
CURRENT TRENDS IN INDIAN RETAIL SALES PROMOTIONS – PRICING IN FMCG A PRACTITIONER APPROACH

UmashankarApali - Research Scholar
Dr.SundarRajan ,Professor,ISBR, Bangalore, Mysore University.

Abstract:

Sales promotions have been studied very extensively over the past decades and today have become one of the chief factors in the promotional domain. The importance of sales promotions is being recognized by an increasing number of companies as well as the meaning of a well structured promotional strategy.

The purpose of this paper is to demonstrate the impact of price promotion to increase sales as a result from consumers being attracted to a product category that they were not purchasing before; consumers already purchasing in a specific product category but switching to another brand; and consumers increasing their purchase quantities of a specific brand. The data was collected and gathered from existing literature and several online sources. An interview was conducted with one of the General Manager of a leading PSU FMCG company as the empirical data. An analysis of the finding was brought that was based on the secondary data, theoretical framework, and practical information.

The results show that managers cannot ignore price promotions, as they are proven to be effective in specific cases under certain circumstances. It is proven that price promotions can influence on consumers to choose the promoted product when price promotion is used especially during festive seasons, when the consumer is not familiar yet with the specific product, unlike the common belief that price promotions are preferable in that stage.

It is believed that this paper can assist companies when considering whether to use price promotions as part of their marketing strategy.

Keywords: Promotions, premium promotions, price promotions, Karnataka Soaps and Detergents Ltd, brand choice, Soap Santhe, purchase quantity, category frequency.

Introduction:

The Indian retail industry has emerged as one of the most dynamic and fast growing industries due to the entry of several new players in the recent times along with rising income levels, growing aspirations, favourable demographics and easy credit availability. It constitutes over 10% of the country's Gross Domestic Product (GDP) and around 8% of the employment and is valued at USD 672 billion. Globally, India is fifth-largest global destination in the retail space and is growing at a rate of 12% per annum (CARE – June 2017)

The word 'Retail' has been derived from the French word 'retailer' which means 'to cut a piece off' or 'to break bulk'. Retailing can be defined as procurement of varied products in large quantities from various sources/manufacturers and their sale in small lots, for direct consumption to the purchaser. Retailing is one of the biggest sectors in India and has witnessed multi fold growth post liberalization of the Indian Economy.

The evolution of retail trade and sales promotions in India can be accounted from Kautilya's ArthaShastra & Hsüan-tsang travel records, traced right from Mourya Empire's 4th century BC, the guild systems to The Great Vijaya Nagar Empire's Gems & Jewellery's on street sales, the times when majority of trade was routed through formats such as Haats, Mandis and Melas. Mostly organised on a periodical basis and limited to a particular locality/village, such formats gained prominence. Almost everything from vegetables, household necessities to cattle's were bought and sold, either through monetary means or the barter system (*Go forward – India –China Economic Council 2004*).

Today's Retail and sales promotions market place has been characterized by buyers choice, due to globalization and technological advance, the boundaries and production and technology barriers have gone, with a click of mouse the entire business & sales promotions scenario can change. The products and services needs to be differentiated at each step, product, price, services & promotions has to matched for region-wise, gradually companies have started to treat each customer as distinct entity, thus the monopoly, oligarchy, trade restriction finds no place. The Indian modern retail sales will be 3 times by next 5 years (CARE – June 2017).

Over the past two decade the size, scope and complexity of the retail business and sales promotions has under gone a sea change. The industry now broadly can be classified into organized and unorganized i.e. organized are those with government licence and other without and which doesn't account for country's tax liability.

The organized retail sector which is valued at \$ 60 Billion, accounts only 9% of the total volume of the Indian Retail sector while the rest is unorganized sector, consolidating its self to changing times and tastes of the customers. The Indian Organized Retail sector is much lower when compared to US and UK which are 80 and 85 % respectively, (June 2017, CARE Ratings).

Over the last three decades, there have been numerous academic papers in economics, psychology and marketing regarding the topic of sales promotions. Practitioners and consulting firms have made significant progress in applying and, in some cases, extending models from the academic community. Portions of this growth can be attributed to the increased managerial importance of sales promotions, as consumer packaged goods (CPG) companies allocate more than 50% of their marketing budgets and 13% of their revenues to sales promotions (AC Nielsen, 2002; Gomez et al., 2007). Thus present Retail sales promotions weather product or services needs to be very distinctive, periodic and to be addressed from product centric to Quality centric to customer centric.

Purpose & Objectives of the study:

- To analyse the current trends in sales promotions
- To study the impact of pricing in FMCG companies
- To analyse the pricing practices followed in Karnataka Soaps & Detergents Ltd
- To employ pricing as a tool for competitive advantage
- Recommendations & suggestions

Literature Review

Many studies have focussed on sales promotions, consumer perception, quantity purchase, trade push, consumer pull and documented that promotions makes consumer buy more or purchase early. It's been unclear how the promotions make the customer buy more (Blattberg et al. 1995). In the current competitive business and technology where in the trade barriers and time zones have no meaning and are archaic. It has been a well established fact that it costs six times more to acquire new customer than to retain the existing customer. Also 80% of the customers once they have switched over to competitors brand will never come back, even if they do, 59% of them are less loyal (Microsoft Customer Service Report, SDL The Global CX Wakeup Call Report. 2015 March). The probability of selling to an existing customer is up to 14 times higher than the probability of selling to a new customer (Marketing metrics 2015 March).

Advertisement & publicity are informational vehicles where as the sales promotional & personal selling are the persuasive elements of the sales promotional mix. Further it's essentially assumed that the product or services being purchased or bought periodically. This fundamental assumption cannot be true for all since there are product and services which can be affordable once or twice in one's life and there are products and services which are to purchased periodically like soaps, detergents & oral care products . Trade promotions or consumer promotions can act as incentives to buy more or add quantity. There are studies shown that considerable stock holding and perishability of the product or services will also induce the customer to buy more (Blech & Belch, 2008).

Manufactures care about brand performance, sales force motivation, sales incentives and retaining high valued customers while the retailers considers about margins, individual brands and promotional supports. (Ailawadi, Beauchamp, Donthu, Gauri, & Shankar, 2009).

Trade promotions can be broadly classified into two categories, mainly pull promotions directed towards consumers and push promotions directed towards trade partners viz, stockist, whole seller, retailer, aggregators, e-portals, & online purchase (Ragubir, Inman & Grande, 2004, p.24). Further the sales promotional policies will be different for organized retailer, Govt institutions, Private firms, Export Houses.

Sales Promotions:

Blattberg&Neslin (1990) defines Sales promotions as “An action - focussed marketing event whose purpose is to have a direct impact on the behaviour of the firm's customers”. Sales promotions almost all will be connected with some sort of communication Eg: Retailer Ad, so that the promotions reaches the customer, the place where the most of the purchase decisions are made (Gendek et al, 1990).

The sales promotions can be monetary and no monetary, while price reductions, extra quantity, complimentary or coupons comes under monetary while some positive effects, health benefits, enrichment of the existing product provides for the utilitarian benefits where as hedonic benefits are experimental(Chandon, Wanskink, & Laurent, 2000; Luk& Yip, 2008). The sales promotions can be seasonal, occasional and every day. Every Day Low Price (EDLP) promotions in the retail stores is another way countering new form store format weather online or offline (Hoch *et ale* 1994). However the manufactures grouse that the sales promotional systems are too expensive and run out of their control. They also feel that most of the promotional schemes being absorbed by the retailers and do not pass it on to the customer. Procter & Gamble reduced their reliance on sales promotions drastically (The Economist March 1992)

Sales promotional Types

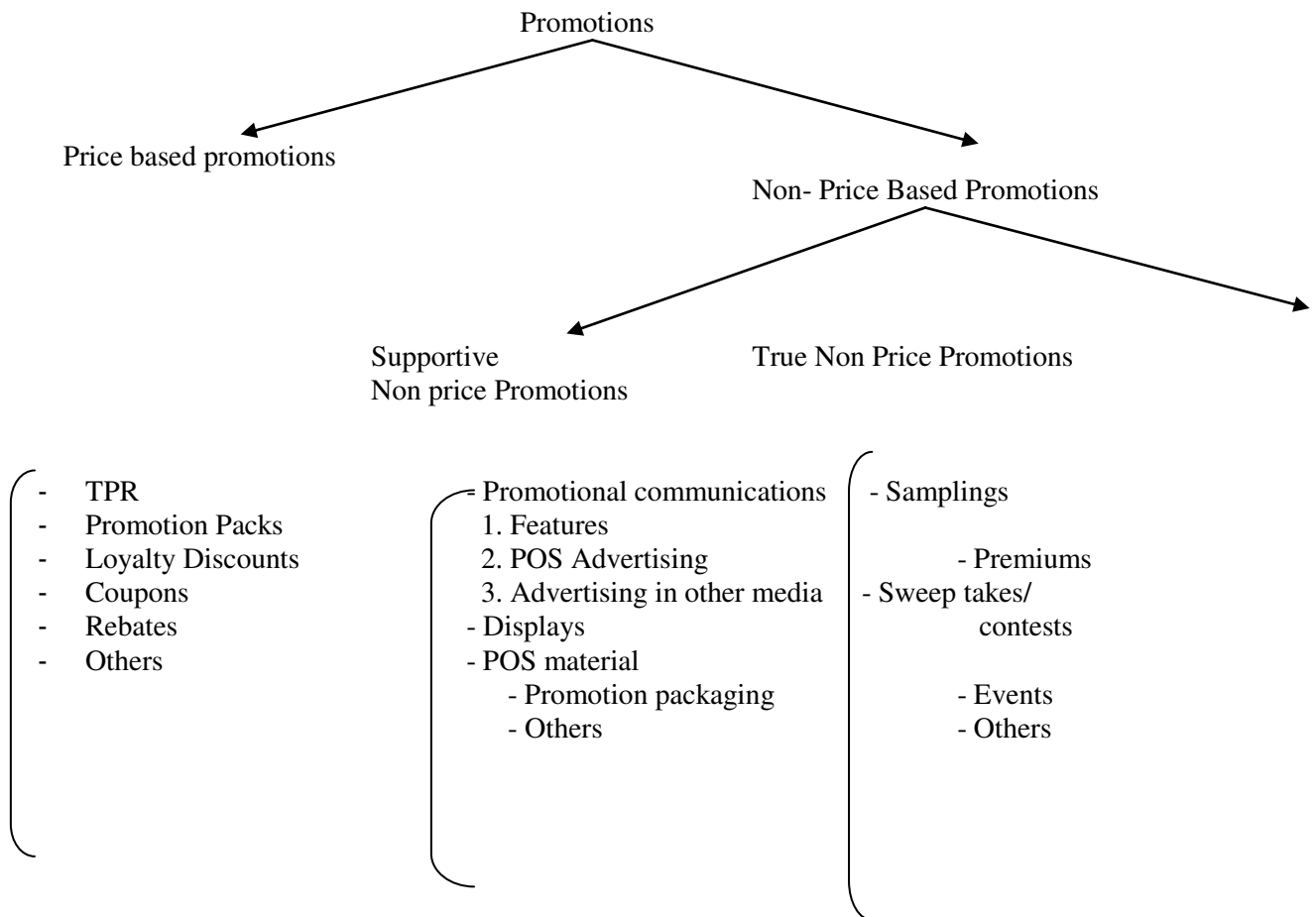
Table 1

Pull or Consumer Directed sales Promotions	Push or Trade Directed sales Promotions
1. Buy one get one free	1. Margins
2. Extra Quantity	2. Extra Quantity
3. Coupons/Trading stamps	3. stockist, whole seller, Retailer
4. Discounts	4. Tours/Coupons/Discounts
5. Cross Promotions	5. Van/Auto Allowance/Display
6. Door to Door	6. Govt & Private Institutions
7. Merchandising	7. Export Houses/ Merchant Exporters
8. Melas/Hatts/Trade Fairs	8. Trade fairs/Hatts/Trade fairs
9. Online	9. Offline/Aggregators
10. Seasonal promotions	10. Seasonal & off seasonal

A clear figure given by the (Gendek et al & Neslin Ailawadi, 2006) portrays the difference between the promotions.

Figure 1)

Instruments for retailer promotions.



From the figure it can be seen that the promotions can be divided into price and non price based promotion. In the price based promotions the primary focus on the product not on the brand. Example

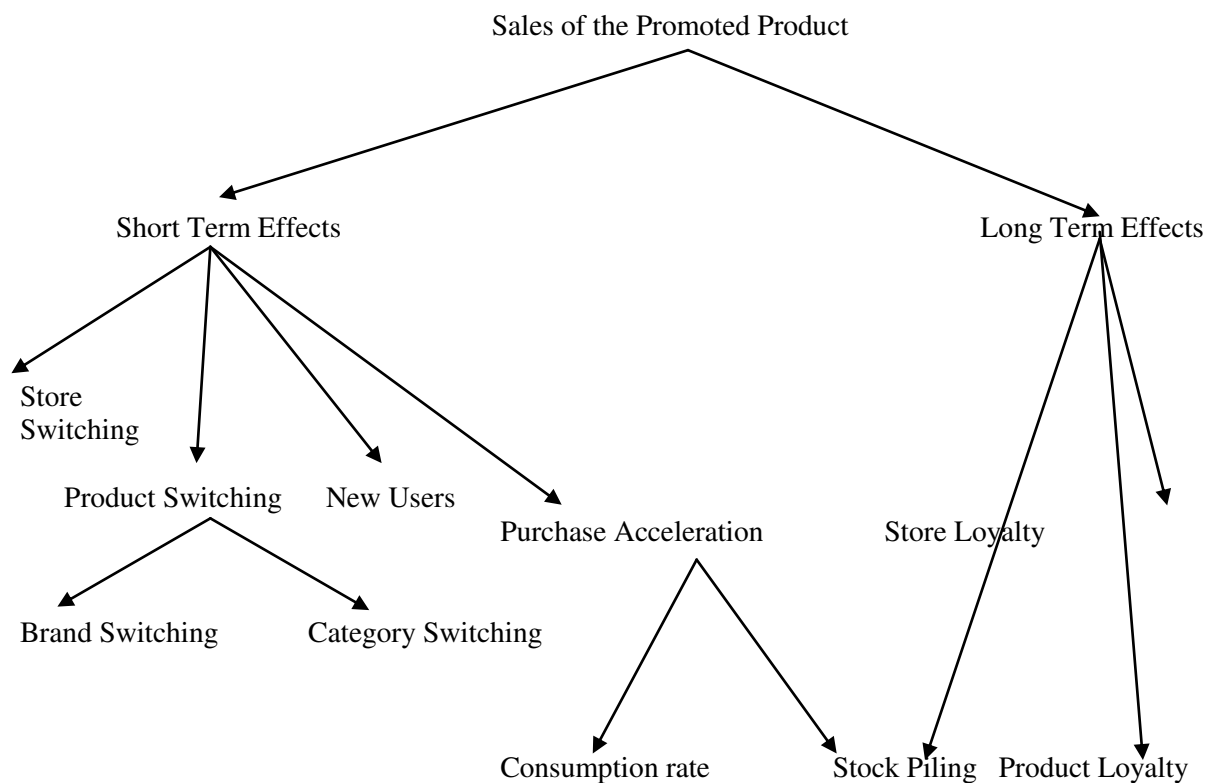
when a display for a product placed on the retailer shelf. The most common price based promotion used will be temporary price reduction (TPR). Loyalty, bundling, extra quantity are all non price based promotions.

Supportive price promotions are the communication instruments used to alert the customer through retailers display, interestingly there is evidence that the non price promotions can be mistaken for price cut when the manufactures advertise the feature of the product as the price based and non price based promotions linked very close to each other in the minds of the customer (Kiss metrics).

Finally retailer can use true non price based promotions, where in the focus is mainly on the brand and the store not on the price, such scenario the communication channel will be in the form sampling and premiums by the manufacturers' not by the retailers.

Effects of Sales Promotions:

Fig 2) (Gendek et al &NeslinAilawadi, 2006)



From the figure 2) it is evident that sales promotions elicit long term and short term effects. The long term effects would be on loyalty, brand switching, category switching, and store switching and product loyalty. On the contrary the short term effects would be on the category switching and new users as well product switching. The long term effects can be measured by analysing the brand performance after the sales promotions while the short term effects can be measured by analysing the retailer's performance. Here the short term gains can not only on the product promoted but also on the other products of the store. Further sales promotions will become the tools for

learning into the insights of the customer buying behaviour, purchase patterns, decision making and will mark the way for customer relationship management.

Due to advances in the technology and available data, it proved that “A 15% unsupported price promotions yields average increase of 34% in sales across 108 categories where as 15% price cut supported by a feature generates a 293% increase in sales” (Narasimhan, Neslin, and Sen 1996). Thus a sales promotions supported by the ads, feature or any other incentives will act as a stimuli to increase your sales.

Pricing tactics and its impact: The following are the major tactics followed in pricing to attract, convert and retain the customer. India being the country of 4% organized retail and 96% unorganized, here how the modern retail formats coping up with the evolving customer using pricing as promotional tool for competitive advantage CARE June -2017). Further the organized retail players are also helping the smaller and middle retail players to evolve themselves with the changing retail format.(Sinha and Kar, 2007, p.12; Tripathi, 2008, p.9, India Retail Report 2009, p-21)

- Promotional pricing
- Point of Display
- Loyalty Programme

The Power of Promotional Pricing:As an astute small business owner you know the power of discounted pricing as a tool for promotions to increase the demand. But for which product? What should be the reduction in price? How long? These are the question to be asked before attempting to use reduced price as tool for sale promotions as the pricing directly affects the psychology of the customer (Dan Ariely Behavioural economist April 2010).

Mark Down Price: This method of pricing is used when your store is huge and having myriad products. This method of reduced price works when you have been backed by suitable advertisement, weather priced sales promotions or non priced sales promotions. Further this works well both on paid or unpaid channel. Example Small Retailers' and Institutional sales.

Point of purchase Display: This is one of the most commonest and abundantly used sales promotional tool in the present retail formats, especially the modern trade where in the point of sales display backed by priced promotions as well non priced promotion, further Every Day Low Price promotions. This method works for Big Bazaar, Metro Cash and Carry, D-mart, especially in the perishable and fabrics as 52% of the customers are impulsive buyers.

Loss Leaders: when certain products making loss, not in demand, in order to draw the customer into your store you extend deep discounts, these are known as loss leaders, this is true weather its sophisticated product I-Pad or every day need undergarment. These methods are good for over stocked products. Example baby diapers like Haggis, Mummy-Papa. They extend discounts ranging from 5% to 30% on the same products Also 50% off price, example Bata.

Loyalty Programmes: These are the methods used by the firms in order to retain the existing customers and entice the new customers. These methods usually good for aviation, online

booking of hotels and particular brands, Restaurants & stores. Here the transactions of the customer are monitored and each transaction was given certain number of points depending up on the transaction value. Here the retailer can give points on total purchase or on the basis of particular brand. The so collected points are then given a discount on the next purchase, Example Airlines; Make my Trip, Coca-Cola, Pepsi etc.

Eliminating misleading Price Promotion: Here a firm which gave an ad stating that their product which is a weekly Magazine one year subscription is available at the following price:

Table 2

	Print	Only online Subscription	Print plus online subscription
Price	\$ 59	\$ 125	\$ 125
I Survey Results	16 %	0%	84 %

After eliminating the redundant option

Table 3

	Print	Print plus online subscription
Price	\$ 59	\$ 125
II Survey Results	68 %	32 %

Thus it is seen from the Table 2 & 3 survey results, which the most preferred becomes least preferred. Elimination of useless option revealed the exact preference of the customer as the second option was though use less has cluttered the decision making of the customer, likewise the customer did not knew their preferences and unsure. Thus pricing and promoting the right price in the right manner is important (Dan Ariely Behavioural economist April 2010). From the survey it's clear that on the former occasion the Bargain Hunters were more but once the pricing promotion was made clear, the Value seeker will be more and Bargain Hunters are less which was the purpose of our price promotion to seek absolute preferred choice of the customer.

Bundle Pricing: Bundling the products is a great way to entice and retain your customer when they are hard to stay away once entered your stores. Buy three get one free, buy two get 20% extra quantity etc. Now a day's changing retail formats have already accustomed to Everyday Low Price Promotions, bundling the products and pricing them at a lower cost and more quantity, making the customer to perceive the higher value for lower cost. Example buying your brand soap in bundle at a lower price than the individual price.

Comparative Pricing: The most basic method of pricing a product is to compare with similar competitor's product and price the product at +/- 5%. Here the shopkeeper need not advise the customer to compare the price. The comparison will happen on its own, there will be implicit comparison goes without saying. Further when the manufacturer says explicitly to compare the prices, the customer perceives the advice in different manner and studies have shown the explicit comparative price promotions rather counterproductive. Thus when price is not prime criterion, the comparative pricing weather explicit or implicit will not fetch much

results rather will be counterproductive. Example buying an Aspirin tablet for your headache from an over the counter medicine shop, the customer will go for brand rather than the price even offered a similar brand at a lower price (Itamar Simonson 2002).

Selling Time over Money: The costliest resource on our earth is the time, manufacturers have learnt sell time over money, the sales price promotions must always end with particular period for which special price promotion and the product campaign is run. Studies have shown that even you are free movie ticket for a particular period people did not turn up citing lack of time. Hence selling time over money is most important than pricing of the product alone. Example Seasonal discounts, yearend sales, anniversary sales and national holiday sales.

The selling of time over money is suitable for hedonic products where in customer himself seeks gratification from the product. Also premises of the product, status of the customer as well internal and external characters' of the product effects the price promotion of the product. Example expensive perfumes, Soaps and electronic gadget (Cassie Mogilner 2009).

Perceived Price Context Matters: The power of place, product and context of the price also influences the customer and it's very difficult for the customer to resist once enters the shopping mall further 47% of the purchases in FMCG involves impulsive buying (Kacen and Lee, 2002). The inflated prices where in the customer could not resist buying because the some was sold at 50% discount and ignored the colour fade or tiny defect in the product which was the prime reason for reducing the price. Example: A dinner at \$ 60 is not bad sitting besides dining priced at \$ 300. Similarly best way to sell a suit priced at \$ 3000 is to place besides a similar suite priced at \$ 10000 (*Robert-Cialdini 2006, Dec*).

The power of ending price with number 9: we are all are aware that the retail stores weather on-line or off line, restaurant, fabric stores, footwear store, or the modern trade like Big Bazaar, De-mart or Metro, always find the prices ending with number 9. It is established that the article priced Rs 39 will sell more than the article placed at Rs 34. Further even when a similar article priced at Rs 44 slashed 48 and article priced Rs 49 & the perceived value of both the articles remains same the article priced at Rs 49 was sold more (William Poundstone 2011).

Practices Followed in Karnataka Soaps & Detergents Ltd

Pricing: KSDL principal competitor is always be Godrej, Cinthol. The pricing will be hardly RS 2 to Rs 3 differences. The TFM is 80% where as the Godrej is 79%. As a PSU the company has constraints over increasing or decreasing the price. However during recent time the cost of sandal wood procurement is has drastically increased forcing to increase the price. Presently the MSS 75 Gram which is Flagship brand of KSDL and accounts almost 80%of my market share and revenues.Usually the consumer offers offered will be its own products and Rs 5 to Rs15discounts on the festive seasons.

Organising Soap Santhe: The Soap Santhe concept is to exhibit all the product range of KS&DL at the central places of the districts of Karnataka.The hall would be ideally a Convention hall or Marriage Hall ideally situated so that easy accessible to every customer. So far KS&DL has organized 18 Soap Santhe in Bangalore, Hubballi, Tumkur, Davagere, Gulbarga, Bijapur, Bhatkal&Udupi.Thehighest sales is from TumkurRs36 laks followed by Hubballi 32 lakhs. Average sales will be around Rs 20 lakshs with average period of 10 days

which is usually from beginning of the second week of the month. The company would offer discount on the products ranging from 10% to 20%. The total expenditure for organising the soap Santhe would be around 20% to 25 %.

Participating in Trade Fairs & Exhibitions: Being the State PSU, the central govt also invites KS&DL to participate in the Trade Promotions events which would be held across India with a nominal Stall Erecting Charges viz: ITPO conducted Pragati Maidan New Delhi, Global Inverter Meet, Chira Kala Parhatect. In these events it's more of awareness and sales promotion purpose rather than for sale so that company can exhibit entire range of products which can't be possible at the stockist(KSDL Reports).

Leveraging upon channel partners: KS&DL is having Tie –Ups with PSUs such as BPCL, IOCL, HPCL and other major PSUs, wherein we utilize their distribution channel (LPG, Petrol Bunks and KisanSevaKendras) by requesting them to promote KSDL products with minimum margins which were usually on-par with local retailer(KSDL Reports).

Govt patronising: The state govt and central Govt Departments would place their request for their event to extend our products as gifts at nominal rates. The company would consider these and packing or branding would be done and delivered. Example: President, Governors and other foreign Delegates (KSDL Reports).

Media and Advertising: Since KSDL is a State PSU has its own constraints in advertising the products and other decision, further cannot compete with the private players usually ASPS would be visible only during the festive seasons and national festivals only to recall that KSDL celebrate festivals with them.

Train & Bus Branding: KSDL has also used Railway stations, Bus panel and Trains for branding its products for awareness and advertisement so that it can reach more people. Viz: Rajani Express between Bangalore & Mysore Station, Hubli, Secunderabad, Baroda and Ahmadabad Stations for station Branding. (KSDL Reports).

Practical Findings

Details CO schemes employed and Branch sales achieved in the format given, Soaps in CBS for the months and year shown. (Mumbai Branch)

Table 4

Year	Sales Promotional Scheme Employed	Period
2014-2015	i. MSS 125g Co 1MDC free ii. MSS -GOLD Rs.10/- off iii. SBT(T) Co Free MS Agar	Aug-Sept
2014-2015	i. MSS 75g (Buy 3 get Point Liquid free)	Feb-March
2015-2016	i. MSS 75g (Buy 3 get Point Liquid free)	Aug-Sept
2016-2017	SBT(T) (Buy 1 & get 1 MST 50g free)	Aug-Sept

2016-2017	i. MSS 75g (Buy 2 & get 1MST 20g free) ii. GIFT PACK (Buy 1 & get 1 MST 100g free) iii. SJR (Buy 1 & get 1 MST 50g free)	Feb-March
-----------	--	-----------

Sales of Mumbai Branch during festive season typically September to October

RDS SCHEME BUY 18CBS ASSORTED PACK OF SBT(S), SBT (T), SJR, GIFT PACK & GET 1 CB MSG-125G FREE, Buy 2 SBT(S) get Rs 10 off, Buy 2 SBT (T) get 50 Gram Talc off

Table 5

Product	Average sales without Sales promotions	Year	Year	Year	Remarks
		2015-16	2016-17	2017-18	
SBT (T)	1250	4710	5015	4848	4 Times Avg sales
SBT(S)	1990	3992	4552	4207	2 Times Avg sales
4SJR	1100	3076	3491	3915	3 Times Avg sales

Conclusion: Pricing can arguably the best method of sales promotional tool used for competitive advantage depending upon the type of product, stage at which the product is placed. The category of the customer we target for and finally when coupled with appropriate, accurate timely data, media and the price forms lethal combination with governing psychological factors. Pricing as sales promotional tool also augur well for both off line and online business formats as well organized and unorganized retail formats as it presents level playing field for both independently. The analysis have also indicated that the consumer who has been buying from organized retail format doesn't mind buying in bulk and in a pack of four or more as the organized retail formats have also slash their price by extra discounts which they make good through other products. The consumer during festive seasons also indicated the not only buys for himself but also for family members, friends and for gifting purposes during festive seasons. The Soap Santhehas also contributed in creating awareness among the rural consumers. Though Soap Santhe is time consuming and costlier, consumers still feel delighted and requesting for more such Soap Santhe. The analysis also showed that in Soap Santhe the products will be other than the main product and does not affects routine sales. Hence it's strongly suggested more Soap Snathe should be organized across Karnataka. The sales promotions backed with price indicated higher sales rather than the non-price based promotions. Limitations can be the Place, time and period of price reductions, brand and medium of sales promotions. The paper also encourages the future research in the field of product promotions, pricing, customer relationship management, customer behaviour and digital decisions.

Bibliography

1. AC Nielsen , 2002; Gomez et al, 2007,p-2; -Effects of Horizontal and Vertical Market Power on Trade Promotion
2. Ailawadi, Beauchamp, Donthu, Gauri, & Shankar, 2009, p-42-55; Communications & Promotions Decisions in Retailing Review
3. Blattberg&Neslin 1990; - Sales Promotion Models
4. Blech & Blech, 2008; - An Integrated Marketing Communications Perspective
5. Cassie Mogilner, 2009; - The Time Vs. Money Effect: Influencing Individuals' Attitudes, Choice, and Behaviour
6. Chandon, Wansink, & Laurent, 2000; Luk& Yip, 2008;-p81,An Assessment of Sales Promotions Techniques (Journal)
7. Dan Ariely Behavioural economist April 2010, Predictably Irrational
8. Gendek et al 1990, p- 3; - Sales Promotions (Journal)
9. Kacen and Lee, 2002; - Impulsive Buying Behaviour in India – An over view
10. Mulky and Nargundkar 2003, p-5; - Modernisation in Indian Retailing: Managerial and Policy Perspectives
11. Narasimhan, Neslin, and Sen 1996, p- 41-48; Decomposition of promotional Response
12. R Kivetz, I Simonson 2002, p-155-170;The influence of anticipating regret and responsibility on purchase decisions.
13. Ragubir, Inman & Grande, 2004, p.24; - The long-term Effects of Sales Promotions (Consumer Psychology Journal)
14. Robert Cialdini 2008: -Handbook of consumer psychology
15. William Poundstone 2011; - Priceless
16. CARE Ratings –July2017,p-2 (Magazine)
17. *Go forward – India –China Economic Council 2004(Report)*
18. No conflict between ORS & UORS - FICCI report -2007 (Report)
19. Big players helping Kiran stores – TATA tea, HLL in inventory design of the stores. 1200 nosparivarIndia Retail retail report -2009p-21.
20. Sinha and Kar, 2007,p.12; Tripathi, 2008, p.9. “live chakki”, “fresh juice counter”, “live dairy” and “live kitchen”
21. *ICICI Bank Report, 2004; India Retail Report, 2007, p.18; Roy, 2007.*
22. Sinha, 2004, p.1; Newman and Cullen,2007, p.16; Vedamani, 2007, p.34.; - An Insight into the Growing Retail format.
23. KS&DL Reports
24. <https://www.shopify.com/retail/119519171-3-time-tested-retail-sales-promotions>
25. <https://blog.kissmetrics.com/5-psychological-studies/>
26. [tps://motamem.org/wp.../Influence-Psychology-of-Persuasion-Robert-Cialdini.pdf](https://motamem.org/wp.../Influence-Psychology-of-Persuasion-Robert-Cialdini.pdf)
27. [://motamem.org/wp.../Influence-Psychology-of-Persuasion-Robert-Cialdini.pdf](https://motamem.org/wp.../Influence-Psychology-of-Persuasion-Robert-Cialdini.pdf)
28. knowledge.wharton.upenn.edu/faculty/mogilner
29. <https://motamem.org/wp.../Influence-Psychology-of-Persuasion-Robert-Cialdini.pdf>
30. <https://motamem.org/wp.../Influence-Psychology-of-Persuasion-Robert-Cialdini.pdf>
31. www.icec-council.org/india-china/upload/Publication/June%202013%20.pdf