



SALES PROMOTION SCHEMES: CONSUMER'S PICK

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Abstract: *A sales promotion or "sale" works as a branding tool. It is an effective way to stimulate demand. But to perform better and stay ahead in the competition, retailers need to understand the cause and effect relationship of sales promotion.*

In this paper we present the Hypothesis Testing to distinguish the mind-set of customers towards cash discount with respect to Demographic variables such as gender, family income, educational qualification.

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1. INTRODUCTION

Given the growing importance of sales promotion, there has been considerable interest in its effect on different dimensions, such as the consumers' price perceptions, brand choice, brand switching behaviour, evaluation of brand equity, effect on brand perception and so on. The concept of sales promotion in India is as popular as in any other Western country. But unlike the West, the number of retailers factoring the expenses of sales promotion is negligible.

In a country like India, sales promotion takes place at least four times a year. The approach and the strategies of an Indian retailer are different compared to the West. An average Indian retailer is only interested in the sales figures. Few look at the footfalls, conversion, average bill size, etc. during promotions. And even fewer measure profits by relating revenues to costs of promotions. Isolating the effect of different promotions in a situation of promotion overlap is not even considered.

The primary objective of a sales promotion is to bolster sales by predicting and modifying the purchasing behaviour and pattern of target customers. Not only that, it also attracts new customers while retaining the existing ones. With so much cut-throat competition, no retailer wants to lag behind in capitalising every emotion and sentiment of the consumer. Once one big retailer starts, it becomes a trend.

Today, the Indian consumer has more disposable income and is more inclined towards the higher-end brands. They wait for the time when brands offer the best discounts. Last year, retailers preponed festival sales or ran them for extended periods to be able to clear the inventory. Many brands went on sale before the usual last week of July. Moreover, stores are still stocking more discounted items than fresh merchandise.

1.1 Sales Promotion: Advantages & Disadvantages:

Sales promotions draw attention to a particular product or service being offered. They distinguish a business from competitors through pricing. Dryden Sales, explains that when sales promotions are offered for a limited time, it creates urgency among the customers because they have to act before the promotion expires. As a result, the limited offer reduces the time customers have to think about the product. In most cases, they will stop comparing the alternatives and buy the featured item or service.



Promotions in sales are a disadvantage when they are offered too regularly. The key to making them successful is offering them irregularly, catching the customer off guard and unprepared. If they are provided too regularly then they create price sensitivity among customers. Dryden outlines price sensitivity as intentional waiting by customers to purchase items only when they are promoted in a sale, rather than buying them at the regular retail price. Profits decrease.

1.2 Intention of sales promotion:

Before designing a promotional campaign, you must identify the target groups. This is done by breaking up of your product markets and identification of small groups of consumers whose wants and needs are not the same as the mass market as a whole- this is one of the key to success in sales promotion. For finding the target group you need to take a qualitative research on the market to determine your groups of customers, if the target group exists then find out their needs & wants, and what drives them to buy your product. After learning about the target groups, you must set the objectives of sales promotion which is all about why you want to achieve in sales promotion campaign and how your customers will be benefits. Other aspects of sales objectives are: budget of the promotion and duration of the promotional offer[2].

1.3 Paradigm of Sales objectives

Sales Growth

The most basic of sales force objectives is to raise the total sales numbers in each period, generally each week, month or quarter. Sales forces record the number of customers served daily, and sales managers view detailed reports displaying trends in daily sales volume. An example of a strategy used to achieve a revenue growth objective is to institute a commission compensation program for salespeople in addition to base salaries. This can motivate salespeople to push themselves harder to beat their personal sales records.

Sales Force Turnover

The sales component of marketing can experience one of the highest employee turnover rates of any area of business, as new salespeople are often ill equipped for the stresses and demands of the job. One possible objective of sales forces is to continually reduce their level of employee turnover, which can increase sales productivity and reduce training costs. Two possible strategies to achieve this objective include rewriting job postings to



make sure job applicants fully understand the nature of the work, and adding stress and conflict management role-playing scenarios to new-hire training programs.

Repeat Customers

Repeat customers can be a company's most profitable customers. One possible objective of a sales team is to increase the number of sales made to existing customers compared to first-time buyers. Customer-relationship management or CRM strategies can help to achieve this objective, strengthening relationships with customers and turning repeat customers into champions for the brand.

Up-Sell Strategies

In settings where customers come to salespeople, such as retail outlets and inbound call centers, sales forces commonly have an objective of increasing the average total amount of each transaction through a technique called up-selling. Up-selling is the art of strategically suggesting one more item to compliment what a customer has already ordered. While up-selling can contribute to the sales growth objective mentioned above, it can also reduce inventory holding costs, reduce inventory cycle time and boost profitability. Sales team competitions with rewards that employees actually want can motivate team members to try up-selling with each customer and to be more strategic in their up-selling pitches. [3].

2. STIMULUS 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[1]. 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[5]. 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[4].

3. RESEARCH DESIGN:

3.1 Sampling Element:



Each and every individual who purchases the FMCG products in the state of Uttar Pradesh and neighboring states has been identified as a sampling element.

3.2 Sampling Design & Data gathering:

The universe of the study consists of all FMCG consumers in the state of Uttar Pradesh and neighboring states.

Sample Size: 500

Sampling Method: Convenient Sampling Method

Data Type: Primary Data & Secondary Data

Data Collection Tool: Structured Questionnaire

Scope of Research : Uttar Pradesh and neighboring states.

The buyer may belong to any age group and any sex of metropolitan cities.

4. ANALYSIS AND INTERPRETATION OF DATA

Testing Hypothesis:

Testing hypothesis provides the scientific base for the interpretation. Herewith, stated hypothesis are tested with the help of various parametric and non parametric tests as mentioned below.

H₁: There is no momentous divergence between Consumer mind-set towards the cash discount as a sales promotion scheme and demographic variables.

H₁₁: There is no noteworthy divergence between Consumer mind-set towards the cash concession as a sales promotion scheme and Gender.

Group Statistics					
Attitude towards Cash discount According to Gender					
	Gender	No.	Mean	Std. Deviation	Std. Error Mean
Attitude towards Cash Discount	Male	280	3.0859	.98838	.05896
	Female	180	3.1014	.98889	.07391



If we perform One-Sample Kolmogorov-Smirnov Test (Test of Normality) it is found that the sample distribution is not the normal ($0.001 < 0.005$) distribution. Hence Normality of the sample does not validate the Z test for testing the hypothesis.

Here, it is to test whether two samples are coming from the same population. More clearly, there is any significance difference between the mean of two samples. It is a comparing of two means with large sample size. If the distribution of the attitude towards the cash discount is normal probability distribution, Z test as a test of comparing two means should be used. But the interested variable is not normally distributed.

In this context, it is advisable and required to apply non parametric test to test the significance difference between two samples.

So, Non parametric tests have been used to test the hypothesis as mentioned below.

Mann-Whitney Test:

Ranks

	Gender	N	Mean Rank	Sum of Ranks
Attitude towards Cash Discount	Male	281	229.78	64568.50
	Female	179	231.63	41461.50
Total		460		

Test Statistics^a

	Attitude towards Cash Discount
Mann-Whitney U	24947.500
Wilcoxon W	64568.500
Z	-.145
Asymp. Sig. (2-tailed)	.884



Two-Sample Kolmogorov-Smirnov Test:

Test Statistics^a

		Attitude towards Cash Discount
Most Absolute Positive		.048
Extreme Negative		.048
Differences		-.041
Kolmogorov-Smirnov Z		.502
Asymp. Sig. (2-tailed)		.963

a. Grouping Variable: Gender

Here, at 5 % level of significance the value of the Mann Whitney and Kolmogorov- Smirnov tests are greater than 0.05 (0.884 > 0.05 & 0.963>0.005, respectively) it is concluded that there is no significant difference between Consumer attitude towards the cash discount as a sales promotion scheme and gender as one of the demographic variables.

Ho₁₂: There is no significant difference between Consumer attitude towards the cash discount as a sales promotion scheme and Family Income

To check the assumption that all the Educational Qualification categories have equal variance Levene test is performed.

Test of Homogeneity of Variances

Attitude towards Cash Discount

Levene Statistic	df1	df2	Sig.
.496	5	454	.779

Significance value is 0.779 > 0.10, So Levene test accept the assumption of equal variance among the various Family Income Group. So it provides the evidence to run ANOVA as a parametric test.



Descriptive

5.5.2 Descriptives								
Attitude towards Cash Discount								
					95% Confidence Interval for Mean			
					Lower Bound	Upper Bound		
Below 1 lakh	82	3.2805	.95461	.10542	3.0707	3.4902	1.57	6.29
1 to 2 lakhs	148	3.0463	.94485	.07767	2.8928	3.1998	1.29	5.86
2 to 3 lakhs	102	3.1232	1.01495	.10049	2.9239	3.3226	1.43	6.57
3 to 4 lakhs	58	3.3695	1.03537	.13595	3.0972	3.6417	1.86	6.00
4 to 5 lakhs	32	2.5536	.76265	.13482	2.2786	2.8285	1.29	4.00
Above 5 lakhs	38	2.8083	1.03031	.16714	2.4696	3.1469	1.29	5.43
Total	460	3.0919	.98753	.04604	3.0014	3.1824	1.29	6.57

ANOVA

Attitude towards Cash Discount

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	20.123	5	4.025	4.274	.001
Within Groups	427.500	454	.942		
Total	447.623	459			

It is interpreted that the significance value is $0.01 < 0.05$, Null Hypotheses is rejected and concluded that there is significant difference between Consumer attitude towards the cash discount as a sales promotion scheme and Family Income.

Ho13: There is no momentous divergence between Consumer mind-set towards the cash concession as a sales promotion scheme and Education Qualification

To check the assumption that all the Educational Qualification categories have equal variance Levene test is performed.



Test of Homogeneity of Variances

Mind-set towards Cash concession

Levene Statistic	df1	df2	Sig.
.421	5	454	.834

Significance value is 0.834 > 0.10, So Levene test accept the assumption of equal variance among the various employment status.

Descriptive

Attitude towards Cash Discount								
			Std. Deviation	Std. Error	95% Confidence Interval for Mean			
					Lower Bound	Upper Bound		
Below primary								
Primary	42	2.9150	1.08937					
Higher secondary	76	3.1165	.91747	.10524	2.9069	3.3262	1.57	5.43
Graduate	199	3.1558	.96765	.06859	3.0205	3.2910	1.29	6.29
Post graduate	122	3.0703	1.02954	.09321	2.8857	3.2548	1.29	6.57
Above postgraduate	6	2.3810	.64944	.26513	1.6994	3.0625	1.57	3.14
Total	460	3.0919	.98753	.04604	3.0014	3.1824	1.29	6.57



ANOVA

Attitude towards Cash Discount					
	Sum of Squares		Mean Square		
Between Groups	5.267	5	1.053	1.081	.370
Within Groups	442.357	454	.974		
Total	447.623	459			

It is interpreted that the significance value is $0.370 > 0.05$, Null Hypotheses is not rejected and concluded that there is no significant difference between Consumer attitude towards the cash discount as a sales promotion scheme and Educational Qualification.

5. CONCLUSION

Cash concession is one of the extensively used Sales promotions Scheme. Testing the hypothesis, it is found that male and female attitude towards the cash discount as one of the sales promotion schemes do not differ significantly. In other words, both gender categories have same attitude towards cash discount. Also, it does not differ according to various Employment statuses, family size, (Number of family members), family type (joint or individual family) and marital status (Married or Unmarried) of the respondents.

Educational Qualifications as one of the Categorical Independent variable does not have any significant difference in terms of attitude towards the cash discount. While, it is found that there is a significant difference among various family income categories towards cash discount offered on various products. So, Family income is one of the variables which should be considered while designing sales promotion schemes more specifically cash discount.

6. REFERENCES

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