

# A Study of Sales Promotion Tools for Traders With Reference to FMCG Products

Mohit Kumar, Dr. Indu Bhargava, Dr. Jayant Sonwalkar

**Abstract—** This study attempts to study diverse hypothetical issues associated with sales promotion tools for traders. It attempts to understand Traders brand switching behaviour when they are provided with attractive sales promotion schemes. We have studied how Traders can influence customer's decision for brand switching with use of Sales Promotion tools. Sales promotion tools liked by traders, sales promotional tools which can influence the behaviour of traders to adopt a new brand for selling, Traders brand loyalty etc. We have taken a sample of 180 Traders out of which 172 were finally selected for analysis after editing. The study has made a contribution to Study of sales promotion schemes used for traders selling FMCG Products. The findings would be precious for FMCG Industry, to have more knowledge on sales promotion tools and its impact on behaviour of Trader

**Index Terms—** Sales Promotion Tools, Trader's Satisfaction, Fast Moving Consumer Goods, Brand Switching

## I. INTRODUCTION

The FMCG sector has grown at an annual average of about 11 per cent in the last 10 years. The overall FMCG market will increase at (CAGR) of 14.7 per cent to touch US\$ 110.4 billion during 2015-2020 in India, with the rural FMCG market anticipated to increase at a CAGR of 17.7 per cent to reach US\$ 100 billion during 2015-2025. Food products are the leading segment in term of market share; accounting for 43 per cent of the overall market followed by personal care (22 per cent) and fabric care (12 per cent). Growth in different sectors like media, technology has created a huge awareness and is responsible for the growth of consumer market. Indian Government's policies, relaxation of license rules and approval of 51 per cent foreign direct investment (FDI) in multi-brand and 100 per cent in single-brand retail are some of the major growth drivers for the consumer market (Ibef.org, 2015).

Sales Promotion Tool is generally defined as those marketing activities that provide extra value or incentives to the sales force, the distributors, or the ultimate consumer and can stimulate immediate sales. Sales promotion is generally broken into two major categories: consumer-oriented and

trade-oriented activities. Consumer-oriented sales promotion is targeted to the ultimate user of a product or service. These promotional tools encourage consumers to make an immediate purchase and thus can stimulate short term sales. Trade-oriented sales promotion is targeted toward marketing intermediaries such as wholesalers, distributors, and retailers. Promotional and merchandising allowances, price deals, sales contests, and trade shows are some of the promotional tools used to encourage the trade to stock and promote a company's products (Belch & Belch, 2003). Effectiveness of Sales Promotional Tools is an important topic to measure as some critics argue that sales promotion tools are ineffective as they make consumers more promotion prone which results in market share loss in long run. However some researchers found that sales promotions tools lead to long term increase in sales and profits (Gupta & Singh, 2013).

Sales promotion acts as a competitive tool which provides consumers an extra incentive to purchase one brand over the others at one Trader over the others. Now, sales promotions has become an integral part of the marketing strategies of many Traders, and the successful deployment and implementation of sales promotion tactics at the right time can lead to substantive growth in sales transactions and sales revenues (bmsr.mvaasia.com). Sales promotion tools play an important role for in creating awareness and generating sales of FMCG Goods. Some of the important Role of Sales Promotion Tools is to introduce new products, to attract new customers and retain the existing ones, to maintain sales of seasonal products, to meet the challenge of competition and to induce customers for switching brand. Sales Promotion Tools for traders are to persuade and encourage Traders, wholesalers or any other channel member to purchase and also promote the products. They are also used to build long term relationships with traders (Knowthis.com, 2016). Organizations are spending twice on sales promotion schemes as compared to advertisements and they spend twice on sales promotion tools for traders as compared to sales promotions for customers (Roach, 2016). We have considered six most served sales promotion tools to traders which are sales incentives, advertising and display allowances, promotional products/ free samples, store demonstration, prizes and trade shows.

## II. LITERATURE REVIEW

Research is going on a large scale in FMCG sector relating with sales promotion tools for Traders as well as customers. We have studied and collected literature review as per our research requirement. Majumdar (2007) referred Fast Moving Consumer Goods to non-durable products examples soft drinks, toiletries, grocery items, etc. A customer usually spends a minimum of effort to procure them. However, much

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of astute marketing activities have evolved from this class of products, where consumers show low involvement, get wider choice and allured by a host of inducements. Some Important characteristics of an FMCG from Customer's perspective are frequent purchase, low involvement and low price. Characteristics from marketer's angle are high volume production, low margins, extensive distribution networks & high stock turnover. FMCGs can be subdivided into three classes:

**Staples:** Goods that consumers purchase on a regular basis. For example, a buyer purchases a toilet soap, detergent, sauce, toothpaste and biscuit as and when stocks reach a critical level.

**Impulse:** Goods that are purchased without any planning or search effort. These goods are usually procured due to external stimulus.

**Emergency Goods:** Emergency goods are purchased when that particular need arises. For example Umbrella is required in rainy season.

While studying the sales promotion tools for customers as well as Traders we found that "Sales Promotional Tools act as a direct inducement, offering added value, or incentive for the product, to re-sellers, sales persons or consumers". Sales Promotion techniques or tools are basically of two types:

### 1. Customer Oriented Sales Promotion Techniques are:

**Price deal:** A temporary reduction in the price, such as 50% off.

**Loyal Reward Program:** Consumers collect points, miles, or credits for purchases and redeem them for rewards.

**Cents-off deal:** Offers a brand at a lower price. Price reduction may be a percentage marked on the package.

**Price-pack deal:** The packaging offers a consumer a certain percentage more of the product for the same price (for example, 25 percent extra).

**Coupons:** coupons have become a standard mechanism for sales promotions.

**Loss leader:** the price of a popular product is temporarily reduced below cost in order to stimulate other profitable sales

**Free-standing insert (FSI):** A coupon booklet is inserted into the local newspaper for delivery.

**On-shelf couponing:** Coupons are present at the shelf where the product is available.

**Checkout dispensers:** On checkout the customer is given a coupon based on products purchased.

**Sampling:** Consumers get one sample for free, after their trial and then could decide whether to buy or not.

**On-line/mobile couponing:** Coupons are available online or can be sent to customer's mobile. Consumers print them out and take them to the store.

**Online interactive promotion game:** Consumers play an interactive game associated with the promoted product.

**Rebates:** Consumers are offered money back if the receipt and barcode are mailed to the producer.

**Contests/sweepstakes/games:** The consumer is automatically entered into the event by purchasing the product.

### 2. Traders Oriented Sales Promotion Techniques are:

**Trade allowances:** short term incentive offered to induce a Trader to stock up on a product.

**Advertising and display allowances:** An incentive given to induce a Trader to advertise and display a product.

**Trade contest/Prizes:** A contest to reward Traders that sell the most products.

**Point-of-purchase displays/Store demonstration:** Used to create the urge of "impulse" buying and selling your product on the spot.

**Training programs:** dealer employees are trained in selling the product.

**Trade shows:** A gathering where different channel members can demonstrate their products, services.

**Push money/Sales Incentives:** also known as "spiffs". An extra commission paid to retail employees to push products (Vishwakarma 2010).

Sindhu (2012) found that many companies use sales promotion schemes for dealers/traders. They should always find better sales promotion schemes as compared to competitors in order to maintain relationships with existing and attract new traders. Many traders don't get benefited by the sales promotion schemes because of unawareness. Companies must make traders aware about the ongoing contests and schemes. This will improve the participation of the channel members. Patwa and Patwa (2013) found that sales promotion tools play an effective role in creating and maintaining trader's satisfaction. In the research it is found that there is a significant relationship between trader's loyalty and sales promotion tools, but the effectiveness of different sales promotional tools for traders is different. They also found that there is a significant effect of sales promotion tools on sales volume, profitability, number of traders and overall performance of particular Industry.

Mullerova and Karlicek (2011) concluded that Sales promotion tools can help manufacturer to launch new products to the market, to revive a mature brand, it can help traders to compete against other brands and encourage customers to try a new product. While planning the communication strategies, companies must consider these sales promotion tools for Traders as well as customers. Psycho-graphic and demographic factors have high impact on responsiveness of sales promotion activities. While designing the sales promotion strategy for Traders, the company must consider factors like age, income, education, interest, opinions etc of traders.

In another study of Verghese and Lunia (2013) we found that price form of promotion such as discount and price off have vital impact on buying behaviour among customers in Fast moving consumer goods instead of non price form of promotion such as premiums and sweepstakes. Therefore traders need to raise the awareness about sales promotion tools under price and non - price tags. Much research has been done on how Sales promotion tools create impact on brand preference. It is found that Sales promotion tools have impact on brand preference but all tools of sales promotion not have same impact. Coupons, and home sample have less impact than shopper cards. Therefore shopper cards have more impact on secondary brand of categories and must be exploited by traders (Schultz and Block 2014).

Obeid (2014) studied three different consumer behaviours which are very important for traders. They are Brand Switching, Purchase acceleration and Spending More. He considered Price Discount, Free Gift, Extra free product and Games as Sales Promotion Tools. He found Price discount was most effective in inducing the three behaviours. After Price discount, Extra free product, Free gift and games were found effective in inducing the three behaviours respectively. Traders should use this sales promotion scheme to make a positive relationship with customers. According to Soni and Verghese (2013) Sales Promotion Tools plays an important role in revenue generation of a company. Sales promotion tools for traders are used in a large amount but are not visible by most of the customers. It costs double the amount of money that companies spend on sales promotion tools for customers.

Veronika (2010) found that during period of recession Traders put more emphasis on sales promotion tools and spend extra amount on promotional activities in order to maintain their sales. He found that sales promotion tools are used by Traders for short term gains but they should be used for long term goals like brand image building and creating long term loyalty. Mali & Ahir (2013) found that Sales promotion tools perform positive impact on consumer's interest to purchase as well as on traders for selling the brand. Sales promotion tools can attract any trader to choose a new brand for selling. Sales promotion can play vital role to raise organization's sales and profitability.

According to Nagar (2009) Marketers must find loyal and non loyal Traders within each product class. Sales promotion tools can play a significant role in brand switching for non loyal Traders. As there is increase in competition marketers must be able to know those sales promotional tools which will make Traders loyal in their own brand. Marketers should launch Traders loyalty program as cost of attracting a new Trader is much high than retaining a old one.

**III. OBJECTIVES OF STUDY**

1. To study Traders preferences with respect to sales promotion tools for FMCG Goods.
2. To study the impact of sales promotions tools on brand switching and satisfaction of Traders for FMCG Goods.

**IV. RESEARCH METHODOLOGY**

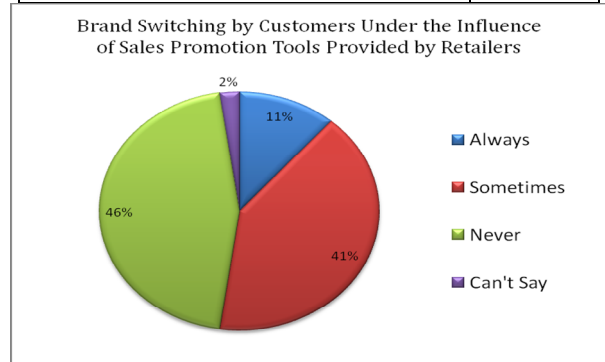
The research paper has been framed while considering Traders selling FMCG Products. Research design is descriptive in nature. Primary data is collected through convenient sampling method from 180 traders of Indore selling FMCG products using self designed questionnaire. Cronbach's alpha test is used to measure reliability and is found to be 0.76. Out of 180 questionnaires 172 questionnaires were selected for analysis after editing. Likert and Nominal scales are used in the questionnaire. Friedman test is used on each sales promotion technique in order to check significant difference between sales promotion techniques. Mean and graphs are also used to analyze and represent the findings

**V. ANALYSIS AND INTERPRETATION**

1. If you tell customers about a different brand with attractive sales promotion schemes other than the product that they normally buy. Do customers switch to the other brand in case of FMCG?

(a) Always ( ) (b) Sometime ( ) (b) Never ( ) (d) Can't Say ( )

Always	19
Sometimes	71
Never	79
Can't Say	3

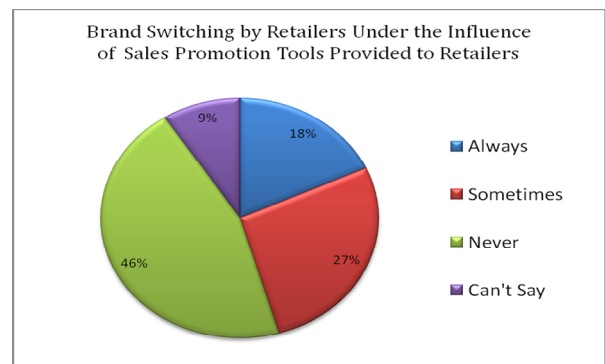


The above analysis shows that when Traders tell customers about sales promotion tools then about 11% of customers always switch to other brands and 41% of customers switch to other brands sometimes. We should encourage the Traders to make customers aware about the sales promotion techniques that we use for our product when a customer asks for any other brand.

2. If you are given a brand by the distributors/manufacturer with attractive sales promotion schemes other than the brand that you normally sell. Will you switch to the other brand in case of FMCG products?

Always ( ) (b) Sometime ( ) (b) Never ( ) (d) Can't Say ( )

Always	32
Sometimes	46
Never	79
Can't Say	15



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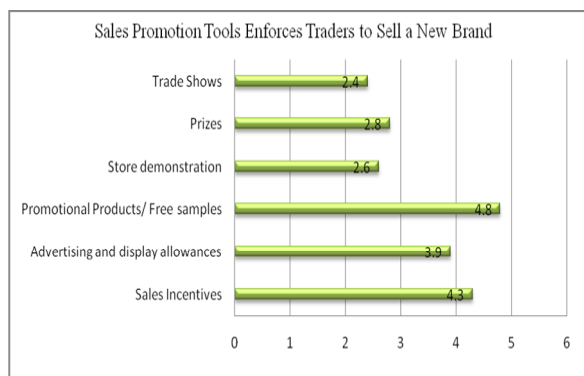
From the above analysis we come to know that even after providing attractive sales promotion tools about 46% of Trader don't switch to other brand, the main reason behind this is customer's demand for their regular product. Here product awareness is required, so that consumer can demand for the product to Trader. Also efforts must be made to attract new traders by applying proper sales promotion technique. 18% of Traders are ready to sell new products to customers. 27% Traders may switch the brand and sell new products if they are provided with attractive sales promotion tools.

3. Which of the following Sales Promotion tools may enforce you to switch the brand and sell a new brand in case of FMCG? Mark under the scale from 1 to 5.

Multiple comparisons

Variable	Mean rank	Different (P<0.05) from variable nr
(1) Sales Incentives	4.3517	(2) (3) (4) (5) (6)
(2) Advertising and display allowances	3.9215	(1) (3) (4) (5) (6)
(3) Promotional Products Free samples	4.8198	(1) (2) (4) (5) (6)
(4) Store demonstration	2.6483	(1) (2) (3)
(5) Prizes	2.8140	(1) (2) (3) (6)
(6) Trade Shows	2.4448	(1) (2) (3) (5)

Minimum required difference of mean rank: 0.2663



Friedman Test is applied and from the analysis of mean ranks we come to know that promotional products/free samples, sales incentives and advertising & display allowances are most effective sales promotional schemes for Traders. Organizations who want to sell new products must use these sales promotion tools to attract Traders.

Ho: There is no significant difference between the variables.  
Friedman test

F	107.6395
DF 1	5
DF 2	855
P	<0.00001

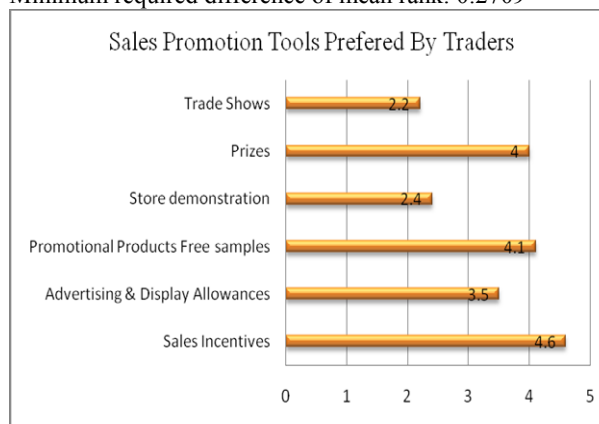
Since P is less than the selected level of significance our Friedman test is positive and there is significant difference between the variables.

4. Which type of sales promotion tools are enjoyed by you and provide you satisfaction in case of FMCG Products? Mark under the scale from 1 to 5.

Multiple comparisons

Variable	Mean rank	Different (P<0.05) from variable nr
(1) Sales Incentives	4.6395	(2) (3) (4) (5) (6)
(2) Advertising & Display Allowances	3.5029	(1) (3) (4) (5) (6)
(3) Promotional Products Free Samples	4.1308	(1) (2) (4) (6)
(4) Store Demonstrations	2.4041	(1) (2) (3) (5)
(5) Prizes	4.0756	(1) (2) (4) (6)
(6) Trade Shows	2.2471	(1) (2) (3) (5)

Minimum required difference of mean rank: 0.2709



The above analysis shows that sales incentives, promotional products/free samples and prizes are most preferred sales promotion tools as they have high mean rank. From previous analysis we know that Trader don't switch to other brand easily. These Sales Promotion Techniques must be used to attract new Trader and to retain present Trader.

Ho: There is no significant difference between the variables.  
Friedman test

F	100.7659
DF 1	5
DF 2	855
P	<0.00001

Since P is less than the selected level of significance our Friedman test is positive and there is significant difference between the variables.

5. Do these Sales promotion tools for customers increases the sales of FMCG products? Mark under the scale from 1 to 5.  
Multiple comparisons

Variable	Mean rank	Different (P<0.05) from variable nr
(1) Direct Price Off Discount	4.976 8	(2) (3) (5) (6) (7)
(2) Coupons	3.110 5	(1) (3) (4) (5) (6) (7)
(3) Bonus Pack	4.293 6	(1) (2) (4) (6) (7)
(4) Buy one get one free	4.900 0	(2) (3) (5) (6) (7)
(5) Free Premium & Gifts	4.290 7	(1) (2) (4) (6) (7)
(6) Contests Games Sweepstakes	2.657 0	(1) (2) (3) (4) (5) (7)
(7) Free Samples	3.639 5	(1) (2) (3) (4) (5) (6)

Minimum required difference of mean rank: 0.3260



We applied Friedman Test from the given analysis we come to know that Discount/Direct price off, Buy one get one free, Bonus pack, and Free premium are very effective in increase of sales of product. So we must exploit these sales promotion tools to increase our sales.

Ho: There is no significant difference between the variables.  
Friedman test

F	59.3702
DF 1	6
DF 2	1026
P	<0.00001

Since P is less than the selected level of significance our Friedman test is positive and there is significant difference between the variables.

## RESULTS AND DISCUSSIONS

The study shows that when Traders tell customers about sales promotion tools then about 11% of customers always switch to other brands and 41% of customers switch to other brands sometimes. We should encourage the Traders to make customers aware about the sales promotion techniques that we use for our product when a customer asks for any other brand. From the above analysis we come to know that even after providing attractive sales promotion tools about 46% of

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Friedman Test is applied and from the analysis of mean ranks we come to know that promotional products/free samples, sales incentives and advertising & display allowances are most effective sales promotional schemes for Traders. Organizations who want to sell new products must use these sales promotion tools to attract Traders. The above analysis shows that sales incentives, promotional products/free samples and prizes are most preferred sales promotion tools as they have high mean rank. From previous analysis we know that Trader don't switch to other brand easily. These Sales Promotion Techniques must be used to attract new Trader and to retain present Trader. We applied Friedman Test from the given analysis we come to know that Discount/Direct price off, Buy one get one free, Bonus pack, and Free premium are very effective in increase of sales of product. Traders selling FMCG products must exploit these sales promotion tools to increase our sales

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