

Online Sales Promotions of Grocery and Other FMCG Products in Chennai Entity

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Abstract: Along with the explosion of Internet user, Internet has been considered as the new channel for companies implementing their sales promotion activities. Online Sales promotions are generally looked at as tools that undermine the brand; yet a tool that is necessarily meant to speed up sales by attractive promos. Consumer online sales promotion in Chennai entity takes up a large share of the total marketing expenditure despite which it remains an area that still attracts attention as an essential component of the promotion mix meant to increase short term sales. It is therefore not surprising that most of the Chennai marketers resort to sales promotions to attract the competitor's market share. Consequently, this paper seeks to offer insight into how popular Chennai online promotions (price-discount, coupon and free shipping) influence consumer's quality perception and purchase intentions. Moreover, brand awareness was expected to moderate the relationship between promotion and consumer responses. Findings from this study will be able to provide useful knowledge for online sellers to choose appropriate sales promotion tools to successfully induce consumer's purchase intentions.

Key words: Coupons • FMCG • Grocery • Online sales • Price-off • Promotions

INTRODUCTION

Buying electronics goods including camera, laptops, computer peripherals, apparels, flowers and gifts are quite a common phenomenon for net savvy consumers. However, now get ready to receive the groceries like vegetables, food items and other FMCG products like shampoo, soap clothing and accessories at your doorstep. After touching apparels and personnel items now Chennai retailers are gearing up to facilitate grocery and other FMCG products through power of online. As of now there are very few retailers providing grocery including other FMCG products, however the trend would be catching up as grocery and other FMCG products are big opportunity for retailers. According to the data available the food and grocery segment constitutes about 50 per cent of the total 10 lacs Chennai retail market [1]. Here are the reasons why grocery and FMCG market will thrive by coming online:

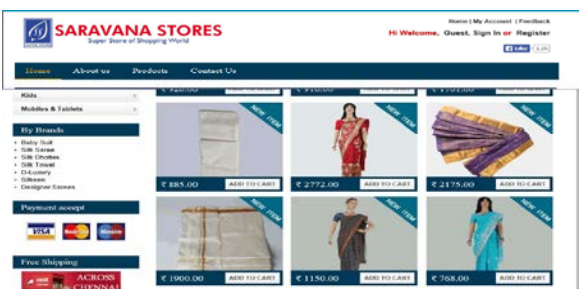
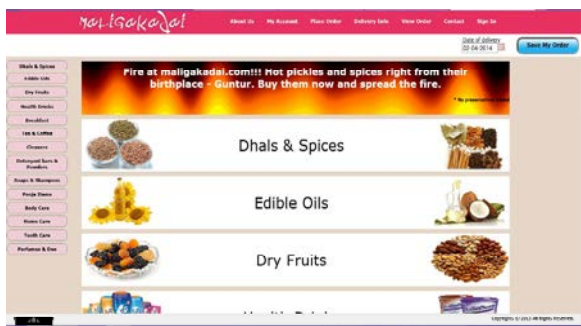
- Increasing PC and Internet Penetration
- Retailers are looking for newer verticals and grocery and FMCG have huge market and potential.

- More than 60 percent of the consumers in FMCG are multinational. So, they will not have any hesitation in coming online.
- Today's generation prefers to shop online rather than drive to physical store and most of the FMCG products are being purchased by age group of 18 to 35.
- Discount offer will certainly drive customers to shop online. We have witnessed the success of apparel, electronics, computer peripherals and group buying through discounts.
- Online availability of grocery and FMCG product would help consumers to save time and avoid rush and hassle of processes like billing.
- Investment of retailers in offline medium is high, however in online medium they do not have to go for huge investment.

FMCG companies and Chennai retailers have started using the online medium not only for brand promotion but also for sales [2]. However, it is a difficult category to break into in terms of online sales, but many retailers are making best efforts to do so. Chennai Marketing and sales Companies, like:

- Chennai hyper market
- Maligakadai Chennai
- Saravana stores
- Medplus pharmacy and beauty
- Chennai Online grocery
- Landmark Chennai.

Are targeting Internet savvy consumers to expand their reach through the internet.



A Literature Survey on Online Sales Promotions:

Here is an example how grocery and FMCG products become saleable after a boom in telecom sector we have seen consumers make order on phone to local retailers (SEAKR, Chennai) and retailers deliver the order to the customer. In the same fashion online process will also work [3]. Speaking about online grocery and FMCG product Dinesh, MD, Pachha.in said “Online grocery and FMCG products have challenges and opportunities too. On one side it is difficult to meet supply chain requirement, tough operation and short delivery commitment and thrive on thin margins. The demand of



online grocery is growing in urban population are aware about convenience they get. This is good time for entrepreneurs to foray in to by considering FDI norm get relaxed in times to come”. Apart from all advantages of online availability of grocery and FMCG products there are some challenges. Here we have outlined the challenges:

Pointing out the potential of grocery and FMCG products on online platform, Bala Subramanian, BDM, Chennai online grocery shop also outlined the real challenge of running an online grocery store is fulfilling customer’s need and wish. “We regularly do market survey in order to know consumer’s expectation and based on those surveys we discover in which particular product consumers are interested [4]. Consequently, we alter our product line based on our surveys”. One of the interesting trends Subramanian has informed that sometimes he gets order from abroad to deliver the grocery for their respective family in Chennai. However, he reiterated about the fact that online grocery and FMCG products have great potential but it will take some time to flourish [5].

Online Sales Promotions: Online Sales Promotion is one of the important elements of marketing mix. There are so many elements of online promotion such as ...

- Advertising
- Direct Marketing
- Public Relations
- Sales Promotion



Online sales Promotions have been used by marketer to increase sales in the short term. Sales have grown in both importance and frequency over the past few decades. Although an accurate estimate for total online sales promotions expenditures does not exist, we can be sure that the trend is up.

Online 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 portal members as well as ultimate consumers about the attributes and availability of his products. The second purpose of online 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 online promotion is reminding consumers about products availability and its potential to satisfy their needs. From these elements Online Sales Promotion is the element which is in the focus of this study [6].

Types of Online Sales Promotions: There are two types of Online Sales promotions.

- Consumer Oriented Online Sales Promotion
- Trade Oriented Sales Promotion

Consumer Oriented Online Sales Promotion: Consumer Oriented Sales Promotion is the main topic of this article. Here emphasize is given to motivate consumer to increase sales. Consumer Oriented Online Sales Promotion includes Sampling, Couponing, Premiums, Contest, Refunds, Rebates, Bonus Pack's, Price-off, Event marketing etc [7].

Marketer's uses consumer oriented sales promotion tools for the following reasons:

- To increase short term sales
- To induce trial
- To reduce inventory
- To establish a brand name
- To make cross selling
- To cope up with competition
- To avoid advertising clutter



Tools of Consumer Oriented Online Sales Promotion:

There are so many tools or technique available to the marketers for achieving objective of sales promotion. These tools should be used considering all other factors affecting such as cost, time, competitors, availability of goods etc. These tools are as under...

- Coupons
- Price-Off
- Freebies
- cratch Cards
- ucky Draws
- undling Offer
- Extra Quantity

A coupon leads to price reductions so as to encourage price sensitive customers. Non users can try a product which may leads to regular sales [8]. A reduction in price always increases sales but the use of this technique should be carefully considered in the current market situation. Price-off is the most preferred online sales promotion technique because consumers response very positively to this scheme. Freebies are a popular form of modern marketing and are some of the best things about the internet [9]. The definition of freebies is products or services given away for free at no cost to the consumer. At different times, big and small companies often give away prizes and money which is too good to be true. Often it's in the pursuit of more customers or a larger fan base and it often works [10].

Factors Influencing Consumer Oriented Online Sales Promotion: Mainly four factors should be taken into account while determining the online sales promotion program.

- Target market
- Nature of product
- Stage of product life cycle
- Budget available for promotion

Target Market: While doing online sales promotion, marketer must know who their target market is; otherwise there is no use of all effort because it leads to nowhere. A target market can be in any of the stages of buying hierarchy i.e. awareness, knowledge, liking, preferences, conviction and purchase. Each stage defines a possible goal of promotion [11].

Nature of the Product: There are various product attributes which influence sales promotional strategy. When the unit price is low the manufacturer as well as the customer has low risk but he can get the benefit of mass marketing. Therefore, mass marketing requires mass sales promotion schemes. Sales promotion scheme differ for products like its durability, perishable goods etc.

Stage of product Life Cycle: Online Sales promotion strategies are influenced by the life cycle of a product. When a new product introduced, prospective buyers must be informed about its existence and its benefits and middlemen must be convinced to stock it. Later, if a product becomes successful, competition intensifies and more emphasis is placed on sales promotion to increase its sales [12].

Budget Available for Promotion: The funds available for promotion are the ultimate determinant of the promotional programme. A business with ample funds can make more effective use of online sales promotion programme than a firm with limited financial resources.

Online Sales Promotion from the Consumers Point of View Willingness to Buy on Sales Promotion Offer: Sixty per cent of the sample did not show willingness to buy a brand due to promotion while 30% showed willingness and 10% were not sure. This indicates that when 30% showed willingness and 10% consumers who were not sure, these groups might be lured through innovative and lucrative sales promotion offer.

Ability to Induce Trial: Forty per cent of the respondents had said that sales promotion had the ability to induce trial which reinforces the above inference.

Long-Term Impact: In order to understand ability of the promotions to increase long-term sales, respondents were asked about continuity of purchase of a brand after the withdrawal of promotion. Eighty per cent of the respondents indicated that they would not continue. But 20% said they would. Thus, it could be inferred that

promotions in this category (low involvement products) might encourage trial and brand switching but not long term loyalty [13].

Preference of Schemes: Price off was the most preferred type of scheme. Maximum customers' ranked price-offs as number one or two.

Perceived Quality: Majority of respondents had a perception that the quality of the promoted brands remained the same during promotion, while some of them felt that it was inferior to before. It can be inferred that promotions were not leading to negative brand quality perceptions. It is found that some customer strongly preferred to buy their regular brand and said that sales promotion would not weaken their loyalty towards the brand.

Trade Oriented Online Sales Promotion: Trade Oriented Online Sales Promotion aimed to motivate channel member of the company and to encourage them to push company's product. Trade Oriented Online Sales Promotion includes dealer contest and incentives, trade allowances. Point-of-purchase displays, sales training programs, trade shows, cooperative advertising and other programs designed to motivate distributors and retailers to carry a product and make an extra effort to push it to their customers



Online Sales Promotion from the Retailer's Point of View:

Perceptions on Scheme Preference: It was found that retailer perceived price offs as a better form of sales promotion activity. Price offs in their opinion had relatively a greater impact compared to any other form of sales promotion activity like Bonus packs, Premium, Contests etc. Retailers preferred price offs the most, then bonus pack, premium, contests, in order of importance.

Perceptions about Buying Roles: Retailers viewed that the person who do online shopping, was the decider of a toilet soap brand and not the Income provider (e.g. head of the family). It could be inferred that visibility of information about the sales promotion activity at the point of purchase could result into the purchase of a promoted brand.

Perceptions about Response to Online Sales Promotion Offers: They believed that younger age-groups were more experimental in nature, amenable to trying new brands and sought/looked at the time of purchase.

Perceptions about Communications of Online Sales Promotion Schemes: Retailers perceived that role of word of mouth and communication advertising played an important part in providing information inputs to consumers regarding online sales promotion activities.

Dealer-retailer Dynamics: At the time of online sales promotion activities, dealers had tendency to push unwanted stocks onto the smaller retailers. In fact these retailers preferred to stock variety of brands and wanted payment for shelf and window display to increase traffic into their store. However, supermarkets and big retailers were pampered and given special services and given better margins and better allowances [14].

Margins: It was found that in online sales promotion schemes margins varied from 6 to 15% depending of the size of the retail outlet, quantity ordered by him etc. Mostly margins were linked to size of the volumes that were ordered.

Perceptions about Terms and Conditions: Retailers were not found to be happy with online sales promotion schemes where their margins were cut on the pretext of just fast movement of inventory of the brand being promoted. Also if additional incentive was offered it was subject to minimum performance requirement.

Problem of Left-over: A leftover stock at the end of any scheme was required to be sold by the retailers before they ordered fresh stocks. In case of bonus packs scheme, leftover stock was often dismantled (cut open buy one get one free) and sold them individually as a regular soap. This approach of the company leads to misappropriation which in turn could result in adverse brand image.

Gifts for Retailer Motivation: Companies at times were rewarding retailers by giving free gifts like thermos flasks or clocks on purchase of above 1000/- or 5000/-, if they sold more than certain quantity in a given period. Companies were making a half-hearted effort to motivate retailers.

Handling Problems: Many a time's retailers had to handle various online sales promotion offers simultaneously in a category and also across categories and there was no formal communication planning either from the dealer or the company. Remembering each offer and handling was a problem especially for a small retailer which was often an as one-man show.

Methodology and Data Analysis on Online Sales Promotions of Grocery and Other Fmcg Products in Chennai Entity: Consequently, this dissertation seeks to offer insight into how popular online promotions (price-discount, coupon and free shipping) influence consumer's quality perception and purchase intentions. Moreover, brand awareness was expected to moderate the relationship between promotion and consumer responses. To achieve this objective, a 3 (promotion: price-discount / coupon / free shipping) x 5 (brand: well-known / fictitious online retailers in Chennai) between-subjects factorial design experiment was conducted. The participants were 100 college students. The results revealed significant main effects for promotion and brand awareness on consumers' perceived quality. Specifically, in contrast with coupon promotion, price-discount revealed greater impact on consumer's perceived quality. In addition, well-known brand has successfully played a moderating role in the relationship between promotions and consumer responses. The data finding suggested that promotional strategies used by well-known brand/online retailers are more possible to result in more favorable responses [15].

Do you consider online promotional schemes while purchasing a particular brand of Grocery/any FMCG products?

Particulars	Respondents
Yes	78
No	22

Which of the following online promotional schemes you have come across so far?

Promotional schemes	Respondents
Coupons	56
price off	80
Freebies	25
scratch cards	21
lucky draw	9
Bundling	30
extra qty.	66

Which medium do you feel is suitable to promote the various promotional schemes?

Source	Respondents
Online	80
TV	59
Newspaper	43
Radio	15
Others	12

Findings of the Data Report: Online Sales Promotion, a short-term inducement, offered to a consumer or trade has gained momentum as a promotional tool world over. It represents nearly three fourth of the marketing budget at most consumer product companies. Online sales promotions can enhance consumers' self-perception of being "smart" or a "good" shopper

- FMCG are such a market where the level of loyalty remains low and this is because of many reasons.
- Quality as the most influencing factors in the purchase decision while price is also an important for purchase decision.
- Schemes always attract more and more consumers towards particular brand. Simultaneously it gives idea about the factors which consumers look most in the product before they make final decision.
- Price off and extra quantity is the two main offers/schemes which consumers have come across at the time of purchase.
- People are not much aware of the schemes which continue in the market it may be because of the present stock of the product at their place.
- People are ready to switch over to another brand if they find better online promotional schemes which suits their budget means more good brand + less cost + quality.
- Extra quantity with less or same price, more satisfaction, quality and other factors influence consumers to switch over to other brands.
- People are more quality and price oriented.

- Consumer remembers that name of the product by the company name and also from the past performance of that company.
- Retailers are not suggesting purchasing particular brand because of personal relation or those customers are brand loyal.
- Margin and of better relations with consumers and too provide quality product to consumers they suggest consumers too by particular brand.
- Customers are looking for any type of the promotions on the product before them going to purchase.
- Price off, product bundling and extra quantity are more demanded by the consumers over others schemes.

Disadvantages of Online Promotions:

- Supply chain could be a great problem as for online operation it should be very imperative to have smooth network of supply chain [16].
- In FMCG products and grocery retailers get very thin margin, consequently it would be tough for retailers to provide discount and offer on these products.
- Customer satisfaction is a big challenge. Gaining and retaining customer's faith is tough to maintain as there is no face to face interaction with consumers.

CONCLUSION

From the article it was found that the retailer would be a rich source of information about the consumer and the likely response to online 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 future sales promotion activities. In order to build trust and commitment online sales should tap preferences, perceptions of retailers as well as consumers. Thus, it is an easy process where we can view and get our favourite Grocery and other FMCG products like shampoo, soaps, snacks, cosmetics and even medicines near our door step within time is a boon for us.

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