CHAPTER I

INTRODUCTION
The ultimate objective of every business is to increase the sale of goods that it deals in. Several methods can be adopted for the achievement of this goal; some direct while others indirect. Sales promotion is one of them. Sales promotion has become a valuable tool for the marketers and importance of it has been increasing rapidly over the past few years.

The present chapter focuses on explaining the fundamentals of the present research such as sales promotion, retailing and consumer durable in Indian context.

1.1 IMPORTANCE OF SALES PROMOTION

Every business organization reaches to the customers through their goods or services. To sell the products to the customers a number of activities are being performed. This is called marketing and it is an important function. Marketing is the performance of business activities that directs the flow of goods and services from producer to the customer. It is the activity that directs to satisfy the human needs through exchange process. Marketing starts with the identification of a specific need of customers and ends with satisfaction of that need. For easy understanding these activities are divided in 4 groups for products and 7 groups for services. These elements are product, price, place and promotion for products and three additional elements for services are physical evidence, process, and people. These are called elements of marketing mix.
Promotion is one of the elements of marketing mix. Promotion decisions are taken simultaneously with other decisions like finding target group, determining objectives, budgeting for promotion, launching of new products, distribution etc. Marketers are concerned with effective utilization of promotion-mix to increase sales and market share.

Methods of promotion include advertising, personal selling, publicity, sales promotion and packaging. Sales Promotion is the activity that aims directly to influence buyers to buy products and increase sales. “Sales promotions include incentive offering and interest creating activities which are generally short term marketing events other than advertising, personal selling, publicity and direct marketing” (Kazmi & Batra, 2007). The purpose of sales promotion is to stimulate, motivate and influence the purchase and other desired behavioural responses of the firm’s customers”. The main objective of sales promotion is to increase the sales of products in short term by influencing behaviour of buyers. The importance of sales promotion strategy is increasing day by day.

Sales promotions have been consistently growing since the 1960’s and have today become one of the key factors in the promotional mix. The methods used have become more sophisticated and an increasing number of companies are realizing the importance of a well-structured promotion strategy. In India, sales promotion expenditure by various marketing companies is estimated to be thousands of crore and the emphasis on sales promotion activities by the Indian industry has increased by 500 to 600% during the last 3 to 5 years. There were as many as 2,050 promotional schemes in the Rs. 80,000 crore, fast moving consumer goods (FMCG) Industry (Dang et al., 2005).
1.1.1 The Characteristics of Sales Promotion

Sales promotion must be viewed as "add-on", and not as a replacement for other tools. A brief discussion on the advantages and disadvantages of sales promotions are presented in this section.

The advantages of sales promotion include the following:

a. Attracting customer traffic.

b. Maintaining brand or company loyalty.

c. Offering quick results.

d. Providing customer value and a reminder function.

e. Increasing impulse purchases and volume sales.

f. Generating customer enthusiasm and patronage.

g. Developing channel member cooperation.

Sales promotions also have several disadvantages, as follows:

a. The image of the firm may be lessened if it always runs promotions.

b. Consumers may perceive a decline in product quality.

c. Profit margins are often lower for a firm.

d. Consumers may not make purchases when the items are sold at regular prices.

e. Sales promotion may shift attention away from the product and onto secondary factors.

1.1.2 Types of Sales Promotions

Sales promotion can be classified in three types, depending on the initiator and the target of the promotion. Retailer promotion and consumer promotion are directed toward the consumers by retailers and manufacturers, respectively. The manufacturers direct trade promotion to the retailers. The three types of promotions are illustrated in Figure 1.1.
Manufacturers and retailers have different - and, to some extent, conflicting - objectives with their sales promotions. Concerning the manufacturers' objectives with trade promotion, Quelch (1983) states:

When manufacturers offer trade promotions, they expect that the financing costs associated with taking additional inventory will persuade retailers to provide special merchandising support to accelerate product movement. This might include passing the manufacturer's price reduction through to the consumer, featuring this price cut in store advertising, and displaying the product prominently.

Blattberg and Neslin (1990) list the following objectives of trade promotion:

- Inducing retailer merchandising activities
- Retail sales force incentives
- Loading the retailer with merchandise
- Gaining or maintaining distribution
- Avoiding price reductions
- Competitive tool
The general objective of trade deals is to push merchandise through the channel while consumer promotions are used to pull merchandize through the channel.

The manufacturers' specific objectives with consumer promotions according to Blattberg and Neslin (1990) are:

- to increase brand awareness
- to attract new customers
- to increase sales to present customers.

Blattberg and Neslin (1990) state that common retailer objectives with retailer promotions are:

- to generate store traffic
- to move excess inventory
- to enhance the store's image
- to create a price image.

A large number of different promotional tools are used by retailers and manufacturers. Table 1.1 gives some examples of these tools.

The most important and most frequently used retailer promotions in consumer durables retailing are price cuts, special displays, newspaper feature advertising, and coupons. Very often, combinations of two or more promotional tools are used.
The specific details about the different types of promotions - price-offs, free gift offers, sweepstakes, extra product offers, contests, exchange offers and buy-more-and-save/get offers - are discussed in the following section by highlighting different incentives offered by each type of sales promotion.

**a. Exchange Offer**

This promotion is seen mainly in the consumer durable product category. This promotion requires the consumer to exchange an old product for a new one and get some benefit, usually a price reduction. For example, in case of cars, the scheme offers the consumer a price reduction of Rs. 10,000 on the new car in exchange for an old car. For pressure cooker, the scheme offers a price reduction of 40% on exchanging an old cooker for a new cooker. In case of household
durables, the scheme usually requires the consumer to exchange an old model of a product (e.g. AC, refrigerator, music system, mixer grinder, gas stove) to get a price reduction on the new model. Apart from exchanging old durable goods, the scheme also involves exchanging a small TV for a big TV. Most exchange schemes provide an incentive to purchase in the form of a price reduction. One exchange scheme involved returning an old washing machine for a new one and getting an electric iron as gift. The purpose of the exchange scheme appears to be upgrade existing users of durable products to newer and larger sized models of a product.

b. **Free Gift Offer**

This promotion is popular across a range of product categories. It offers the consumer an incentive to purchase in the form of a free product/service. For example, in case of a car purchase, the consumer is offered a free product such as a music system or accessories. The consumer may also be offered a free service such as extended 3-year warranty or free insurance. Often the product offered free is a complement to the original purchase. This is illustrated by instances of the following types of free gift offers:

- A free Stabilizer with an AC purchase
- Free Pillows with a Mattress purchase
- Free Toothbrush with Toothpaste
- Free Washing Powder with Washing Machines
- Free DVD player with Colour Televisions
- Free 14” LCD TV with 40/42” LED TV

At times, the product offered as a free gift constitutes an upgrade to the original purchase. For example in case of Computer Printers, a free Internet connection, Internet telephony kit, software titles and multimedia package is offered along with the printer. Or in case of notebook computer/PC, the consumer is offered a
Free Internet upgrade and 20 GB, Web Camera, Printer, Britannica CDs, software. In case of fast food restaurants, the free products are items such as soft drink, bread stick, pineapple fudge, garlic bread, ice cream cookies. Here the free products appear to be 'use complements' to the original product.

At other times the free product may be a related product or product used in a similar context e.g. cooking or cleaning or personal care or eating. For kitchen products, the free product are items used in the kitchen such as micro woven bowls, plastic containers, metal spoon, tawa, non-stick pan, or Idli stand. In case of detergent powder/cake the free products are related cleaning products such as bleach, washing soap, washing powder, bucket, bath soap, floor cleaner or utensil cleaner. In the skin care segment, the free products are other personal care items such as soap, body lotion, shampoo sachet, shaving cream or toothpaste. In case of food products, the free product comprises of other edible items such as biscuits, coffee, namkeen, salt, or chocolate.

At other times the free product may be totally unrelated to the original purchase. For example the consumer may be offered a Reebok T shirt / Watches with Colour Television, Washing Machines or Refrigerators. It is possible that, in such cases, the products through unrelated are targeted to the same segment of consumers. This is particularly seen in free gift promotions targeted at children. For example, in case of health drinks, the free product are items such as cricket bat, zoom ball, story book, pencil box, biscuits, binoculars, toy bike, cricket set, football and trendy wristwatch which are valued by children. Similarly, in case of confectionary products such as chocolates and biscuit, the free products are products relevant to children such as comics, sticker, toy, tattoo, magic paint card and magic candle.

In some cases, the free gift offered along with the purchase is another product variant offered by the company. For example in case of fruit juice the consumer is offered the guava flavor fruit juice when he/she buys 5 packs of orange flavor.
In case of consumer durables, free 14" Colour Television along with the 29" Colour Television. Several free gift offers have a pre commitment of size or value of purchase from the consumer. The consumer has to make a certain value of purchase before he is entitled to the free gift. Often, there are smaller gifts associated with purchase of smaller pack sizes and larger gifts associated with purchase of larger pack sizes of a product. In most cases, the price of the free gift is not mentioned. The brand name of the free product e.g. Timex watch or Motorola handset is mentioned in some cases.

c. Sweepstake offer

The sweepstake offer gives the consumer a chance to win a large prize through luck. It usually involves a lucky draw or a scratch card based on which the winners are decided. The prizes offered on this promotion can be broadly classified into two types. The first type of prize is a trip to a foreign location e.g. Paris, London, Thailand, Singapore or Malaysia. Many brands in consumer durable industry offer a ticket to IPL Cricket or trip to World cup as a promotional attraction. The second type of prize are durable products such as Bike, Car, Watch, Washing Machine, Television, Refrigerator, DVD, Mobile Phone, Cordless phone, PC, Microwave, Camera, Sunglasses, Gold Jewellery, Gold Coin. Gold has a major appeal as a prize on the sweepstake promotion across diverse product categories such as soap and personal computer. In some cases, the details of the prize on the sweepstake promotion are not specified, rather stated as ‘prizes worth Rs. 50 crores’.
d. **Buy more and save/get**

This type of promotion requires a consumer to buy two or more products to avail of the promotional advantage. The promotional benefit is usually in the form of money saved as a result of buying two or more products at the same time. In certain cases, the promotion requires the consumer to buy additional units of the same product to avail of the promotional advantage. For example, in case of bath soaps and detergent cakes, this promotion requires the consumer to buy three bath soaps/detergent cakes and get one soap/detergent cake free. In case of fruit juice the consumer is required to buy 5 packs of fruit juice and get one pack of fruit juice free. This promotion seems to be popular in categories where the extra units of the product offered on the promotion can be stored for future consumption.

When different products are bundled together on this promotion, there is usually a relationship between the products. For example in case of computer printers, this scheme requires the consumer to buy a printer and scanner together and get a price reduction. In case of consumer durables, this scheme attempts to induce the consumer to buy greater number of products from the same company. For example the scheme requires the consumer to buy AC and refrigerator or AC and microwave of the same brand and avail a price reduction. In FMCG products, this promotion requires the consumer to buy toothpaste and toothbrush together or buy shaving cream and blade together to get a price reduction. This promotion is seen in case of Fast Food Restaurants as well where the consumer is required to buy a pizza, coke and garlic bread and get a saving on the combination purchase. In case of FMCG products, this type of promotion bundles together products that are complementary.
e. Contest offers

Contest offers are seen mostly in products targeted at children. In case of Fast Food restaurant, this promotion requires the consumer to fill up a coupon and get a chance to meet a film star such as Hrithik Roshan. In case of soft drinks, the contest offer requires the consumer to answer a question in an ad and get a chance to meet a movie star. In other product categories, the prizes offered on this promotion are similar to those on the sweepstake promotion. The consumer is offered the chance to win a car or a flat or various household durable appliances.

f. Extra Product Offers

Most of the extra product promotions (65%) are seen in the FMCG category where the extra units of product serve as additional consumption units for the consumer. There are no extra product promotions seen in the durables product category. In FMCG, the specific products on which the extra product promotion is launched include Talcum Powder, Detergent Cake, Soaps, Fruit Juices and Hair Oil. In case of toothpaste the promotion requires the consumer to buy toothpaste and get the second toothpaste free. In a talcum powder extra product promotion, the consumer is offered 20% extra in the same pack. This promotion is also seen in the Services sector. In case of Internet service provider, this promotion offers extra hours on the Internet and free Internet access on Sunday. In case of fast Food restaurants, the promotion offers a second pizza free along with the original pizza or a slice free along with the original pizza.

g. Other Offers

A variety of promotions are seen in the ‘Any other’ category. One frequent promotion in the consumer durable category is the 0% finance scheme for purchase of two wheelers, notebook/PCs, refrigerator, music system, television, or microwave oven. A different kind of promotion requires the consumer to
invest or paying additional money in order to avail the promotional benefit. In case of fans, this sort of promotion requires the consumer to purchase 3 fans and pay Rs. 90 to get a wristwatch worth Rs. 480. Another such promotion requires the consumer to buy a fan, pay Rs. 40 and get a free camera worth Rs. 300. In case of health drinks, the promotion requires the consumer to pay Rs. 7/- more and get a badminton racket free.

A variant of this promotion is another promotion, which requires an investment of effort rather than money from the consumer. For example, in case of tea, the consumer is required to pay Re. 1 and get a Britannia biscuit pack free along with the tea pack. In case of salt, the consumer is required to collect a newspaper coupon and pay Re. 1 to get a pack of salt.

Yet other types of promotions require an investment of both money and effort from the consumer in order to avail of the promotional benefit. For example, a soft drink promotion requires the consumer to collect crowns and put in some money to get a price discount on the soft drink. In case of ice cream the consumer is required to collect three ice cream wrappers to get a scratch card which gives him the opportunity to win lakhs of prizes. In case of chocolates, the promotion requires a consumer to exchange empty chocolate wrappers to get movie tickets or bunny stickers free.

1.2 RETAILING IN INDIA

Retailing forms an integral part of the marketing mix. Customers are first introduced to the product at the retail store. Retail stores in turn serve as communication hubs for customers. The role of retailing in the marketing mix is very significant. The Retail Sector in India is definitely witnessing a growth phase and everyone wants to make their presence felt in order to take their share of this huge pie.
Retailing provides a crucial link between producers and consumers in a modern market economy. The performance of this sector has a strong influence on consumer welfare. Retailers not only provide consumers with a wide variety of products, but also a wide range of complementary services (such as assurance of product delivery), which can lead to more informed choice and greater convenience in shopping. They also provide producers with much needed information on consumers demand pattern. Productivity and efficiency in retail operations lowers price level and reduce distortions in the price structure. Through backward and forward linkage, performance of retailing services affects the performance of interlinked sectors such as tourism, recreational and cultural services, manufacturing of consumers' goods agro-good producing industries etc.

Retailing is the largest private industry in India and second largest employer after agriculture. The sector contributes to around 10 per cent of GDP and 6-7 per cent of employment. With over 15 million retail outlets, India has the highest retail outlet density in the world. This sector witnessed significant development in the past 10 years – from small unorganized family-owned retail formats to organized retailing. Liberalization of the economy, rise in per capita income and growing consumerism have encourage larger business houses and manufactures to set up retail formats; real estate companies and venture capitalist are investing in retail infrastructure. Many foreign retailers have also entered the market through different routes such as wholesale cash-and-carry, local manufacturing, franchising, test marketing, etc. With the growth in organized retailing, unorganized retailers are fast changing their business models and implementing new technologies and modern accounting practices to face competition (Technopak-ICICI Property Services, 2007).
1.2.1 Retail Formats in India

In India, at present, retailing activities are being carried through wide varieties of formats ranging from ‘pheri wala’ in streets to Modernised Malls in Metro cities. All formats of retailing were classified into following three Groups.

Figure 1.1 Formats of Retailing in India

(Source: Mandeep Singh, 2012)

1. Traditional Formats:

a) Itinerant Salesman:

It is a type of direct selling which stated centuries ago. It is an example of door to door office to office delivery or marketing. Morning Milk man and sabji wala are the most famous examples of this category. This type of format has been very popular throughout India in coping with daily needs. In rural areas this sales man use cycles, for carrying their stock for display of Goods.
b) **Haats:**

Haats are the unique examples of traditional malls in India. Just like Malls, different sellers' sell different types of items along with the sale of vegetables, fruits, sweets, chart etc. Some entertainment arrangements are also made available in these haats. There was tendency in rural as well as semi-urban area in India for visiting these haats with family members as a part of picnic cum purchasing programmes. In fact Haats are periodic markets (generally organized once in week or fortnight at a particular place & time) that form a major part of the rural market system in India. In other words the term Haats refers to locations which witness a public gathering of buyers and sellers at fixed time and fixed locations. On account of organization of these haats these are called with the name of a particular day also such as Mangal Bazar, Budh Bazar etc. According to one estimate about 42,000 haats are organized in our country (BW Marketing White Book).

c) **Melas:**

Melas are fairs & they can range from commodities fairs to religious fairs. Virtually every state in India has melas for which it is known. It is estimated that more than 2500 melas are held annually in the country. At Government level a number of fairs such as book fair, Trade fair and specific Commodity fair are organized by Trade fair authority of India.

d) **Mundis:**

Mundis are markets set up & regulated by State Government for the sale of agricultural produce directly from farmers. At present the numbers of such markets stand above 7500. These mandis are playing significant role in providing better prices to farmers.
2) Established Formats

a) Kiosks:

A kiosk is a small free standing pavilion or stall often open on one or more sides and used for information, sales, and promotion. Generally a Kiosk is placed in a shopping centre, a bus stand or near by the prospective customers.

b) Kirana Shop & Independent Stores:

This is one of the important & popular established formats of retailing in India. These shops are usually shops with a very small area, stocking a limited range of products, varying from region to region according to the need of the clientele or the whims of the owners. These are low cost structures mostly owner operated, have reliable real estate & labours cost. Consumer familiarity that runs from generation to generation is one big advantage enjoyed by such Kirana Shops. The retailer to consumer ratio has been very low with many such shops often located close to people residence, thus making location & convenience a major factor for their popularity. Branding has not been the key decision criteria for a majority of customers at such kirana shop or traditional retail Outlet, particularly in the small township and rural India. In fact traditional retailer themselves place a significant role in the purchase decision influence both the product & the brand perception.

c) Co-operative Shops/ Govt. Organization:

Cooperative stores in India are the result of the cooperative movement that can be traced to the Pre-independence period. They emerged as a reaction to the feudal system & attempted to place the fruit of labour in the hands of the producer himself to make himself relevant. The Cooperative movement was strengthened after independence in Western India. A consumer cooperative is a retail institution owned by member
customers. A consumer cooperative is generally formed either because of dissatisfied consumers who's needs are not fulfilled by the existing retailers or on account of initiative by enlightened consumer.

These emporiums retail a wide variety of product categories, which they procure from every part of India. They offer a rich variety of silk with special colours & weaves. The heavy Kanjeevaram Silk of the South, the light silks from the east, the 'ikat' or 'patola' of Orissa and artifacts in bronze, brass ivory, marble, or wood statues, lamp shades, Chairs, 'Kundan' or 'Mina' Jewellery of Rajasthan, silver from Orissa and Pearl of Hyderabad – the entire range of rich handicraft products of India can be obtained from them. There are other emporia too like the Handloom House which sell equally good & genuine things.

3) Emerging Formats

a) Convenience Store

These stores are relatively small shops that are located near residential areas, are open for long hours & 7 days a week and offer a limited line of convenience products like beverages; ready to eat snack (Pastry, Sandwiches) bread, eggs, milk, confectionary etc. These shops have been quite common throughout the country.

It is a retail business of less than 2,000 square feet with primary emphasis on providing the public a convenient location to quickly purchase an assortment of food, and other consumable products. They are usually open seven days a week for extended hours.
b) *Departmental Stores*

Large stores ranging from 1,000 - 10,000 sq. ft, catering to a variety of consumer needs. These large stores primarily sell non-food items such as apparel, footwear, household products. They stock multiple brands across product categories, though some of them focus as their own store labels (e.g. Marks and Spencer's St. Michael). Departmental stores are found on high streets and as anchor shops of shopping malls. Some department stores chains are opened in India e.g. Shopper’s stop, Westside, and Ebony.

c) *Super Markets/Hyper Markets*

These are large (2000-5000 square feet) stores selling a variety of products at discounted price. These stores today contribute to 30% of all food & grocery organized retail sales. The best practice chains in this format are Carrefour (France) Wal-Mart (US). Supermarkets tend to be located in key residential markets and malls and offer competitive prices due to economics of scale in logistics and purchasing. The format is new to India and some important players in this field are Food World, Big Bazaar. Indian Super Market, Reliance are smaller than others countries.

d) *Specialty Store*

A Specialty store is a retail shop displaying merchandise which has narrow product line, specializing in a particular type of merchandise & offering specialized service to customers. Generally these shops concentrate on specific items such as Apparel, Jewelry, Fabric, Sporting Goods, and Furniture etc. Specialty shop can be sub classified by the degree of narrowness in their product line. e.g. A clothing stock would be a single line shop, a men’s clothing shop would be limited time shop & a men’s shirt store would be a super specialty shop. Such shop have always
played significant role in retailing of consumer durables throughout the country particularly in urban & sub-urban areas.

e) Chain Stores

These outlets focus on a particular brand as product category, usually non-food items and are located on high streets and in shopping malls. The most famous specialty chains include Gap, Levi’s and Benetton.

f) Discount Store

It is a general merchandise retailer that offers a wide variety of merchandise limited service and low prices. Margin free markets, Medplus are operating in this format in India.

g) Wholesale “Cash and Carry”

The wholesale cash and carry operation is defined as any trading outlets where goods are sold at the wholesale rate for retailers and businesses to buy like Metro, cash and carry, and Wal-mart. The transactions are only for the business purpose and not for personal consumption.

h) PDS/Fair Price Shop:

The PDS or Public Distribution System would easily emerge as the single largest retail chain existing in the country. The evolution of PDS of Grains in India has its origin in the rationing system introduced by the British during World War II. The system was started in 1939 in Bombay & Subsequently extended to other cities and towns. By the year 1946, as many as 771 cities/towns were covered. The system was abolished post war, however, on attaining Independence India was forced to reintroduce it in 1950 in the face of renewed inflationary pressures in the economy.
The system, however, continued to remain an essentially urban oriented activity. In fact, towards the end of the First 5-year plan (1956) the system was closing its relevance due to comfortable food grains availability. At this point in time, PDS was reintroduced and other essential commodities like sugar, cooking coal & kerosene oil were added to the commodity basket of PDS. By the end of the second 5 year Plan, PDS had changed from the typical rationing system to a social safety system, making available food grains at a 'fair-price' so that access of household to food grain could be improved & such distribution could keep a check on the speculative tendencies in the market (Swapna Pradhan, 2007).

The retail landscape of the country is changing at a rapid pace with malls and multiplexes mushrooming in all major cities. In fact, having reached a substantial capacity at Tier-1 locations, the organized retail revolution is now percolating to Tier II and III cities. Retail has clearly been witnessing a transformation from neighborhood-shopping to the concept of malls and family entertainment centers. Entertainment and experience are becoming integral parts of shopping. Global industry analysts have often confirmed the country's potential as one of the most attractive emerging retail destinations in the world.

1.2.2 Types of Retail Chains

Types of Retail Chains operating in India are: Food and Beverage, Health and Beauty, Clothing and Footwear, Home Furniture and Household Goods, Consumer Durable Goods, Leisure and Personal Goods.

a) Food Retailers

There are large number and variety of retailers in the food-retailing sector. Traditional types of retailers, who operate small single-outlet businesses mainly using family labour, dominate this sector. In comparison, super markets account for a small proportion of food sales in India. However
the growth rate of super market sales has being significant in recent years because greater numbers of higher-income Indians prefer to shop at super markets due to higher standards of hygiene and attractive ambience.

b) Health & Beauty Products

With growth in income levels, Indians have started spending more on health and beauty products. Here also small, single-outlet retailers dominate the market. However in recent years, a few retail chains specializing in these products have come into the market. Although these retail chains account for only a small share of the total market, their business is expected to grow significantly in the future due to the growing quality consciousness of buyers for these products.

c) Clothing & Footwear

Numerous clothing and footwear shops in shopping centers and markets operate all over India. Traditional outlets stock a limited range of cheap and popular items; in contrast, modern clothing and footwear stores have modern products and attractive displays to lure customers. However, with rapid urbanization, and changing patterns of consumer tastes and preferences, it is unlikely that the traditional outlets will survive the test of time.

d) Home Furniture & Household Goods

Small retailers again dominate this sector. Despite the large size of this market, very few large and modern retailers have established specialized stores for these products. However, there is considerable potential for the entry or expansion of specialized retail chains in the country.

e) Durable Goods

The Indian durable goods sector has seen the entry of a large number of foreign companies during the post liberalization period. A greater variety
of consumer electronic items and household appliances became available to the Indian customer. Intense competition among companies to sell their brands provided a strong impetus to the growth for retailers doing business in this sector.

f) Leisure & Personal Goods

Increasing household incomes due to better economic opportunities have encouraged consumer expenditure on leisure and personal goods in the country. There are specialized retailers for each category of products (books, music products, etc.) in this sector. Another prominent feature of this sector is popularity of franchising agreements between established manufacturers and retailers.

The retailing sector in India has undergone significant transformation in the past 10 years. Traditionally, Indian retail sector has been characterized by the presence of a large number of small-unorganized retailers. However, in the past decade there has been development of organized retailing, which has encouraged large private sector player to invest in this sector. Many foreign players have also entered India through different routes such as test marketing, franchising, wholesale cash-and-carry operation. With high GDP growth, increased consumerism and liberalization of the manufacturing sector, India is being portrayed as an attractive destination for foreign direct investment (FDI) in retailing. Within the country, there has been significant protest from trading associations and other stakeholders against allowing FDI in retailing (Mandeep Singh, 2006).

The Global Retail Development Index (2013) developed by A.T Kearney has ranked India first among the top 30 emerging markets in the world. A look at the landscape of most of the cities in India shows the rapid phase of change. This

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changes in reflection of the changes in the Indian consumers his lifestyle and his habits. It took 10 years for the first 2500 organized retail stores to emerge in India; the next 2500 could easily get added in the next 5 years. Formats new to the Indian market place have emerged rapidly over the past ten years. Goldman Sachs has estimated that the Indian economic growth could actually exceed that of China by year 2015. It is believed that the country has the potential to deliver the fast growth over the next 50 years (Mandeep Singh, 2012).

1.3 INDIA’S CONSUMER DURABLE MARKET

Consumer durables involve any type of products purchased by consumers that are manufactured for long-term use. As opposed to many goods that are intended for consumption in the short term, consumer durables are intended to endure regular usage for several years or longer before replacement of the consumer product are required.

One of the most common of all consumer durables would be the furniture found in the home. This would include items such as sofas, chairs, tables, bed frames, and storage pieces such as chests of drawers and bookshelf units. While once thought to be limited to only items made of sturdy metal or wood, any type of furniture today that is intended for use over the period of at least a few years can rightly be classified as durable.

Another common example of durables in the possession of most households is appliances. These items may include ovens, refrigerators, air conditioners, and gas or electric water heaters. These are intended for use on a continuing basis, and often are sold with some type of warranty or service contract that helps to ensure the appliance will continue working for an appreciable period of time.
1.3.1 India's Consumer Market

India's consumer market is riding the crest of the country's economic boom. Driven by a young population with access to disposable incomes and easy finance options, the consumer market has been throwing up staggering figures. The market share of MNCs in consumer durables sector is 65 percent. MNC's major target is the growing middle class of India. MNCs offer superior technology to the consumers whereas the Indian companies compete on the basis of firm grasp of the local market, their well acknowledged brands, and hold over wide distribution network.

The industry size for consumer durables stands at Rs 350 billion (as on March 2012). The sector rides and relies on the state of the country's economy. With household incomes in top 20 cities across India expected to grow at 10 percent annually over the next eight years, and concepts of easy loans, equated monthly installment (EMI) charges, availability of credit, etc., become commonplace, the Indian consumer is likely to spend more on both utility and luxury consumer goods.

Figure 1.2 Size of Consumer Durables Market
(USD billion)

(Source: Corporate Catalyst India Report, 2013)
This sector is expected to post a CAGR of 15% over 2010 - 15. Growth in demand from rural and semi-urban market is estimated to outpace demand from urban market for consumer goods. Consumer durables market is estimated to expand at a CAGR of 14.8 percent to US$ 12.5 billion in FY15 (from US$ 7.3 billion in FY11). Rural and semi-urban markets are likely to contribute a majority of consumer durables sales.

1.3.2 Classification of Consumer Durable Goods

India officially classifies its population in five groups, based on annual household income (based on year 1995-96 indices). These groups are: lower income, three subgroups of middle income, and higher income. Household income in the top 20 boom cities in India is projected to grow at 10 percent annually over the next eight years, which is likely to increase consumer spending on durables. With the emergence of concepts such as quick and easy loan, zero equated monthly installment (EMI) charges, loan through credit card, loan over phone, it has become easy for Indian consumers to afford more expensive consumer goods.

The consumer durables market is divided into three segments – white goods, brown goods and consumer electronics as shown in Figure 1.2.
1.3.3 Market trends for the future

In its initial years, the sector relies greatly on media and advertising for consumer penetration. Liberalization of markets in late 1990s saw the entry of global players like Samsung and LG and a shift in focus towards product innovation. Accessibility to high-end products was, however, low till mid-2000s.
Last few years has seen high end and aspirational products like air conditioners and High Definition TVs gain stronghold in the market.

The sector is characterized by strong growth trends in all domains – from rise in affordability factor of Indian population, increased penetration and exponential growth of rural markets, policy support in terms of FDI, to large scale investment plans by corporate. The consumer durables sector is set for an upward graph with numerous opportunities for those involved in it.

All major companies in this sector have elaborate expansion plans for the near future. Japan’s Panasonic plans to invest USD208 million by 2014 by setting up manufacturing units and an advanced R&D centre. Samsung plans to invest USD94 million to expand capacity. Market leader LG has outlined around USD292 million for enhancing production capacity and strengthening its LG brand shop network.

The consumer durables sector is marked by stiff competition between market players to launch newer models and versions of products, discounts and schemes. The key players in the consumer durables sector are MNCs like LG, Samsung, Blue Star, Daikin, Hitachi, Sony, etc. LG and Samsung account for the largest shares of the market, and it is estimated that India’s share in their global revenues will double to 12 per cent in FY15 from 6 per cent in FY10.

**Factors that will drive growth in this sector**

(a) *Rising Income and Availability of Financing:*

In this competitive era, the income levels of individuals are rising and disposable income has increased to a great extent. Consumer financing has become easier with all the banks coming forward to lend to the consumer at affordable rates of interest.
(b) *Improved Affordability of Products*

Advanced technology and increasing competition are narrowing the price gap and the expensive appliances are becoming cheaper. Products that were once beyond the reach of the middle class Indian are now affordable to many. Growth in demand for products, once considered luxuries (air-conditioners, washing machines and high-end CTVs) is a reflection of this phenomenon.

(c) *High-End Customized Products*

The Indian consumer durables products market is going for high-end customization of products with aesthetic appeal. Manufacturers are steadily going for innovations for developing advanced and user friendly products for satisfying the needs of a varied class of customers. The trend is worldwide and is mirrored in India too.

(d) *Competition to Drive Sales*

Major consumer durables companies are coming up with new product lines. International companies such as Haier, as part of its expansion strategy in India, launched televisions, air-conditioners, refrigerators and washing machines. This would provide consumers with ample choices and drive up sales in the sector.

(e) *Organized Retail Gaining Momentum*

There are established distribution networks in both rural and urban India, the presence of well-known brands in the organized sector is increasing. The trend will also boost sales of private label goods and will have a positive impact on the consumer durables industry, as organized retailing would not only streamline the supply chain, but also facilitate increased demand, especially for high-end and branded products.
(f) Entry of Large Retail Players

Low penetration in the consumer durables industry has allowed the entry of large retailers to the Indian market. This is resulting in rise in competition due to large players such as Croma, E Zone and Reliance Digital. Part of the growth momentum in high-end segments of consumer electronics could be attributed to the competitive evolution of organized retail, stimulating the demand through exposure to high-end shopping experiences.

(g) Increasing Depreciation of the Rupee

The trend of rupee appreciation vis-a-vis the US dollar will continue to prevail in the long run, thus it is expected to tighten raw material costs for Indian manufacturers and benefit those addressing the domestic market.

(h) Distribution and Retail

With the rural and semi-urban markets creating opportunity and an almost sedentary urban market, the need to have a strong distribution network is crucial for the companies to remain price-sensitive. Major Indian companies are going for new ventures for retailing of consumer durables and IT products. The retailers are coming out with new retail formats such as exclusive brand outlets and the international style multi-brand showrooms.

Further, increased disposable incomes and greater accessibility to credit is increasing consumer base, especially in the middle and upper sections of the population. On the other side, Relaxation of tariffs and increased liberalization amid a favourable FDI environment is leading to expansion in India, increased investments and greater R&D.
1.3.4 Major Players in Consumer Durables

**Samsung India**

Samsung India commenced its operation in India in December 1995, today enjoys a sales turnover of over US$ 1 billion in just a decade of operations in the country. Samsung design centres are located in London, Los Angeles, San Francisco, Tokyo, Shangai and Romen. Samsung India has its headquartered in New Delhi and has a network of 19 branch offices located all over the country. The Samsung manufacturing complex housing manufacturing facilities for Colour Televisions, Colour Monitors, Refrigerators and Washing machines is located at Noida, near Delhi. Samsung ‘Made in India’ products like Colour Televisions, Colour Monitors and Refrigerators are being exported to Middle East, CIS and SAARC countries from its Noida manufacturing complex. Samsung India currently employs over 1600 employees, with around 18% of its employees working in Research and Development.

**Whirlpool India**

Whirlpool was established in 1911 as first commercial manufacturer of motorized washers to the current market position of being world’s number one manufacturer and marketer of major home appliances. The parent company is headquartered at Benton Harbor, Michigan, USA with a global presence in over 170 countries and manufacturing operation in 13 countries with 11 major brand names such as Whirlpool, Kitchen-Aid, Roper, Estate, Bauknecht, Laden and Ignis. Today, Whirlpool is the most recognized brand in home appliances in India and holds a market share of over 25 percent. The company owns three state-of-the-art manufacturing facilities at Faridabad, Pondicherry and Pune.
**LG India**

LG Electronics was established on October 1, 1958 (as a private company) and in 1959, LGE started manufacturing radios, operating 77 subsidiaries around the world with over 72,000 employees worldwide. It is one of the major giants in the consumer durable domain worldwide. Started its Indian operations in 1997, LG Electronics India Pvt. Ltd., is a wholly owned subsidiary of LG Electronics, South Korea. One of the most formidable brands, LGEIL has an impressive portfolio of Home Appliances, Consumer Durables, Digital Display products, GSM mobile phones and IT products. LGEIL has clocked total revenue of around Rs 16000 crore in 2011.

**Godrej India**

Godrej India was established in 1897, the company was incorporated with limited liability on March 3, 1932, under the Indian companies act, 1913. The company is one of the largest privately-held diversified industrial corporations in India. The company has a network of 39 company-owned retail stores, more than 2,200 wholesale dealers, and more than 18,000 retail outlets. The company has representative offices in Sharjah (UAE), Nairobi (Kenya), Colombo (Sri Lanka), Riyadh (Saudi Arabia) and Guangzhou (China).

**Sony India**

Sony Corporation, Japan, established its India operations in November 1994. In India, Sony has its distribution network comprising of over 7000 channel partners, 215 Sony World and Sony Exclusive outlets and 21 branch locations. The company also has presence across the country company owned and 172 authorized service centers. Sony is the market leader in TV, Camcorders and Play stations.
Hitachi India Ltd (HIL) was established in June 1998 and engaged in marketing and sells a wide range of products ranging from Power and Industrial Systems, Industrial Components & Equipment, Air Conditioning & Refrigeration Equipment to International Procurement of software, materials and components. Some of HIL's product range includes Semiconductors and Display Components. It also supports the sale of Plasma TVs, LCD TVs, LCD Projectors, Smart Boards and DVD Camcorders.

1.4 NEED FOR THE STUDY

Sales promotion is frequently used in retailing. It takes up a large share of the resources retailers spend on marketing. The heavy usage of sales promotion has recently become questioned by retailers and manufacturers. In spite of the widespread use of sales promotion activities in India no study was found examining sales promotion practices in consumer durable sector. Consumer durable sector is poised for growth in domestic and global markets due to liberalization. With the rapid growth organized retailing in India, there is a dire need to understand sales promotion practices, explore rationale behind it and address managerial challenges.

Despite the large sums yearly spent on sales promotion, the economics of sales promotion is poorly understood. Consequently, there is a great knowledge gap to fill, and this study is an attempt to contribute to this effort.

The aim of this study is to improve our knowledge on the effectiveness of sales promotion tools in consumer durables retailing. More specifically, the study uses a congruency model for analyzing the effectiveness of various popular price based and non-price based type of sales promotion tools in India.
With the widespread use of sales promotions—short term activities which provide material inducements to consumers and trade it becomes imperative for managers to understand such practices and understand challenges. It is hoped that the present research shall help retailers to make sales promotion more profitable. The study is supposed to be useful for the retail managers for planning and control of sales promotion.

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