RETAILERS PREFERENCE OF TRADE PROMOTION SCHEMES FOR FMCG PRODUCTS

Ms.T.Hemalatha Assistant professor, Department of Business Administration, LathaMathavan Arts and Science College, LathaMathavan Nagar, Kidaripatti post, Via Alagarkovil, Melur Taluk, Madurai District, Madurai-625 301

Dr.B.Rajeshkannan, Guest Lecturer, Department of Management Studies, Madurai Kamaraj University, Madurai-625 021

"If it isn't a clear yes, then it's a clear no."

ABSTRACT

Retailing in India records best growth rate globally holding the second position in population with both local and international players attempting to penetrate Indian market with greater force. In retailing the traditional food, beverages, and grocery market have seen the growth in number of chain stores, supermarkets, hypermarkets and convenience stores. In this study the retail outlets were classified based on Location wise, Size of the outlet, Years of Establishment and Ownership Type. The retailers were classified based on Family Background, Education and Position of the respondent in the Retail Shop.In this study trade promotion methods and schemes were analyzed for the FMCG products under the major classification as Personal care, House-hold care, packaged food & Beverages and Health Care. These studies includes trade promotion methods like sales contests, couponing, freebies, displays, premiums, gifts, samples, rebates etc., From these, the schemes for FMCG products were grouped in to four major categories, Quantity Based Discount Scheme, Trade Allowances, Trade reward contests and Trade support by Branding.Considering product categories , mostly high positive evaluation rating are found in Food and Beverages category but very less evaluation rating with Health care category with respect to retailers' scheme preference for FMCG products. This study creates a different dimension to manufacturers for designing the trade promotion schemes for effective marketing of FMCG products. The findings from this study suggests the FMCG manufacturers that they shall standardize and customize certain trade promotion schemes according to the product and retail characteristics to optimize the budget and for effective retailing.

Keyword: Retailing, FMCG, Health Care,House-hold care, packaged food.

INTRODUCTION

Introduction Retailing is responsible for matching the individual demands of the consumer with quantities of supplies produced by huge range of manufacturers. Retailers keep changing their way of doing business to find out new ways for better serving their customers. They innovate in order to be able to sell goods and services at a competitive rate. Internationalization and consolidation of retailing has turned traditional retail industry upside down and fast and efficient operational models and new technologies constantly challenge retailers.Retailing in India records best growth rate globally holding the second position in population in the world expecting bullish long-term outlook with both local and international players attempting to penetrate Indian market with greater force. With a variety of products, brands, and services, the retail industry is ever growing and contributed about 10 per cent of the overall GDP of India and provides employability for Indians for over 20 per cent. Indian Retail Industry has huge potential with more middle class, high urbanization and measurable growth of the internet. India overtook China already in expanding the retail market with a booming economy, with rising usage rates, fast-growing urban population, and rising segment in the middle class. India is going to shine as the growing online business market in the world, supported by booming investment in the retailing and distribution market and a fast increase in the number of internets using population. Various organizations have high expectations about the growth of Indian online retail market.

Fast Moving Consumer Goods (FMCG) are the goods which are demanded more and purchased more frequently by the people. Except for pulses and grains, any usable goods which are purchased at equal intervals in lesser volumes. The products like washing soaps and powders, shaving goods, tooth brushes and

pastes, shampoos, packed food items, face creams, hair oil, tea, coffee etc. The major players in the markets are HUL,Cavin care, Nestle, P & G, Colgate, ITC, Nirma, Britannia, Amul, Emami, Marico and Dabur. Larger amount of monthly family budget occupied by the FMCG products. After globalization, all the countries facing tough competition in trading and opening of market to MNCs made import become cheaper. To do the business in all the sectors has become challenging. High marketing budget 24 needs to be allocated for promotion. Among the promotion-strategies (Consumer Promotion, Trade Promotion, and Sales Force Promotion), Trade promotion gives a high impact in the retail market to penetrate and rise in competitive market. Thus, Trade promotion is significant for FMCG companies to market, earn. This made the researcher to get interested in this topic to study.

RETAIL OUTLETS CLASSIFICATION

- Location Wise (Urban, Semi-Urban, and Rural)
- Size of the outlet (Average Square Feet)
- Years of Establishment
- Ownership Type (Owned, Rented and Leased)

CHARACTERISTICS OF FMCG PRODUCTS

The following are the FMCG characteristics:

- Their purchases are normally once in a month.
- They have low cost and margin for products
- They are purchased frequently
- These products are less durable
- The products are mostly in packaged form
- They have mostly work used in the branded category
- They are generally available in most retail outlets, departmental stores, and supermarkets.

Classification of FMCG Industry

The main segments of FMCG sector can be categorized as follows.

- Personal care
- House-hold care
- Packaged food & Beverages
- Health Care (OTC Products)

OBJECTIVES OF THE STUDY

- To study the profile of the retailers preference of FMCG products.

- To identify the retailers preference of FMCG products.

- To suggest and conclude the study with its emerging findings.

RESEARCH METHODOLOGY & TOOLS

- ➢ Research Design: Descriptive Research

- ➢ Sampling Method: Convenience sampling method

- ➢ Data Collection: Structured Questionnaire

- ➢ Frame work of Analysis: Appropriate statistical tools

- Percentage analysis,
- Exploratory Factor analysis
- Likert's scale technique,
- Chi-square,

- Multiple Regression Analysis (MRA),
- One-way Analysis of Variance (ANOVA),
- 'T' Test and Reliability Test

SCOPE FOR FUTURE RESEARCH

The present study can be extended to various industries like automobile, telecommunications, FMCD etc. Similarly, the present study may also be extended to evaluate the consumer behavior, distributors and manufacturers' preferences. There is a possibility of similar studies on store characteristics in retail formats. This study is done only in selected retail stores from various locations of Tamil Nadu. The study can be extended to other regions also. This study was conducted with variables under consumer response, channel, company and profitability characteristics, which can be extended to other variables like store atmospherics, levels of channel and comparison with various categories of promotion. In this study mostly the influence of the various factors on the preference of trade promotion schemes was studied. The impact of each trade promotion schemes on various parameters affecting retailers' preference of trade promotion can also be studied in the future research.

REVIEW OF LITERATURE

This chapter includes the review of various studies conducted by the researchers in the related areas across the world. The research gap identification for the selected area of the study was done using these reviews which acted as guidance in research variables identification and methodology of research to the greater extent. The information regarding the background of the research was given in the previous chapter, the chapter reviews help to explore the study variables, research scales for questionnaire formation and objective design.

- All over the world, sales promotion strategies are considered as playing major role in marketing mix for all sorts of consumer related goods. "Various sales promotion strategies like price based promotions like rebates, couponing and price reductions are used by the organizations to increase turnover and share in the market."Also, non-price based marketing techniques such as sweepstakes, user clubs, and gifts also encourage consumption and influence branding (e.g., Aaker 1991; Shea, 1996). "In sales promotion the benefits like saving monetarily, giving additional value to products, quality can be given. Entertaining customers, self exploration, and expression of the self are also sales promotion techniques used by the marketers" (Chandon, Laurent, and Wansink, 1997).
- Jagmohan (1994) identified trade-offs between the various types of advertisement strategies and sales promotion, effect on consumption experience, impact of branding, advertisement frequency, depth, package coupons and cross-ruff coupons have effect on retailer preference of trade promotion. Gopal Das (2009) studied that retailer sales promotion and store loyalty had limited impact on consumer buying response.
- Scott and Stephen (1995) examined the how the manufacturers desirable assigning of resources depends on various factors including consumers response to advertising, retailers trade promotion, inventory carrying cost and the past through behavior of retailer.
- Price reduction and timing of promotion are the two promotional factors influenced the sales uplift of soft drink products (Usha and Luc, 2010). Kusum et al., 2009 discussed the inter relationships among producer and retailer communication and decision on promotion and performance of the retailers in consumer packaged goods industry. D. Ravindran et al., studied about the effectiveness of store merchandising strategies for the promotion of Soft drinks.

RESULTS AND DISCUSSIONS

INTRODUCTION

According to Good, Barr and Scats, "Analysis is a process which enters into research in one form or another, from the very beginning. It may be fair to say that research, in general, consists of two large steps i.e. gathering of data and the analysis of research data. "This Chapter is intended for analysis of the collected primary data from the retailers regarding their preferences of trade promotion schemes for FMCG products in Tamil Nadu. Analysis and discussion of the findings were made for each factor separately for 500 respondents who were surveyed various locations of Tamil Nadu.

Table1:mean and standard deviation for retailers' perception on sales persons' personality for respective trade promotion schemes

S.No	Retailers' Perception on Sales Persons' Personality for Respective Trade Promotion	Mean	Std. Deviation
1	Ability to work as a team	3.7	1.001
2	Can manage themselves well	3.7	1.041
3	Good understanding of customers	3.7	.982
4	Good knowledge on market	3.7	.988
5	Good knowledge on business	3.7	1.016
6	Ability to act according to any customer experience	3.7	.976
	Mean Score	**3.7**	**1.00**

(Source: Source: Primary data using interview schedule method/Software used: SPSS 23.0)

From the table it is found that the respondents do agree with the factors likeable to work in a team, can manage themselves well, good understanding of customers, good market knowledge, good knowledge on business and ability to act to any customer experience are 72 having influence on trade promotion with the mean scores of 3.7, 3.7, 3.7, 3.7, 3.7 and 3.7 respectively. The overall mean score of the respondents is 3.7 which mean sales persons' personality with trade promotion schemes is considered to be an important factor for retailers' preference of trade promotion schemes among FMCG products.

Table2:mean and standard deviation for retailers' perception of influence of trade promotion schemes for following factors on trade response

S.No	Influence of Following Factors on Trade Response	Mean	Std. Deviation
1	Consumer	3.6	1.03
2	Premium appeal	3.6	1.03
3	Concurrent activities	3.6	1.05
4	Trade support	3.6	1.12
5	Sales support	3.6	1.07
6	Timing	3.6	1.06
7	Execution	3.6	1.04
8	Price	3.6	1.06
9	Trade in inventories	3.6	1.01
10	Competition	3.6	1.03
Mean score		**3.6**	1.05

(Source: Source: Primary data using interview schedule method/Software used: SPSS 23.0)

From the table it is observed that the respondents do agree with all the factors like consumer, premium appeal, concurrent activities, trade support, sales support, timing, execution, price, trade inventories, and competition are having an influence on trade promotion with the mean scores of 3.6, 3.6, 3.6, 3.6, 3.6, 3.6, 3.6, 3.6, 3.6 and 3.6 respectively. The overall mean score of the respondents is 3.62 which mean usage influence of trade promotion schemes on trade response is considered to be an important factor for retailers' preference of trade promotion schemes among FMCG products.

Table3:multivariate tests consumer response and perceived influence of the retailer from non- Business related Family background

*Effect		*Value	*F	Hypothesis-df	*Error-df	*Sig.
8*Intercept	Pillai's Trace	.849	395.786[c]	2.000	141.000	.000
	Wilks' Lambda	.151	395.786[c]	2.000	141.000	.000
	Hotelling's Trace	5.614	395.786[c]	2.000	141.000	.000
	Roy's Largest Root	5.614	395.786[c]	2.000	141.000	.000
*Scheme	Pillai's Trace	.032	.774	6.000	284.000	.591
	Wilks' Lambda	.968	.769[c]	6.000	282.000	.595
	Hotelling's Trace	.033	.764	6.000	280.000	.598
	Roy's Largest Root	.021	1.013[d]	3.000	142.000	389

*Product Category	Pillai's Trace	.051	1.229	6.000	284.000	.291
	Wilks' Lambda	.950	1.230c	6.000	282.000	291
	Hotelling's Trace	.053	1.230	6.000	280.000	.291
	Roy's Largest Root	.046	2.193d	3.000	142.000	.092
*Scheme * Product Category	Pillai's Trace	.158	1.524	16.000	284.000	.090
	Wilks' Lambda	.847	1.523c	16.000	282.000	.091
	Hotelling's Trace	.174	1.522	16.000	280.000	.091
	Roy's Largest Root	.122	2.158d	8.000	142.000	.034

From the multivariate tests of MANOVA procedure suggested that main effect for scheme and product category is not statistically significant (F=.774 & 1.229, Sig= 0.591 & 0.291 respectively), but the main effect for interaction effect is found significant (F=2.158, Sig= 0.03).

Table4:tests of between-subjects effects consumer response background

S.No	Influence of Following Factors on Trade Response	F value	p-value	Result
1	Perceived Consumer Response	1.148	0.329	No Difference
2	Influence on Consumer	1.906	0.128	No Difference
3	Perceived Consumer Response	0.263	0.852	No Difference
4	Influence on Consumer	1.346	0.259	No Difference
5	Non Business Background Retailers	1.178	0.317	No Difference
6	Business Background Retailers	1.798	0.146	No Difference
7	Combined Effect	1.116	0.342	No Difference

A one-way analysis was conducted to evaluate the difference between the experience and Retailers 'consumer. There are significant differences in Marketing effect, Trade Reaction, Product quality and Salesman Personality, across various Schemes. The ANOVA was not significant for all the p-value is higher than 0.05.

Table5:association between demographics and levelof retailer preference

S.No	Demographics	Chi-Square Value	df	p value	Result
1	Gender of the respondents	3.3	2	0.192	No association
2	Type of the course studies	9.051	6	0.171	No association
3	Area of specialization	8.965	8	0.345	No association
4	Working position	12.08	6	0.060	No association
5	Years of experience	10.264	6	0.114	No association
6	Monthly Income	10.896	8	0.208	No association
	level retailer preference	10.65	6	0.100	No association

The above table was conducted to check the association between demographics and level of retailer preference. The chi-square test value concludes that there is no significant association between demographic variables and level of retailer preference.

RECOMMENDATIONS

Based on the study a list of recommendations have been made • Indian retailers should introduce an online arm as net penetration is increasing and also gradually there is increasing acceptance of online sale particularly in the metros. • Indian retailers should increase the product portfolio under private label brands because of increasing acceptance of private labels and assurance of quality at low price, and also because it acts as a differentiating factor. When a customer desires a particular brand, it would be available only at specific stores. • The country India is different from the developed markets. There is wide diversity in culture, local buying behavior. Indian retailers must understand each region, cultural belief, buying habits and practices and then devise a different format (customize a format) for different regions. So one format may not be adopted on a pan India basis. • Efficient backend operation is a critical success factor for most international retailers. Indian retailers too need to manage their backend operation to taste success. They could create a separate strategic business unit (SBU) for managing their logistic need.

CONCLUSIONS

The first section deals with conclusions, which is followed by recommendation. Finally the implications of research and scope of future study has been presented. In FMCG product categories retailers, preference of trade promotion schemes is an important topic of study, as the budgeting for trade promotion schemes and allocating to retailers based on the location of outlets and retailer characteristics are challenging task for any manufacturers. Other promotions may impulse the consumers to think about the purchase, but the actual placement and sale of products can be done by executing appropriate trade promotion to retailers. Profitability through the promotion schemes is more attractive for retailers especially in rural areas. Among the product categories, Food & Beverages are having huge growth opportunities and have more brand switching nature of retailers with respect to trade promotion schemes. Since Healthcare category products do not show any significant difference based on the existing trade schemes, other type of promotions can be floated for better results. So if the type of schemes, location, and type of retailers are studied before designing the trade promotion budget, then the trade promotion schemes will be more effective in enhancing sales growth of FMCG products. This study creates a new dimension to manufacturers for designing and deciding the trade promotion schemes in distribution effectiveness of FMCG products. The outcome from this study enforces that the multi- products and multi-branded FMCG manufacturers can standardize and customize certain trade promotion schemes according to the product and retail characteristics.

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