. This result is consistent with the intuition that consumers are responsive to information that matches their needs. Product or brand level price promotion information is less relevant when consumers do not have a pre-purchase goal. They observed a main effect of promotion format. Participants preferred discount over free gift and higher discount level over lower discount level regardless of the presence of a pre-purchase goal. These main effects were mediated by perceived transaction value.

It is also added that the main effect of promotion format probably due to fact that the two-promotion framing represented equivalent price savings. In addition to the main effects, they show how consumers goals interact with some important characteristics of price

promotions to influence their willingness to buy. The effect of the promotion message framing or format is conditional on consumers' prior purchase goals. Consumers planning to purchase a product are more responsive to promotion messages framed as reduction of losses (e.g. —pay less and a discount) while consumers without a goal are more responsive to messages framed as additional gains (e.g. —save more and free gift).

Henceforth, consumers with different purchase goals respond differently to the depth of a discount. When consumers do not have a purchase goal, they are less responsive when the discount level is either too small or too large. In contrast, such thresholds are less observable when consumers have a prior purchase goal. Furthermore, it has been concluded that perceived quality is the underlying mechanism for the effect of promotion framing across purchase goals. Overall, introducing consumer goals as a moderating factor provides some boundary conditions to previous research effects and adds to knowledge of consumers' perceptions of and responses to various price promotions.

The notion that targeted deals are more efficient than across-the-board sales promotions that provide unnecessary discounts to price-insensitive consumers has prompted a dramatic growth in customized pricing and sales promotions (Acquisti and Varian 2005). However, questions have been raised regarding the efficacy of targeted offers in general (Homburg, Droll, and Totzek 2008) and customized price promotions (Acquisti and Varian 2005; Feinberg, Krishna, and Zhang 2002).

Thus, whether companies should rely on customized promotions remains an open question, highlighting the need for additional research into how consumers respond to targeted discounts as well as contingencies that affect their response to these offerings (Franke, Keinz, and Steger 2009; Simonson 2005). In this regard, a variable that has received little attention in the literature is the relative exclusivity of targeted price promotions. Because such promotions are offered selectively to some consumers (i.e., deal recipients) but not to others (i.e., deal non recipients), targeted price promotions involve a level of exclusivity that surpasses that associated with more inclusive (i.e., undifferentiated) offers. At their most exclusive, price discounts can be customized to maximize promotional fit with individual consumers (Simonson 2005). At more modest levels of exclusivity, targeted promotions can be selectively offered to entire groups of consumers, as with affinity marketing programs (e.g., Borders' educator savings promotions, which limit discounts to current and retired teachers).

Research by Feinberg, Krishna, and Zhang (2002) provides evidence of a betrayal effect, in which loyal consumers of a brand provide less favorable preferences for that brand when they are excluded from a targeted deal offered only to competitors customers. Equity frameworks (Adams 1965; Bolton and Ockenfels 2000; Greenberg 1986) presume that people will engage in interpersonal comparisons that factor not only the outcomes received (nonsocial utility) but

also how such outcomes compare with those that others accrue (social utility). When consumers react to marketing offers with the goal of maximizing personal welfare (i.e., they are self-regarding), the receipt of an exclusive deal leads to advantageous inequity that enhances evaluations of the targeted discount among deal recipients (Greenberg 1987; Loewenstein, Thompson, and Bazerman 1989). In contrast, non-recipients (whose exclusion from the offer results in disadvantageous inequity) should evaluate this type of promotion less favorably. Thus, as a result of their respective outcomes, recipients and nonrecipients should differ in their evaluations of a targeted deal.

Equity theory further suggests that evaluations of a targeted offer will depend not only on the relative outcomes associated with the offer (i.e., whether the consumer is a recipient or non-recipient) but also on the inputs or costs associated with receipt of the promotion. In the context of targeted deals, these inputs may be represented by the amount of effort customers have invested in their relationship with a marketer (e.g., through their past patronage of the brand) (Feinberg, Krishna, and Zhang 2002; Homburg, Droll, and Totzek 2008); in turn, these investments should influence how consumers respond to a targeted offer (Verhoef 2003). In this regard, the negative reactions of deal non recipients in Feinberg, Krishna, and Zhang (2002) likely arose because of disparities in both exchange components.

In comparison with deal recipients, these consumers experienced disadvantageous inequity in terms of both the relative outcomes associated with the offer (non-receipt of the targeted promotion) and the relative inputs (brand-loyal non recipients had more invested in their relationship with the marketer than deal recipients, who were users of a competitive offering). Being placed in a situation of disadvantageous inequity presumably prompted negative emotions (Tabibnia, Satpute, and Lieberman 2008) that undermined the preferences of non-recipients for the brand to which they had previously been loyal.

However, Michael J. Barone & Tirthankar Roy (2010), explored whether, when, and how recipients' evaluations of a targeted price promotion may be affected by the offer's exclusivity (i.e., the extent to which an offer is available to consumers in the marketplace). If exclusion from a targeted offer can trigger disadvantageous inequity for non-recipients (as Feinberg, Krishna, and Zhang (2002) demonstrate), it stands to reason that receipt of an exclusive discount should engender advantageous equity for deal recipients.

Furthermore, an emerging literature on inequity aversion (Fehr and Gintis 2007; Fehr and Schmidt 1999) suggests that certain people desire outcomes that balances self-regarding (i.e., selfish) interests with other-regarding interests. Thus, some consumers may be reluctant to engage in exchanges that provide them with advantageous inequity, and this disinclination is likely to grow with the level of inequity characterizing the exchange (Scheer, Kumar, and Steenkamp 2003). Inequity-averse deal recipients should evaluate a deal less favorably as it becomes more exclusive.

As a result of their motivation to avoid experiencing the negative affect (e.g., guilt) that may accompany advantageous inequity (Scheer, Kumar, and Steenkamp 2003), inequity-averse recipients should evaluate exclusive deals less favorably than more inclusive offers. While variations in inequity aversion have been examined at more macro levels (e.g., across cultures; see Scheer, Kumar, and Steenkamp 2003), little work has explored individual difference factors that characterize inequity-averse people.

However, such an examination affords a means of identifying theoretically relevant variables that moderate consumers' tendencies toward inequity aversion, information that is useful in developing strategies aimed at more effectively and efficiently delivering targeted deals to the marketplace.

#### **6.6 Short- and long-term effects of Sales Promotion**

The evidence of short-term effects seems to be well documented in the literature. It is suggested that SP can build brand awareness and motivate trial, provide more specific evaluation methods, as they are more immediate and operate in a specific time frame, (Pham, M.T., Cohen, J.B., Pracejus, J.W. & Hughes, G.D., 2001), influence sales, (Roberts, John H., 1995) expand the target market (Robertson, T.S., 1993) and achieve competitive advantage. (Rothschild, M.L. & Gaidis, W.C., 1981). According to their purpose, SPs are often successful in inducing action, as they encourage consumers to act on a promotion while it is still available. Also, the strength of SP lies in its flexibility to quickly respond to competitor attacks contributed by Sandra Luxton (2001).

Despite these benefits, the question remains whether these effects are made at the expense of the long-term impact that SP may have on companies. Sawyer, A. and P. Dickson (1984) and Simonson, I., and Z. Carmon (1994) proved that there is evidence pointing towards SP having a negative effect on brands, especially in relation to advertising. It is argued that SP does not have any brand-building impact and could lead to diminishing effects for the brand, particularly well-established ones. In fact, the Ehrenberg et al. study showed that price-related promotions do not have any effect on brand performance, either in terms of sales or repeat purchase.

According to the authors, this is due to the fact that promotions influence existing customers in the first place, with some rare exceptions shared by Simonson, I., and Carmon (1994). This is a concern for companies, whose main objective it is to target new customers or gain more long-term profit, as new customers might only take advantage of the promotion and then go back to their preferred brand. Also, even when the existing customers are targeted and the response is satisfying, these consumers' price sensitivities may be enhanced, causing difficulties in the long run. A premium brand needs to justify its high price and its image, and often does so through advertising, but are these media expenditures a waste of money if the

image is damaged through other communication channels? Perhaps the easiest advice would be to simply avoid SP due to this potential risk, but as we have seen in the FMCG markets, SP cannot easily be avoided and market characteristics force companies to address this issue. In addition, it is arguably the FMCG markets that face the largest issue of competition and lack of differentiation among products; and these are all the problems that successful branding might ease.

#### **6.7 Price sensitivity**

One of the most discussed negative effects concerns consumer price sensitivity. Findings show that SP tends to increase consumer price sensitivity, due to the formation of reference prices. When consumers buy a product, they start to compare the price to the reference price, as opposed to the actual one. If a consumer is used to buying two coffees for the price of one, when the SP is removed, the actual price of the coffee suddenly seems more expensive. However, this implies that, in order for consumers to become too price sensitive, promotions would have to happen frequently, since consumers do not tend to always remember prices. Naturally, different consumers react differently to prices and SP, depending on their own predispositions and preferences. For instance, customers loyal to a specific brand will perhaps not switch even when presented with the most tempting offer while others actively search for the best offer available. Promotions can, however, lead to a greater number of people becoming offer-seekers as, Mela et al., (1997) found that, looking long-term, price promotions do make both loyal and non-loyal customers more sensitive to price.

# CHAPTER-7

## Research Methodology

### **Research Design**

Research design is defined as a framework of methods and techniques chosen by a researcher to combine various components of research in a reasonably logical manner so that the research problem is efficiently handled. It provides insights about “how” to conduct research using a methodology.

It details the procedures necessary for obtaining the information need to structure and/or solve research problems. The research design lays the foundation for conducting the project.

Every researcher has a list of research questions which need to be assessed – this can be done with research design. The descriptive research design is being used to study the formulated problem.

Primary and secondary data has been collected according to the need of the study.

For collecting primary data, structured questionnaire has been prepared considering objectives of the study. Moreover, important factors have been considered to measure the interested variable of the study.

### **Product categories under study**

DETERGENTS: Washing Powder for Clothes

TOILETERIES: Soaps

### **7.1 Sampling Design & Data Collection**

The universe of the study consists of the retail consumers in New Delhi

*Sample Size:* 69

*Sampling Method:* Convenient Sampling Method

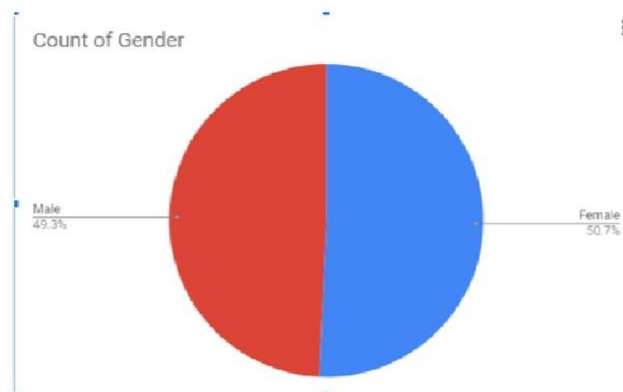
*Data Type:* Primary Data & Secondary Data

*Data Collection Tool:* Structured Questionnaire

## CHAPTER-8

### Analysis

Count of age

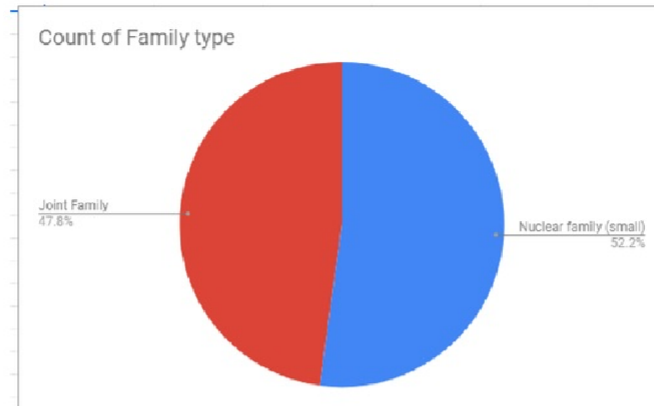


Age Count

Age	COUNTA of Nam
25-30	16
30-35	4
30-43	1
30-44	1
35-40	15
40-45	18
45+	14
<b>Grand Total</b>	<b>69</b>



### Count of family type



### Count of Education

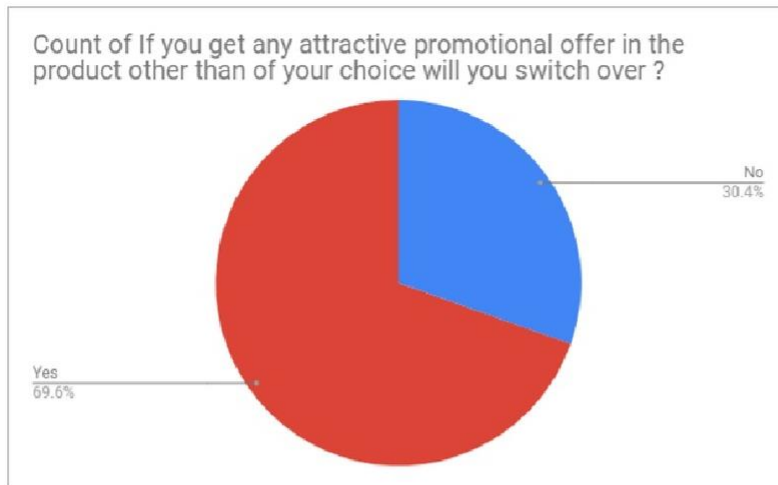
1	Education	COUNTA of Name
2	Graduate/post graduate (general: eg. Music, BA, fine arts )	8
3	Graduate/post graduate (professional: eg. B.tech, mba, LLB etc.)	32
4	Literate but no formal schooling/school upto 4 years	1
5	Some college diploma but not graduate	16
6	SSC/HSC	12
7	Grand Total	69

**Count of how many people have heard about these promotional schemes with respect to the age.**

	A	B	C
1	Age	Which of the following promotional scheme you have come across so far ?	COUNTUNIQUE
2	25-30	Coupons, Extra Quantity, Price off or discount	1
3		Extra Quantity	1
4		Extra Quantity, Price off or discount	1
5		Extra Quantity, Scratch Cards, Price off or discount	1
6		Freebies, Extra Quantity, Price off or discount	1
7		Price off or discount	1
8		Scratch Cards	1
9	25-30 Total		7
10	30-35	Coupons, Freebies, Extra Quantity, Price off or discount	1
11		Coupons, Freebies, Extra Quantity, Scratch Cards, Price off or discount	1
12		Freebies, Price off or discount	1
13		Price off or discount	1
14	30-35 Total		4
15	30-43	Extra Quantity, Price off or discount	1
16	30-43 Total		1
17	30-44	Extra Quantity, Price off or discount	1
18	30-44 Total		1
19	35-40	Coupons, Extra Quantity, Price off or discount	1
20		Coupons, Freebies, Extra Quantity, Scratch Cards, Price off or discount	1
21		Coupons, Freebies, Extra Quantity, Scratch Cards, Price off or discount, Mobile recharge	1
22		Extra Quantity	1
23		Extra Quantity, Price off or discount	1
24	35-40 Total		5

	A	B	C
24	35-40 Total		5
25	40-45	Coupons, Extra Quantity, Price off or discount	1
26		Coupons, Extra Quantity, Scratch Cards, Price off or discount	1
27		Coupons, Freebies, Extra Quantity, Scratch Cards, Price off or discount	1
28		Extra Quantity	1
29		Extra Quantity, Price off or discount	1
30		Extra Quantity, Price off or discount, Ayurveda	1
31		Freebies, Extra Quantity, Price off or discount	1
32		Freebies, Extra Quantity, Scratch Cards, Price off or discount	1
33		Price off or discount	1
34	40-45 Total		9
35	45+	Coupons, Extra Quantity, Price off or discount	1
36		Coupons, Freebies, Extra Quantity, Scratch Cards, Price off or discount	1
37		Extra Quantity, Price off or discount	1
38		Freebies, Extra Quantity, Price off or discount	1
39		Freebies, Extra Quantity, Scratch Cards, Price off or discount	1
40	45+ Total		5
41	Grand Total		14

### Readiness to switch

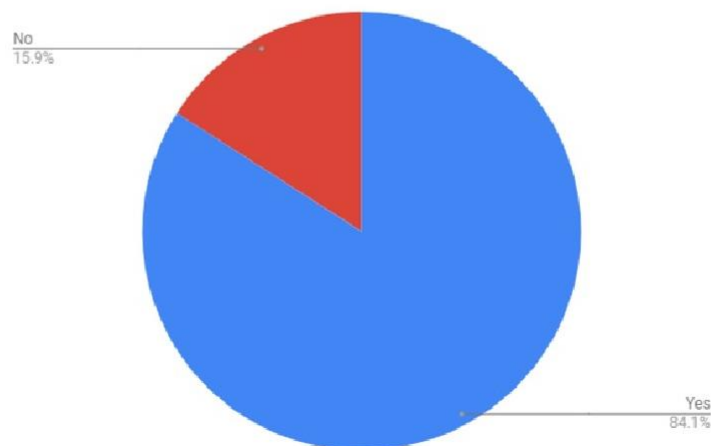


**Interpretation-** The answer of the respondents give idea about the awareness of the promotional schemes offered in the market on their existing soaps and detergents.

In this situation more than 40% of the people are not aware or having vague idea about the promotional schemes running into the market.

### Do you always buy the same brand of soap/detergent?

Count of Do you always buy the same brand of soap & detergent ?



**Intepretation-** The objective behind this question is to know the loyalty of the consumers in case of soaps and detergents. The above chart shows that customers are loyal while the purchasing of the soaps and detergents.

**What all factors do you consider while purchasing soap and detergent?**

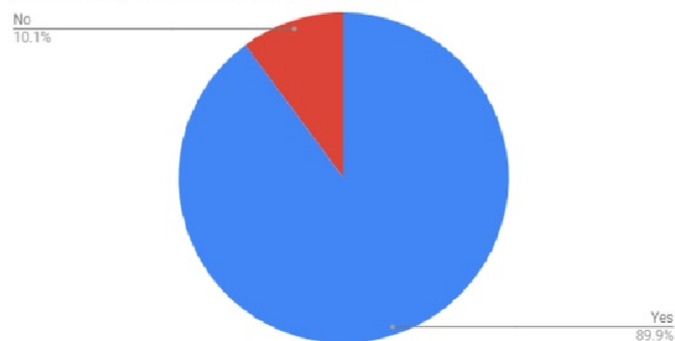
Factors

Fragrance	15
Quality	20
Company Image	10
Price	8
Packaging	9
Others	8

**Interpretation-** The objective behind this question is to know the effect of influencing factors in the purchase decision of the soaps and detergents powder. It mainly contains factors like, quality which plays an important role in the purchase decision of the both.

**Do you consider promotional schemes while purchasing a particular brand or soap?**

Count of Do you consider promotional scheme while purchasing a particular brand or soap ?



**Which medium do you feel is most preferred to promote the various promotional tools?**

Mediums

TV	20
Radio	9
Newspaper	15
Hoardings	12
Social Media	10

**Interpretation-** The above result shows that the most preferred media is TV.

## CHPATER-9

### 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- market. 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 Buy one get one free offers are very effective to attract the consumers towards the product.

One of the very important facts I came to know to from this project is that sale of goods which contains large quantity and having big packaging example, Detergents are stagnating because consumer prefer to buy small packed goods, The reasons are: small pack goods reduced risk of bad quality it had low cost or say price, and last but important i.e. mentality to purchase just to try first.

Sales of small packed goods are quite high, but from the company's point of view small packed goods is less profitable compare to large packed goods,

## **CHPATER-10**

### **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 nay major impact.

Managers need to invest into brand building exercise so that his/her brand appears in the consideration set of the target consumer. Only after this he should 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 is going to 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.

From the study it was found that smaller retailers felt neglected and not enthused to implement the schemes, particularly when additional handling, stocking, accounting was required on the part of a retailer without compensatory margins.

It can be seen that retailer and consumer perceptions matched with respect to preferences of schemes, underlying motivation and role of mass media.

This implies that the retailer would be a rich source of information about the consumer and likely the response to sales promotion activities.

Developing a system to tap such responses from time to time both at retailer and consumer level would be helpful for planning in future sales promotion activities. In order to build trust and commitment companies should tap preferences, perceptions of retailer as well as consumers.

## **CHAPTER 11**

### **Limitations of the Study**

- I took Delhi region because the time duration was very less.
- The consequence of the limited time is that y sample size is only 69 which is not very large.
- Respondents were unable fill their questionnaire on their own due to language issue problem and also problem of time and lack of positive behaviour.
- Respondent's answers can be biased due to some lack of information about other brands.
- The findings are based on the assumption that respondents gave correct information.



# MRP

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