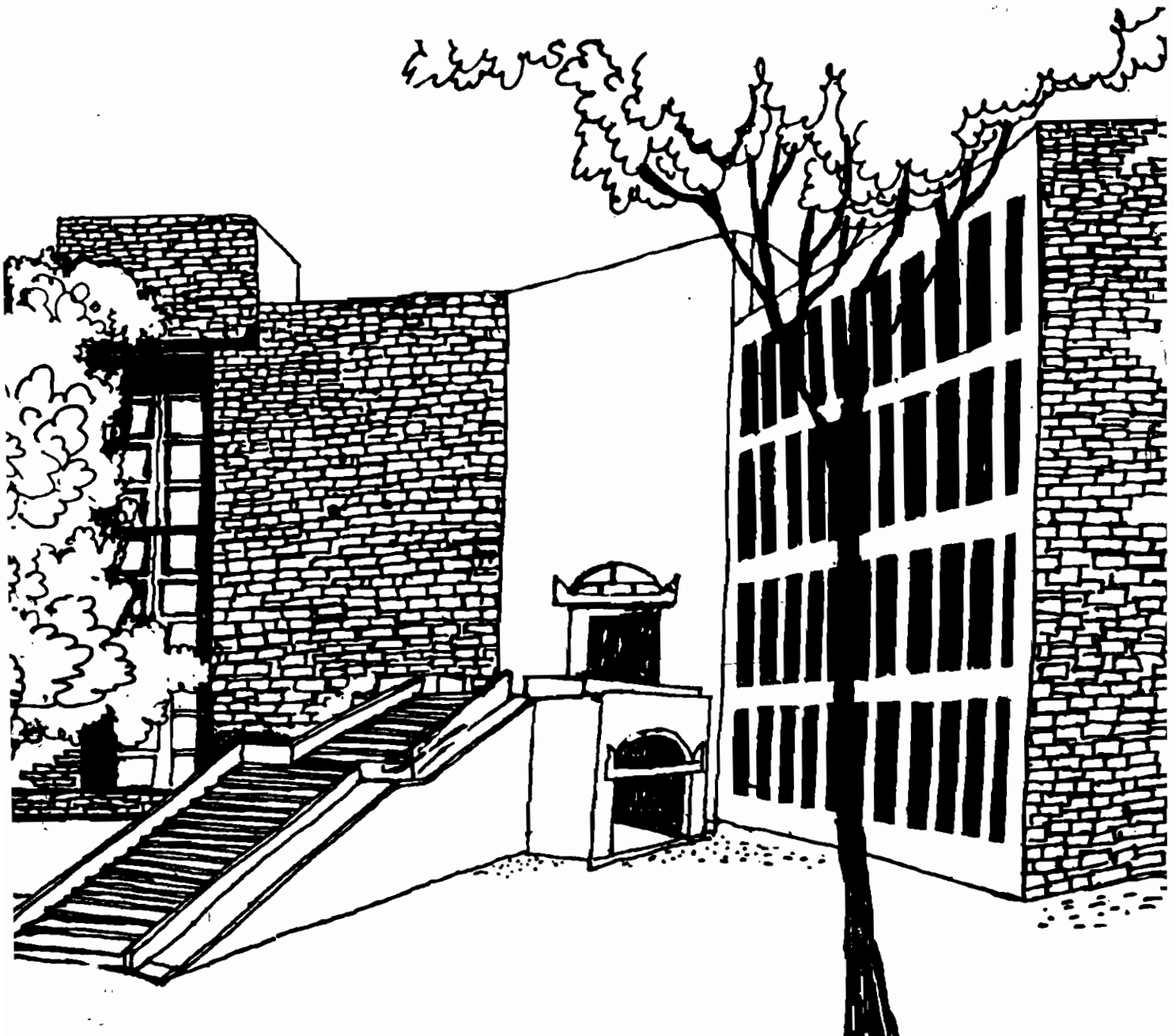




Working Paper



**Incentive Outlay Ratios in
Fast Moving Consumer Goods Sector in India**

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Incentive Outlay Ratios in Fast Moving Consumer Goods Sector in India*

By

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Abstract

Inflationary trends in economy have led to increased media costs, forcing many companies to increased expenditure on sales promotion activities. It has been recognized that well-planned sales promotion activities have a strategic role to play in brand building and enhancing customer loyalty.

This study examines the nature of schemes offered in the FMCG(fast moving consumer goods) category, to find out ratio of incentive and outlay (which the consumer is expected to make to avail sales promotion offers), explore the relationships, find out the rationale behind these offers, and **provide guidelines** to managers designing sales promotion activities. Eight different product categories were selected for the study. Information on actual offers made in these categories in a quarter was compiled and tabulated through content analysis in terms of brand, MRP(maximum retail price), offer(size of the incentive offered), nature of the scheme, pack being promoted, and outlay.

Variations in I/O(incentive-outlay) ratios across product categories revealed that the non-food category exhibited more variations than the food category. The level of incentive in the nonfood category was higher than that of the food category, 0.33(33percent) was the most frequently offered level of incentive, Bonus pack followed by free gift and price offs were the popular tools used across product categories, Except for toilet soaps, in other categories medium to large pack was promoted more often.

The findings suggest that managers need to be creative to create an impact, otherwise consumers would tend to be less loyal to any brand in a category and drift from one promoted brand to another. Several propositions generated in this research need to be addressed in future research. Factors to be considered and managerial issues concerning the design are also discussed.

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Incentive Outlay Ratios in Fast Moving Consumer Goods Sector in India

Following economic liberalization, Indian markets have witnessed an enormous proliferation of products/brands, leading to severe competition. Inflationary trends in the economy have led to increased media costs, forcing many companies to increased expenditure on sales promotion activities. This trend is likely to continue. Also it has been recognized that well-planned sales promotion activities have a strategic role¹ to play in brand building and enhancing customer loyalty. In the new millennium, earning the trust of customers and retaining them for long term are likely to be the critical elements of company strategies. Therefore, there is a need for managers to understand the issues involved in managing sales promotion activities, so that the money spent on it could be better utilised.

Sales promotion² consists of a wide variety of promotional tools designed to stimulate earlier or stronger market response. These tools include- consumer promotions- samples, coupons, money refund offers, premiums, contests, trading stamps, demonstration. Trade promotions are buying allowances, free goods, merchandise allowance, cooperative ads, push money and dealers' sales contests. Sales force promotion tools consist of bonus, contest, and sales rallies.

AMA defines sales promotion³ as- the media and non-media marketing pressure applied for a predetermined, limited period of time at the level of consumer, retailer, or wholesaler in order to stimulate trial, increase consumer demand, or improve product availability. Those activities other than **personal selling, advertising and publicity** that stimulate consumer purchasing and dealer effectiveness such as **displays, shows and exhibitions, demonstrations and various non-recurrent selling efforts are not in ordinary routine.**

There is a growing need to understand what impact sales promotion has as its share in overall promotional budget⁴ is increasing exponentially. How different types of consumers view different sales promotion activities and what objectives can be served have been well conceptualised⁵. Consumers can be grouped into the following:

Loyal users: Loyal users are those who buy a particular brand on a more consistent basis.

Competitive loyal: Those who use the product category and who buy a competitor's brand.

Switchers: Those who buy a variety of brands in a product category. This may be due to variety seeking behaviour or to satisfy varying needs of different family members.

Price buyers: Those who always buy the cheapest brand in a category.

Non-users: Those who do not currently use any brand in a particular category. Their failure to buy is attributed to either a perception of lack of affordability or lack of need.

Table 1 gives different objectives for different types of consumers for a few consumer sales promotion schemes.

Table 1
Promotion types / Consumer types/ objectives

Promotions/type of consumer	Sampling	Coupons	Reusable container	Contests	Clubs/ Continuity programs	Price offs	Bonus packs	Premiums
Loyal	Reward	Stay loyal	Reminder	Excitement	Stay loyal/reward	Stay loyal/Reward	Load	Stay loyal/Reminder
Competitive loyal	Trial	Trial	-	Excitement	-	Trial	-	Reminder
Switchers	Trial	Encourage switching	Encourage switching	Encourage switching	Reward	Encourage switching	Load	Encourage switching
Price Buyers	Trial	Stock pile	-	-	-	Stock pile	Stock pile	-
Non users	Trial	Trial	Trial	-	-	Trial	-	-

The fast moving consumer goods sector (FMCG) is witnessing growing use of sales promotion activities all over the world. The sector is characterised by products having low unit value, requiring frequent purchases, consumer behaviour reflecting less loyalty, impulse buying, and low involvement on the part of a consumer. As the risk of purchase is relatively less compared to high involvement buying situation, consumers do not mind experimenting different brands while availing sales promotion. A consumer's decision of which brand to buy and how much quantity of that brand to buy depends on brand-specific factors (e.g. price and promotion of various brands) and consumer-specific factors (e.g. consumer's brand loyalty, consumption rate, product inventory, and sensitivity to price and promotion)⁶. Further, long-term marketing activities of brands may alter consumers' sensitivity to short-term marketing actions. For example, extensive advertising over the years may make consumers less sensitive to short-term price discounts. Also frequent promotions of brands make it unnecessary for loyal consumers to switch brands (as it becomes increasingly likely that a deal on the favoured brand will be forthcoming) but makes them more likely to stockpile when their favourite brand is on promotion (because they fulfill a greater portion of their demand in promoted periods). But if there are several brands in a consideration set a buyer does not mind switching among these brands. Blattberg and Neslin 1990⁷ show that majority (more than 60 percent) increase in sales owing to sales promotion comes from brand switching when incremental sales are decomposed into brand switching, stock-piling, and purchase acceleration.

The FMCG category is also witnessing severe competition like US markets. A number of sales promotion offers are made ranging from simple price-offs to innovative contests and gift offers to lure deal-prone consumers⁸. All kinds of brands (international, national, regional and local) in a given category design innovative sales promotion offers to attract consumers. For example: in toilet soap category Lux International, Hamam (national), Tulsi Neem (regional) and local brands (unbranded) fight for market share through innovative sales promotion efforts. It would be of interest to both practitioners as well as academicians to find out what incentives are offered to consumers and how much outlay is expected from consumer depending on the terms and conditions of the offer, what kind of relationships exist between size of incentive and brand, its market share, whether a brand is newly introduced in the category or not. For example, if brand A originally priced at Rs.30 is offering an incentive (price-off offer) worth Rs. 10 then the incentive outlay (I/O) ratio would be 10/20 (.50). Studying various brands in a product category would indicate the range of this ratio and would provide an explanation as to why in a given product category such a variation exists. Also looking at outlay and not maximum retail price (MRP) gives us a real picture because when a consumer responds to any offer s(he) looks at how much s(he) needs to spend to avail the promotion because many offers specify terms and conditions (buy three soaps and get one free).

Objectives:

The present study attempts to:

- Examine the nature of schemes offered in a cross-section of product categories in the FMCG category, and find out whether there is a difference in food and non-food product categories
- Find out the ratio of incentive and outlay(which consumer is expected to make to avail sales promotion offer) and see variations in these ratios across different product categories in food and nonfood product categories
- Explore the relationships between various brands and incentive outlay ratios in a cross-section of product categories in the FMCG sector and explain the nature of these relationships
- Find out the rationale behind these offers and provide guidelines to managers designing sales promotion activities.

Methodology:

In order to study nature of schemes and level of incentives it was decided to study a cross-section of food and non-food product categories. It was thought that eight different product categories would be a fair representation of the FMCG category and any further inclusion would not add

substantial value considering time and efforts. The following product categories were selected for the study keeping in mind wide spread use and availability of data.

Table 2
Product Categories Selected

Food	Non-Food
Health Drinks	Toothpaste
Chocolates	Hair care
Aerated Drinks	Sanitary Napkins
Biscuits	Toilet soaps

For collecting data on these product categories, actual offers made in recent past (Jan-April 2003) were collected by looking at print announcements of the offers, market study (field visit to retail outlets) and announcements at retail counters (point of purchase offers). Information was compiled and tabulated through content analysis in terms of brand, MRP (price), offer (size of the incentive offered), nature of the scheme, pack size promoted (whenever data were available) and outlay (depending on the conditions of the offer). Data on market share of product categories were obtained from secondary sources. Whenever the actual value of the incentive was not specified, market price of the free gift was used to calculate the ratio.

Several studies using panel and scanner data have thrown light on incentive level and its impact on sales. Tellis⁹ reported from an analysis of data on 367 brands that appeared in the academic literature from 1961 to 1985. A high level of average price elasticity, -1.76 which means that a 10 percent price reduction would boost sales by 17.6 percent. In a study by Kopalle and Mela¹⁰ the dynamic effect of discounting on sales was studied and normative pricing implications were discussed. They suggest that managers can increase profits by as much as 7 to 31 percent through innovative sales promotion efforts. These findings indicate that it is important to balance the trade-off between increasing sales arising in the current period from a given discount, and the corresponding effect of reducing (baseline) sales in future periods in a market. A recent study by Stephen and Simonson¹¹ identify moderators of switching between brands in different price-quality tiers. The authors propose that the likelihood of switching between particular brand tiers due to price promotions could be predicted based on the choice set compositions. They propose that consumers tend to trade up in a higher price quality tier if promotion is offered by a premium brand but would not trade down if a lower price/quality tier brand offers promotion. Raghbir and Coffman¹² have studied the role of price promotions in affecting pretrial brand evaluations in the service context. A price promotion is theorized to be informative about brand quality when it stands out because it deviates from either its own past behavior or industry norms. With past promotional behavior, distinctiveness in terms of how common it is to promote in an industry, and consumer expertise are important variables that moderate when price promotions have an unfavorable effect on brand evaluations. Product category experts, who have alternative sources of information to make quality judgments, are expected to make less use of price promotions as a quality cue than novices are. Soman¹³ studied the likely consumer response to promotions where incentives are delayed and not immediate and level of effort which varies depending on the nature of the offer required to avail incentives. The promotional planning process and its impact on consumer franchise building in New Zealand in the FMCG category has been studied by Stewart¹⁴.

All the above and many other studies have shown the impact of sales promotion activities on sales and consumer behaviour¹⁵ however so far no attempt has been made to study the level of incentive offered by different brands in a category, relate incentive to an outlay a consumer is expected to make and explore the reasons behind it. Also depending on the conditions of the offer how much a consumer actually has to pay to avail the promotion has not been seen. Rather than looking at the absolute level of incentive per offer, looking at the I/O ratio would enable quick comparison across brands and across different product categories.

Several interesting research questions can be posed:

- Do high market share brands have low I/O ratios compared to low market share brands?
- Should a new brand in a category, offer high level of incentives reflecting high I/O ratio?
- What is the range of these ratios across various offers in a given category?
- What is the level of incentive most often used in the FMCG category?
- Are variations in I/O ratios across product categories significantly different?

To the best knowledge of the author no study was available in the Indian context.

Based on the answers to above research questions, several managerial implications can be drawn, such as issues relating to design of the offer, nature of offer to be made, level of incentive to be offered and likely consumer response to the offer. Impact of factors affecting the design such as nature of product, nature of competition and budget constraints can also be explored. Several propositions can be tested more rigorously in future research to enable practitioners to design offers.

Data Analysis:

For each product category selected for the study, sales promotion offers collected from a variety of sources were compiled for content analysis. The data were organised in terms of brand, pack size on which offer, was made, nature of offer, M.R.P.(maximum retail price for the pack), outlay(depending on the conditions of the offer the amount of money a consumer has to pay to avail the promotion), incentive(quantified depending on the offer) and incentive outlay ratio. For the eight categories listed earlier, 192 observations of incentive outlay ratio were obtained. Measures of central tendency and percentages of frequency were obtained. To find the associations between variables as well as observed versus estimated frequency, Chi square test was applied. ANOVA was carried out to check the significance of difference of means across various product categories.

Findings:

[1] Mean I/O ratio:

For all product categories put together, the mean I/O ratio was 0.296, with the minimum being 0.04 and maximum being 1.11 (See Table 3). Mean I/O ratio gives a summary measure of the magnitude/level of incentive offered by a product category as a whole. I/O ratios for each product category are separately presented in Exhibit 1 through Exhibit 8.

Table 3
Product Category-wise Mean , Minimum and Maximum I/O Ratios and Standard Deviation

Product Category	# of Observations	Mean I/O	Min. I/O	Max.I/O	Std. Dev.
Toothpaste	22	0.421	0.13	1.11	0.321
Toilet Soap	59	0.348	0.04	1.00	0.195
Sanitary Napkins	18	0.222	0.07	0.45	0.232
Shampoo	18	0.352	0.06	1.00	0.081
Biscuits	18	0.194	0.05	0.39	0.093
Health Drink	29	0.202	0.04	0.42	0.092
Aerated Drink	13	0.257	0.13	0.40	0.134
Chocolates	15	0.264	0.07	0.50	0.088
All Nonfood	117	0.340	0.13	1.11	0.224
All Food	75	0.222	0.04	0.50	0.104
All Product Categories	192	0.296	0.04	1.11	0.195

As seen from Table 3, the biscuit category had the lowest mean I/O ratio of 0.194 whereas the highest mean of 0.421 was observed in toothpaste. Compared to nonfood categories, mean of the food category was low. In toothpaste, the range (difference between maximum and minimum I/O ratio) was highest (0.98) whereas in aerated drink the range was lowest (0.27). The range indicates the difference in highest and lowest level of incentives offered across brands in a given category. Shampoo had the lowest standard deviation whereas toothpaste had the highest standard deviation.

[2] *Nature of schemes:*

Studying product category-wise nature of schemes, bonus pack (extra quantity or at reduced prices) was found to be most frequently used followed by free gift offers as seen in Table 4.

Table 4
Product Category-wise Nature of Schemes

Product Category/Scheme type	Bonus Pack	Free Gift	Price -off	Special Offer	Total
Toothpaste	8	9	5	0	22
Toilet Soap	36	5	18	0	59
Sanitary Napkins	11	3	4	0	18
Shampoo	10	6	0	2	18
All Nonfood	65 (56percent)	23 (20percent)	27(23percent)	2(1percent)	117(100percent)
Biscuits	9	4	5	0	18
Health Drink	1	20	8	0	29
Aerated Drink	3	6	4	0	13
Chocolates	2	13	0	0	15
All Food	15(20percent)	43(57percent)	17(23percent)	0	75(100percent)
All Product Categories	80(42percent)	66(34percent)	44(23percent)	2(1percent)	192(100percent)

Bonus pack was found to be used more often in the non-food category. This is contrary to the normal practice. Manufacturers of food products would be offering more quantity at the same price types (Bonus packs) thereby, loading the consumers hoping that either frequency of use or quantum of use per use or both would lead to stock lasting the same period as without the offer. Several studies have cautioned the overuse of sales promotion by showing that sales dip after the promotion resulting in zero sum benefit¹⁶. In food products it is expected that when consumers are loaded with the inventory by variety of sales promotion offers like bonus packs, discount offers etc., they would tend to finish the additional stock by consuming more, thereby not affecting the purchase cycle and baseline sales. However, in the food category, free gift offers were found to be more frequently used than bonus packs. As the influencers were children for health drinks, free gifts appealing to children like, free tatoos, compass box, lunch box, funskool toys etc. were given as free gifts. For the purpose of this study contests were not considered I/O ratios cannot be calculated in their case.

In order to find out whether there was an association between scheme and product category Chi-square test was applied both to food and non-food categories separately. The result of the chi-square indicated that there was an association between product category and type of scheme. (See Tables 5 and 6).

Table 5
Chi-square Analysis of Scheme Type and Non-Food Category

	Bonus pack	Free gift	price off	Special	Total
Toothpaste	8	9	5	0	22
Sanitary napkin	11	3	4	0	18
Shampoo	10	6	0	2	18
Toilet soap	36	5	18	0	59
Total	65	23	27	2	117

Degrees of freedom: 9

Chi-square = 29.0501815005868 , Chi-square Table value=16.919 at alpha .05

p is less than or equal to 0.001.

The distribution is significant.

Table 6
Chi-square Analysis of Scheme Type and Food Category

	Bonus pack	Free Gift	Price-off	Total
Chocolates	2	13	0	15
Biscuit	9	4	5	18
Aerated Drink	3	6	4	13
Health Drink	1	20	8	29
Total	15	43	17	75

Degrees of freedom: 6

Chi-square = 23.8502517656251

p is less than or equal to 0.001.

The distribution is significant.

The table value of chi-square at alpha 0.05 with 6 degrees of freedom is 12.592

As the calculated value of chi-square is greater than the table value in both cases the null hypothesis that there is no association between product category and type of scheme is rejected.

[3] Product category-wise promoted pack-size:

Pack-size wise analysis shows which pack-size is promoted most often in a given category. Also relating this data to slow moving and fast moving SKU (stock keeping unit) would yield interesting insights into the objectives of a given promotion. If a larger pack is promoted most often the objective can be deciphered as loading the consumer. Table 7 below shows product categorywise frequency of promoted pack-size.

Table 7
Product Categorywise Frequency of Promoted Pack-size

Toothpaste	50gm	80gm	90gm	130gm	150gm	175gm	200gm	250gm	
Frequency	1	1	1	1	3	1	9	1	
Toilet Soap	75gm	100gm	125gm						
Frequency	31	18	10						
Sanitary Napkins	5pads	7pads	8pads	10pads	13pads	15pads	20pads		
Frequency	1	1	7	4	1	2	2		
Shampoo	10ml	125ml	200ml	225ml	250ml	400ml	1litre		
Frequency	1	4	2	1	6	1	3		
Biscuits	75gm	100gm	150gm	175gm	200gm	250gm	300gm	400gm	1kg
Frequency	4	5	1	1	2	2	1	1	1
Health Drink	100ml	200ml	1 litre	100gm	200gm	500gm	1kg		
Frequency	2	1	2	1	2	18	3		
Aerated Drink	300ml	500ml	1.5 litre	2 litre					
Frequency	2	3	4	3					

In the case of toothpaste the 200gm pack size had the highest frequency indicating that family pack size was promoted most to encourage use by entire family. In the case of toilet soaps 75gm pack size was promoted most to encourage trial, brand switching and attract deal prone consumers.

In the case of shampoo, 250ml was promoted most often. In the health drink category 500gm pack-size was promoted most again to encourage variety and brand switching. In the case of aerated drink even though 1.5 litre size was promoted most, both 500ml and 2 litre pack-sizes were also frequently promoted.

[4] Mode (level) of Incentive outlay ratio :

The size (level) of incentive offered most often by different product categories is given in Table 8. The level of incentive most commonly offered to consumers across product categories was 0.33(33percent I/O ratio).

Table 8
Product Categorywise Mode of I/O Ratio

Product Category	I/O ratio	Frequency
Toothpaste	.20	3
Toilet Soap	.33	22
Sanitary Napkins	.20	4
Shampoo	.25	4
Biscuits	.17	3
Health Drink	.14	4
Aerated Drink	.33	4
Chocolates	.30, .33	3, 3

[5] Testing the significant difference in Mean I/O ratio across product categories :

In order to see whether the mean I/O ratio obtained for each product category was the same or there was significant difference among them, ANOVA was run. The results are presented in Table 9.

Table 9

ANOVA: Results

Source of Variation	Sum of Squares	d.f.	Mean Squares	F
Between	1.068	7	0.1526	4.415
Error	6.361	184	3.4569E-02	
Total	7.429	191		

The probability of this result, assuming the null hypothesis, is 0.000

The result indicates that the means are not similar across eight categories implying that the means are significantly different.

[6] Brands, market share and I/O ratios:

In order to see the linkage between brand, its market share and the I/O ratio, a sample analysis of one food and one non-food product category was carried out in the following manner. Based on the market share (through secondary sources), brands were categorised into high market share and low market share. For these brands a mean I/O was computed based on the data available. Similarly for the food category, biscuit was selected to compute mean ratios for high market share and low market share brands. Table 10 gives the spread of ratios.

Table 10

Mean I/O Ratios for High-Low Market Share Brands in Food and Non-Food Category

Product Category	Mean I/O ratio for High Market Share Brands	Mean I/O ratio for Low Market Share brands
Food(Biscuits)	0.20	0.17
Nonfood(Toothpaste)	0.26	0.65

As the high market share brand enjoys a strong loyal customer base (hence any competitive promotional offer will not have a significant impact on loyal users and encourage them to switch) as well as good franchise strength (trade will be forced to stock the high market share brand because of its pull), a small level of incentive will reward loyal users to continue to buy the brand and attract competitive brand buyers from similar price range as well as from low price brand categories to encourage them to switch¹⁷.

As evident from the table the spread of ratios is larger in the case of the non-food category. Also in the case of the food category the assumption that high market share brand can give low level of incentive does not hold. In fact, in practice it appears that high market share brands are offering a higher level of incentive compared to low market share brands. In the non-food (toothpaste) category, the data confirm that high market share brands offer a lower level of incentive (0.26) compared to low market share brands (0.65).

The results of the T test are given in Table 11 and 12.

Table 11
T Test on the Biscuit Category

Food: Biscuits: Testing of significant difference in means of high market share and low market share brands

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	0.16675	0.20290625
Variance	0.00222225	0.010552163
Observations	4	14
Hypothesized Mean Difference	0.03	
Df	12	
t Stat	-1.828324245	
P(T<=t) one-tail	0.04622616	
t Critical one-tail	1.782286745	
P(T<=t) two-tail	0.09245232	
t Critical two-tail	2.178812792	

t cal. < t table, hence accept null hypothesis Ho: means are equal, no significant difference in means

Table 12
T-Test on the Toothpaste Category

Toothpaste :Testing of significant difference in means of high and low market share brands

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	0.260921179	0.651338247
Variance	0.028733893	0.124881006
Observations	13	9
Hypothesized Mean Difference	0.39	
Df	11	
T Stat	-6.153230379	
P(T<=t) one-tail	3.58726E-05	
t Critical one-tail	1.795883691	
P(T<=t) two-tail	7.17451E-05	
t Critical two-tail	2.200986273	

t cal. < tTable, hence accept Ho i.e. means are equal or there is no significant difference in means of high market share and low market share brands.

Results indicate that in both categories means obtained are not significantly different even though in the non-food category there is a difference of .39 in means, compared to the food category where the difference is merely .03

[7] New brand and I/O ratio:

For the period of study, there were three instances of new product introduction in three different categories, namely, chocolate, toothpaste and toilet soap. In the case of chocolate a high I/O ratio of 0.50(mean I/O ratio of chocolate=0.264) was observed. In the case of a new brand of toothpaste the I/O ratio was 0.30 (mean I/O ratio for toothpaste = 0.421) and for a new brand of toilet soap, the I/O ratio was 0.20(mean I/O ratio for toilet soap=0.348) . Thus it is difficult to generalise

whether a brand offers a high level of incentive for inducing trial in a given category. Surprisingly free sample was also not to be found being used by any brand.

To summarise:

- Variations in I/O ratios across product categories reveal that non-food category exhibits more variation (range) than the food category.
- The level of incentive in the nonfood category is higher than that in the food category. Also 0.33 is the most frequently offered level of incentive in many product categories. This probably indicates a threshold level of incentive.
- Bonus packs followed by free gifts and price offs are the popular tools used across product categories indicating use of similar type of schemes not with much innovation.
- Except for toilet soaps in all other categories medium to large pack-size is promoted more often showing a tendency to load the consumer and thereby warding off competition temporarily.
- Even high market share brands seem to offer a high level of incentive as significant difference was not found in the mean I/O ratio of high and low market share brands both in food and non-food categories. Thus high market share brands would be trying hard to reward loyal users and encouraging them to stockpile whereas low market share brands may be encouraging switching by offering sizeable incentive.

Managerial Implications:

Studying I/O ratios in a cross-section of the FMCG category indicates that even though variations are found in the level of incentives offered they are not very high. The findings show that all players offer similar types of schemes, offer same level of incentives (mode: 0.33), and mainly promote larger pack-sizes. This suggests that managers need to be more creative to create an impact, otherwise consumers would tend to be more deal prone and less loyal to any brand in a category and drift from one promoted brand to another. Also careful thought needs to be given to what objectives need to be achieved from whom (Loyal, Competitive loyals, switchers or non users)? Once promotions are over linking them to overall sales, baseline sales, competing brand sales and impact on trade and consumer behaviour would provide deeper insights. Also clear guidelines need to be evolved with respect to terms and conditions of the offer in terms of size of the incentive, terms, whether immediate or delayed incentive, what efforts are required on the part of consumer etc. If consumers tend to perceive various offers as similar for brands of their consideration set either they may buy only the promoted brand or may not respond to promotion. In the case of new brand introduction in any category, it is not necessary that a new brand has to offer a higher level of incentive. Hence several factors need to be considered before determining the size of incentive to be offered to consumers such as level of competition, available budget for the brand, reputation of the company introducing a brand, consumer behaviour, competitive promotional offers and level of price of a brand vis-à-vis competition.

Limitations and Future Research Directions:

The study has assumed eight product categories to be a fair representation of the FMCG category; this assumption may not be valid. A study covering more number of product categories would provide a better understanding of the practices. Also comparing I/O ratios of FMCG with other categories like durables or services would give better understanding of differences if any.

The time period of a quarter gives a snapshot of activities undertaken over the year. This is another limitation. The schemes compiled also do not represent an exhaustive calendar of categories in practice. Hence generalisations drawn have to be viewed keeping in mind these limitations. If such a study is conducted over a few years, trends can be analysed. Linking incentives to the outcome (sales) would provide a better understanding of rationale for designing promotions.

Conclusion:

A study of the I/O ratio across product categories reveals interesting practices followed by companies. Many a times a practice does not support common theories proposed in literature. Exploring reasons behind such outcome would give insight to a manager why practices differ from theory and provide guidelines in managing these activities. In today's scenario, a brand manager is in constant struggle to strike a balance between achieving short term sales targets and building equity and profitability in long run for the brand as well as building long term relationships with the consumers. This study hopes to provide deeper understanding of the practices and throws light on issues arising in managing sales promotion activities.

Exhibit 1

Toothpastes

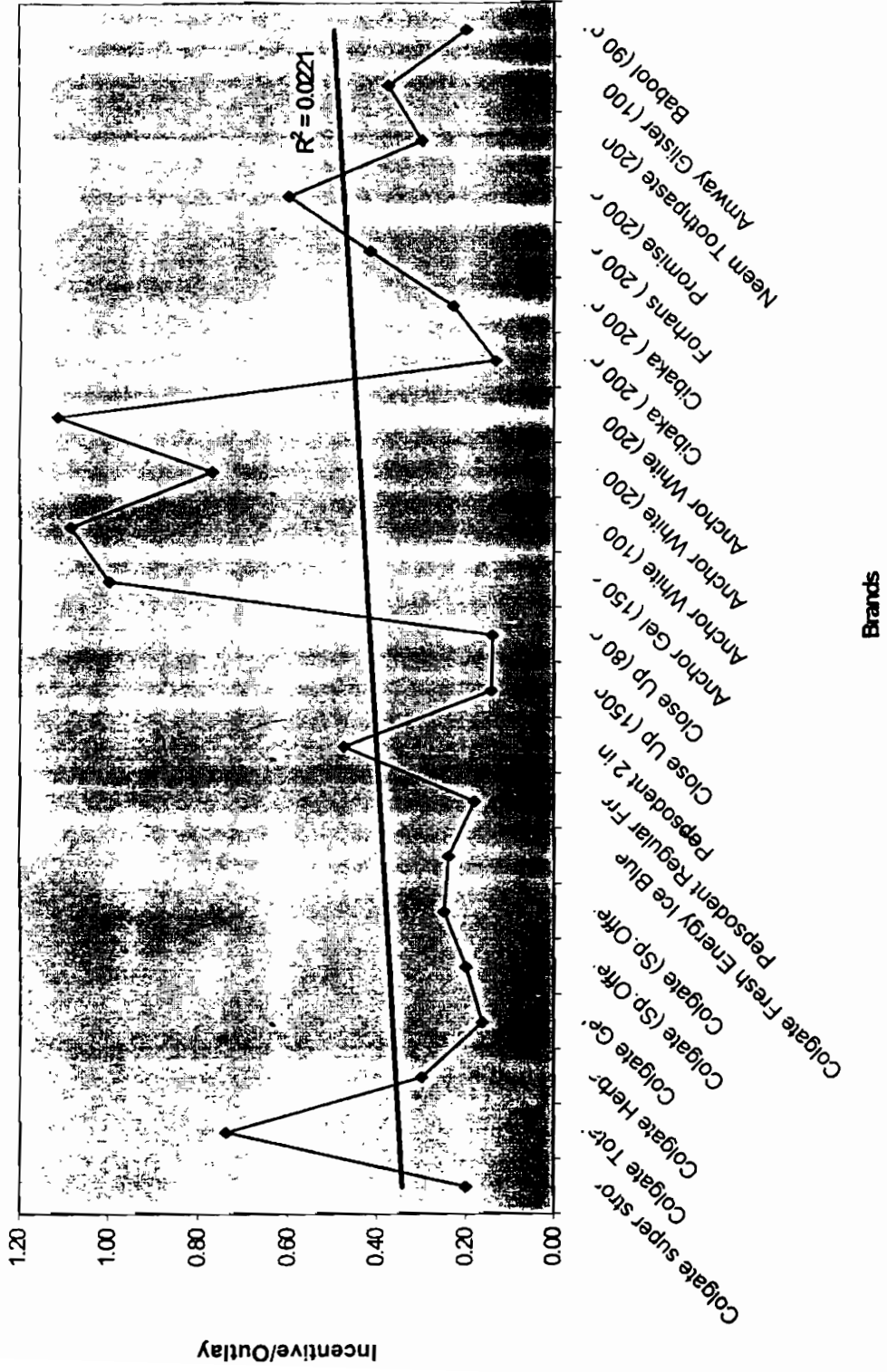


Exhibit 2

Toilet Soaps

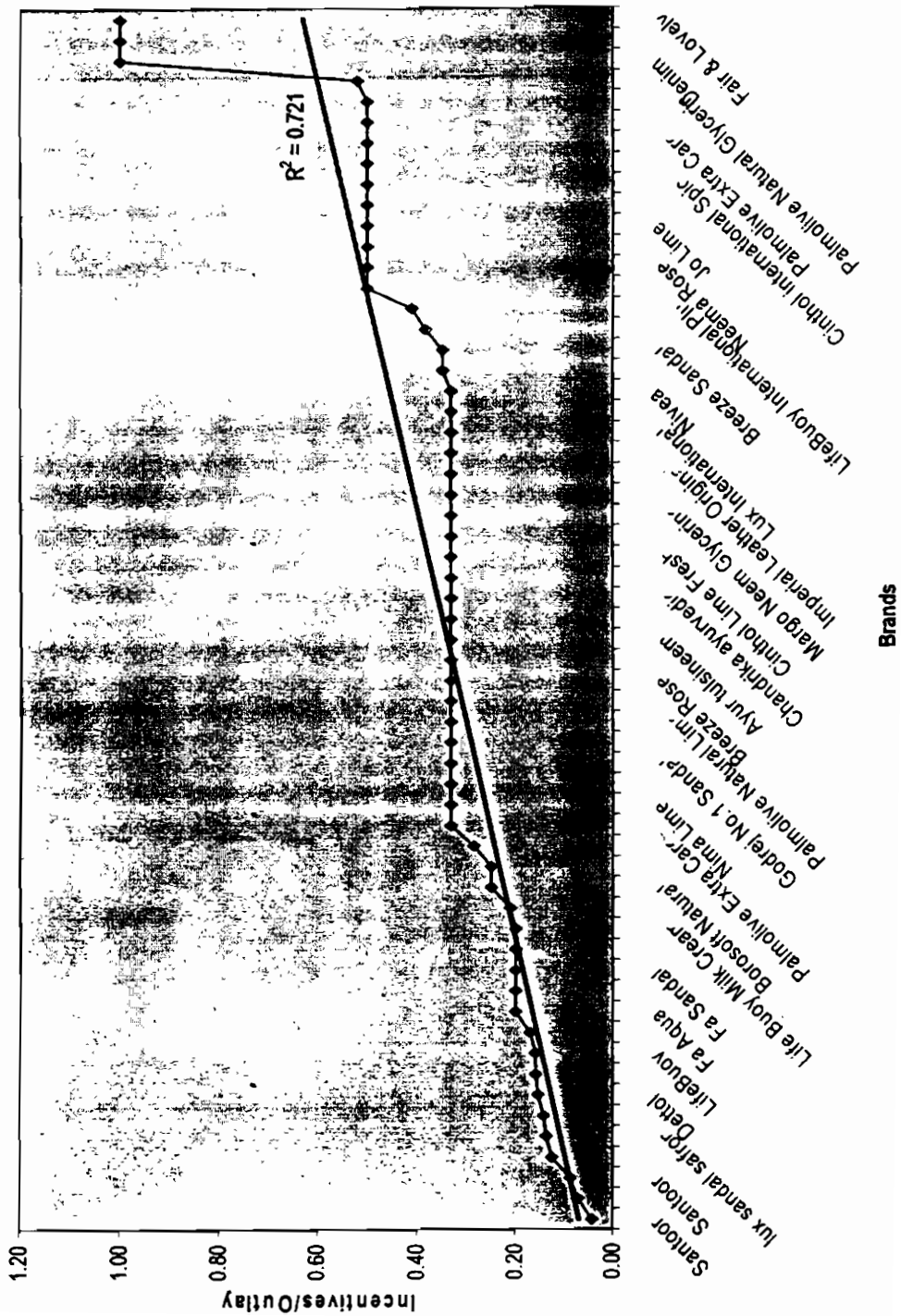


Exhibit 3

Sanitary Napkins

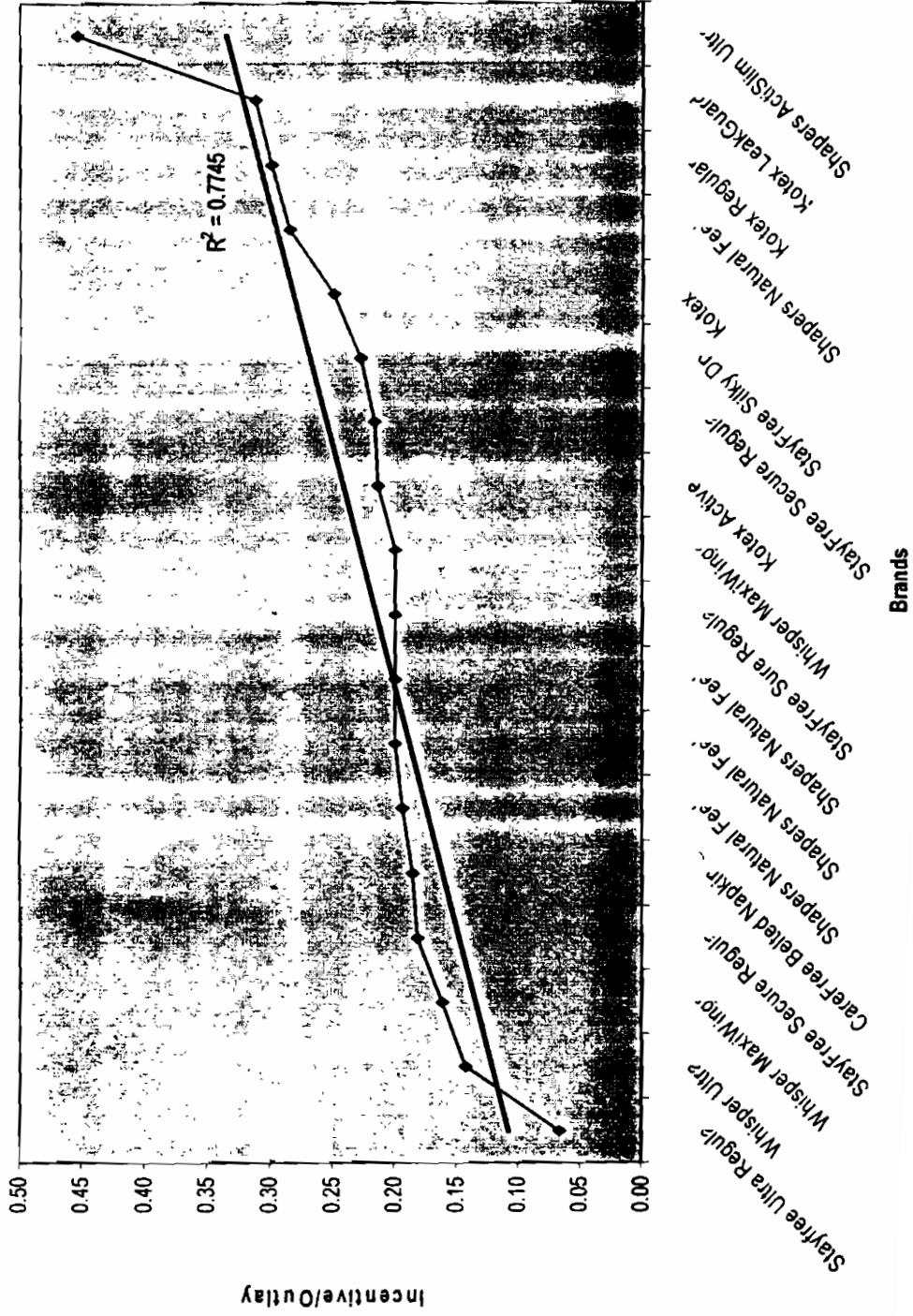


Exhibit 5

Biscuits

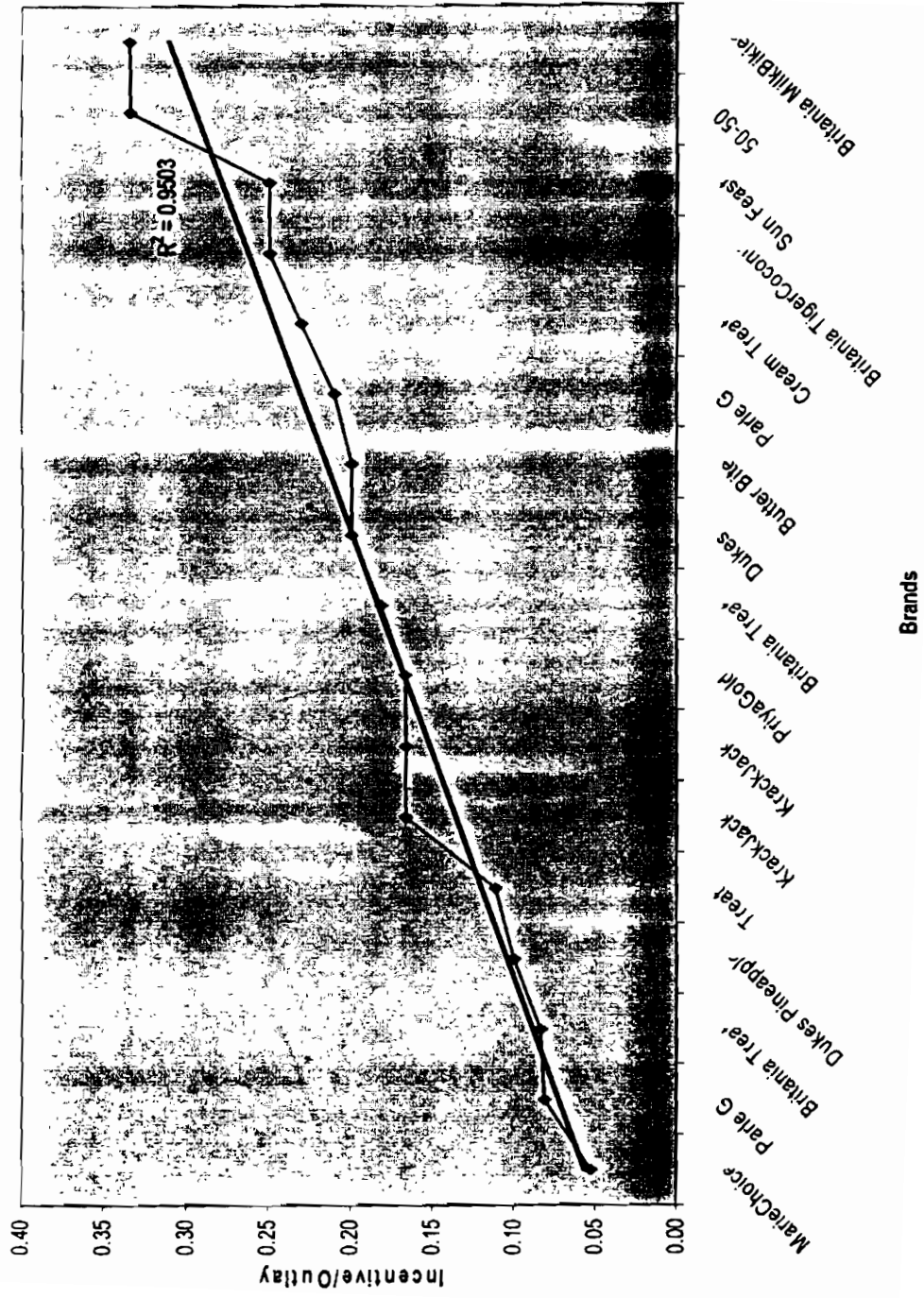
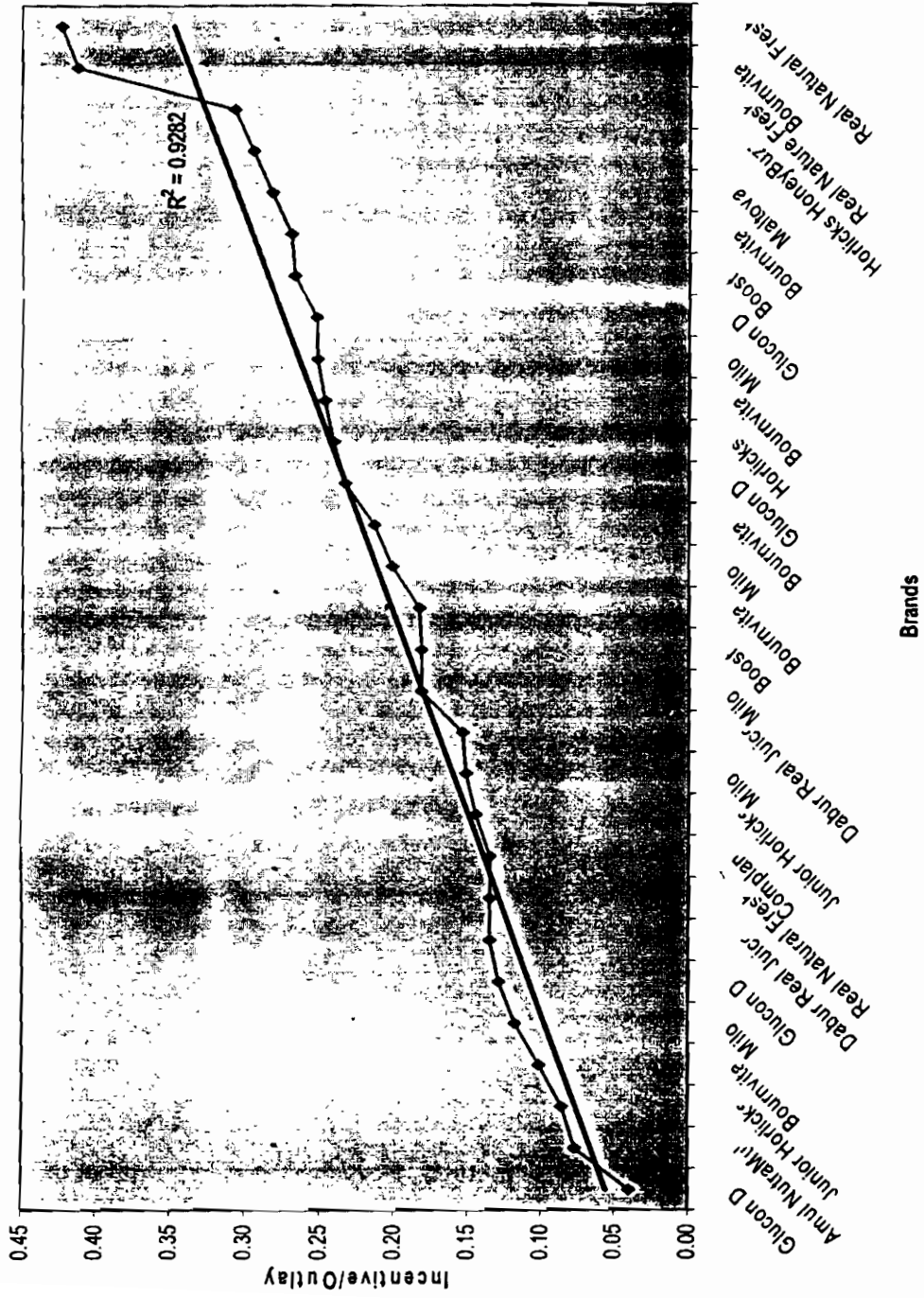


Exhibit 6

HealthDrinks



Brands

Exhibit 7

Chocolates

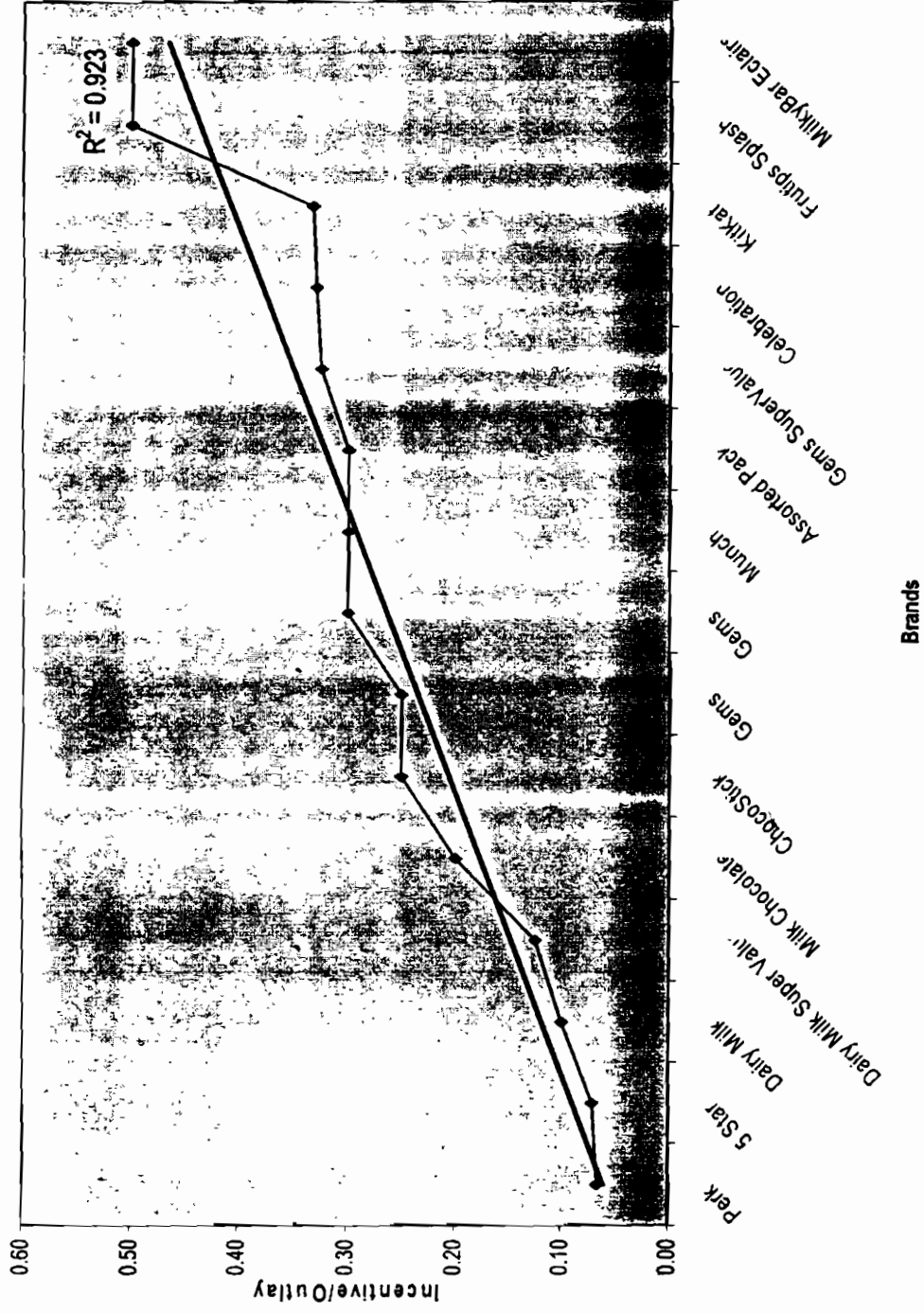
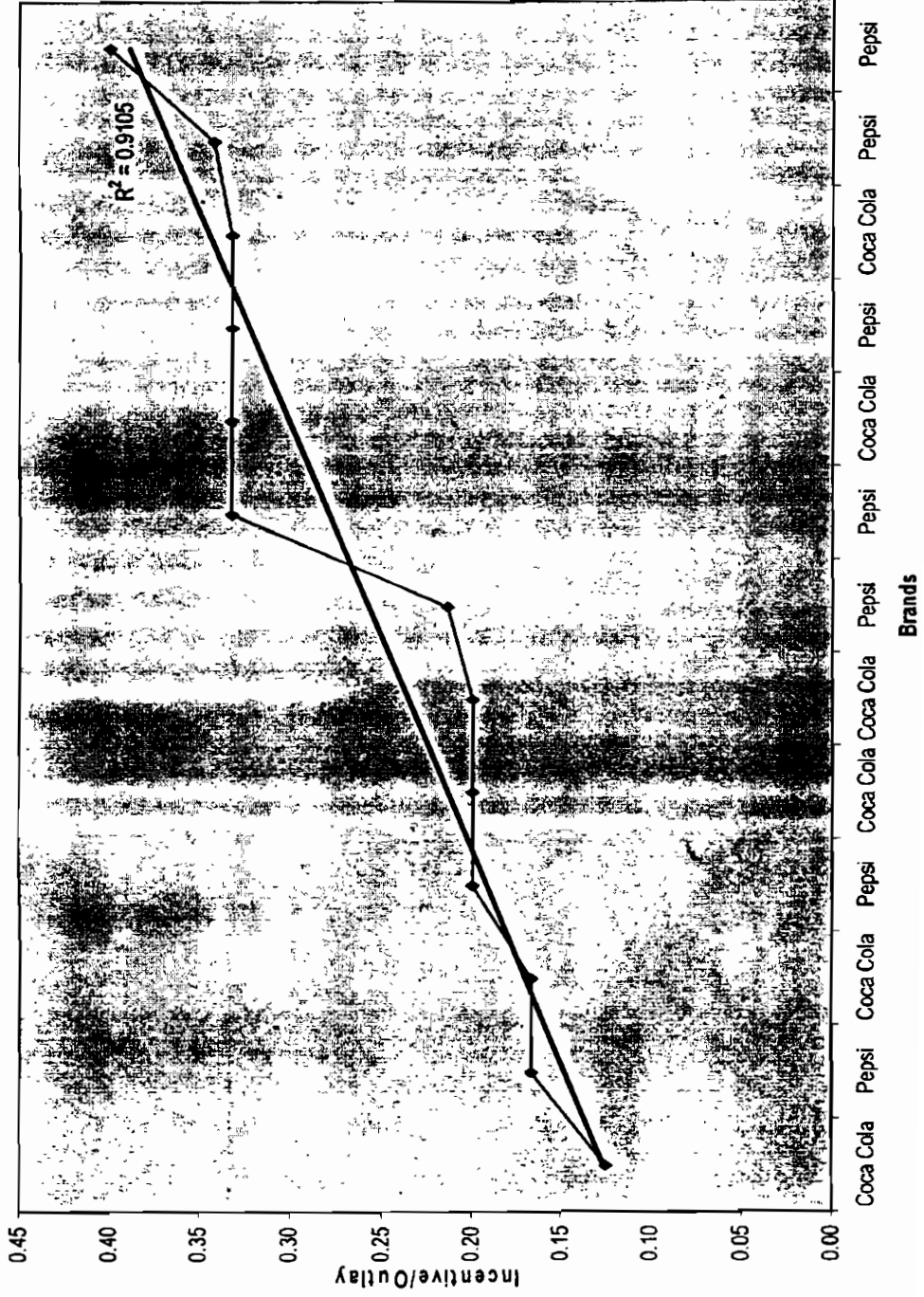


Exhibit 8

Aerated Beverages



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