Chapter 1: Introduction

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1. Introduction to the Topic

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 promotion, placement for products and three additional elements for services are process, people and physical evidence. 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. In sales promotion mainly three parties are involved i.e. consumers, traders and sales force. “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. 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. Sales promotion methods are many and these are selected as per the target groups. For this purpose, a sales promotion strategy is to be prepared to achieve the objectives effectively. The strategy is a game plan that is needed to perform the tasks effectively and get competitive advantages over others in market. Sales promotion
strategy directs the manager in selection of parties, methods of sales promotion, implementation of methods and measuring effectiveness of whole efforts regarding sales promotion. In competitive situation, it is very difficult to increase sales or profit. But with sales promotion strategy sales can be increased in short – term. It explains what, when, where, who and how to do so that objectives of the planning are achieved. Without the strategy the task may not be completed effectively. Sales promotion strategy would help to neutralize the effective of competition and defend the company in the market in performing the sales related tasks. The importance of sales promotion strategy is increasing day by day and in future higher level of competition it would increase further.

Indian industry is a fast developing industry. Fast Moving Consumer Goods (FMCG) are more in demand and frequently purchased by customers. These goods include all consumable goods (other than pulses and grains) and consumers buy at regular intervals in small quantities. Main items in this category are detergents, soaps, shaving products, shampoos, toothpastes and brushes, packed food stuffs, household accessories, creams, oils, tea, coffee etc. The major players in the markets are HUL, Nestle, P & G, Colgate, ITC, Nirma, Britania, Amul, Emami, Marico and Dabur. Every family spends a large portion of monthly budget on FMCG products. Contribution of FMCG sector in every economy is significant. Now, due to globalization, every economy is facing tough competition. Entries of MNCs and cheaper import have made the situation more difficult. To carry out the business in this sector, it has become very difficult. Every company has to spend a large portion of their budget on promotional efforts.

Most of the companies have applied various elements of promotion mix. Promotion mix elements include advertising, publicity, sales promotion, personal selling and packaging. Sales promotion is one of them and it is our concerned topic. In present competitive situation most of MNCs had developed sales promotion strategy in selection of parties, techniques and managing sales promotion techniques effectively and efficiently. This strategy provides competitive advantage to the companies in the market to grow, stabilize and excel in business performance. Therefore, sales promotion strategy is very significant for companies to earn bread and butter. This attracted me to select and study this topic.
2. Rationale of the Study

In present situation not only in one industry but also all sectors are facing tough competition. It has become very difficult to grow, stabilize and excel in business performance. Over and above, business environment is changing drastically. It is very difficult to predict about future. High degree of risk is involved in it. Sincere and dedicated efforts are needed in marketing to retain the existing customers and attract the new customers. It is required to influence the attitude and behaviour of buyers. A lot of promotional activities are needed. The leading companies are using difference techniques for promotion. These are advertising, publicity, sales promotion, personal selling and packaging. These are serving the difference objectives. Sales promotion is one of them and gives a great impact on customer buying behaviour to increase sales in short term. It contributes to neutralize the competition effect. To achieve the objective a strategy is needed for effective application of sales promotion. The contribution of sales promotion strategy is significant in present time to stay in business in competitive market. The importance of it attracted my attention to select this topic for research study.

3. Objectives of the study

The study of this topic has been undertaken with a number of objectives. Following are the objectives of this study:
(a) To understand the concept of promotion, methods of promotion in markets, sales promotion, need, objectives, importance in competitive situation, and relation with various promotional methods,

(b) To study the tools or techniques of sales promotion, impact on sales, parties involved in sales promotion, management of sales promotion measures, need for sales promotion strategy and its importance, and role of sales promotion strategy in progress of number of customers, sales volume, profits and progress of the business as a whole.

(c) To understand Indian FMCG sector and find out the practices adopted by the leading companies regarding sales promotion strategy, their effects and difficulties faced in it by the selected companies.
(d) On the basis of study, to summarise the findings and give suggestions for further improvement in sales promotion strategy practices and its contribution in achieving objectives of sales promotion.

(e) To meet the requirement of Ph. D research study.

4. Scope of the Study

This study is relating to promotion-mix elements out of total marketing efforts. It will cover mainly sales promotion, methods for sales promotion, parties involved for sales promotion, combination of promotion methods with sales promotion, sales promotion strategy and its related concepts. This topic has studied in FMCG sector in world and Indian industry. Leading companies have been selected on the basis of their market share for the research study and their comparative study has been carried out. Further, focus is there on future of sale promotion strategy also. The scope of the study as per the topic is sufficient enough to meet the requirement of research study.

5. Expected Contribution from the Study

It is expected the study of this topic would contribute in clarifying the all concepts relating to marketing communication, promotion mix, sales promotion, strategy relating to sales promotion, impact of sales promotion strategy on sales, profit and profitability of companies, market share and goodwill of the companies. After study of the topic in depth the fundamental concepts have been made very clear. The beneficiary from the study of this topic would be first of all self-researcher, academicians, practicing managers, prospects researchers and the banks. If these parties refer this research study in future may take advantage of the finding and suggestions. Academician, practicing managers and research students may take benefits for academic purpose and on the jobs. The FMCG companies may implement the suggestions for improvement of sales for achieving sales targets. It can be said the benefits would be multidimensional for above mentioned parties.