CHAPTER 2

THEORETICAL FRAMEWORK

The term ‘consumer’ refers to those persons, who recognise a need or desire, make purchase and then disposes off the products during the later stages of consumption process. But in many cases the purchasers/buyers and users of the products—whether durable category or being fast moving consumer goods category, might not be the same person, as when a father/mother picks out a branded cereal or detergent (representing the food and beverage sector and household care sector of FMCG category), the same will be used by entire family comprising of children and even grandparents if the case is that of a joint family. As the study aims in evaluating perception towards promotional offers and the resultant purchase behaviour, the study has made use of the term ‘buyer’ instead of ‘consumer’. The buyers perception towards traditional and online promotional offers during the ‘exchange process’ is emphasised in this situation and the buyers behaviour during the time of purchase is the main scope of the research work.

For any individual, reality is always a personal phenomenon and will be influenced by need, want, experience, values etc. Thus perception becomes an unavoidable art in all the deeds including a person’s interpersonal behaviour like talking, performance and also in marketing related phenomenon like consumption, usage, wastage or reuse of a product. Thus researchers in the field of marketing consider this perception to be a relevant phenomenon than their knowledge or even the reality. The term ‘perception’ is considered as a process which initiates individuals to select, organize and then interpret stimuli
and then converts it into an understandable notion. Buyer’s perception is not a sole phenomenon and is hence influenced by varied number of factors. Their rooted perception can be influenced by various facts and cognition.

The facts are those variables that are evidenced based characteristics, can be categorized using objective criterion and can also be readily determined. Demographic variables like gender, age, social class variables like income, occupation, education and geographic variables like location, nature of domicile etc. are considered to be factual in nature. On the other hand, cognitive variables are based on subjective categories and can be determined using indirect or psychological test. It includes personality traits like open or close mindedness, self confidence and psychographic variables which consist of activities, interest and opinion.

The facts and cognition stand to be influential factors in shaping the perception and hence the behaviour of individuals. This can act as predisposition to the person’s behaviour, which can be in favourable or in unfavourable manner with respect to any object. All those studies that are buyer/purchaser oriented in approach, considers the facts and cognition as those factors that can interpret and include specific consumption or market related concepts such as product, services, promotional schemes, online purchases, medium, retailer, product service usage, causes or issues.

The whole study being ‘buyer’ oriented in approach, aim in analysing the influence of factual and cognitive variables on determining their perception towards consumer/purchaser directed promotion. As we subsist in digital era, where the number of online buyer/purchasers is on rise, equal importance has been given to online and traditional promotional schemes
2.1 PROMOTIONAL SCHEMES DIRECTED ON CONSUMER MARKET

Promotion, being a part of marketing mix which includes variety of activities that surrounds and affects brand, direct marketing, retail promotion, event management, internet marketing, public relation and includes wide measure like advertising, publicity, promotional schemes etc.

Though sales promotional activities cannot act as a substitute for other marketing mix elements, it is successful in involving people directly and also eliciting their responses and there by assisting the manufacturers in escalating the sales turnover. It includes wide range of activities like stimulating the demand by industrial or household users, prompting the resellers or distribution channel members to perform well and also complement and coordinate other marketing mix elements like advertising, personal selling, public relation etc.

Sales promotional activities, which were famous as ‘below the line activity’, the term emerged from its administrative convenience normally aim in giving assurance for ‘value for money’ and can be directed at sales force, trade or even directly on buyer/purchasers.

India, being a developing economy, witnesses a number of ‘me-too’ products, have enormous number of small players competing with global brands, having saturated demand for some products and services sectors, buyers having abundant information and also exposure, sales force being overloaded with ambitious targets and in addition to these the firms are trying hard to get back their return on investments. These have encouraged the manufacturers to come up with forceful, attractive and also intelligent promotional deals not only in brick and mortar sectors but also in online purchasing channels. The study is limited to sales promotional measures that are aimed at end users, especially the buyer’s or purchaser’s, which are useful
in pulling the purchasers towards retail outlets and encouraging them to buy more products or even try new brands or products.

Each product has its own life cycle constituting of different stages including introduction, growth, maturity and decline. The firms irrespective of being in durable or FMCG category try hard to grow and reach its maximum height of performance. Once they reach prosperity or maturity, they try to remain there as long as possible by utilizing different strategies like diversification, attracting buyer/purchasers, making them to buy more etc. End user directed promotional offers are one such attracting strategy by which firms try to attract new users and mean while maintains the existing users. The fast moving consumer goods sector is keen in implementing new and attractive buyer/purchaser directed promotional schemes, as their prosperity stage is characterized by maximising the volume sales, which is perhaps their only method for extracting maximum possible revenue. As the risk involved with the purchase of these category products are less when compared with high involvement buying situations, purchasers try to experiment with varied brands and their decisional factors like which, what, how much, from where and when are influenced either by brand specific factors like price and promotional offers or by buyer/purchaser specific factors like consumption rate, brand loyalty, sensitivity to brand and promotion etc. The FMCG sector hence plan promotional offers with the intention to develop and intensify product awareness, create interest towards the brand, provide maximum information, stimulate demand and their by reinforce the demand towards brand.

The various sales promotional schemes aimed at end users includes price deals, premium offers, coupons, loyalty cards, contest and sweepstakes, refund and rebates, mail premiums, speciality items, continuity programs, buyer/purchaser sampling and interactive promotional schemes. As today’s digital world provide opportunity for shopping both in retail stores and also through online stores, the number of buyer/purchasers depending on both has
increased and hence manufacturers find it essential to develop buyer/purchaser oriented promotional strategies for both online and traditional mediums. The study concentrating on perception towards promotional measures used by fast moving consumer goods considers two promotional techniques relevant to both online and retail stores namely price off and ‘buy and get free offers’. ‘Price off’ normally includes discount on the price of a product (say 10-50 percent off on MRP) and ‘buy and get free’ schemes tie up attractive products – same or different, with an existing product or brand (Offering a stylish cup with 500gm pack of tea powder).

Two kinds of online and traditional buyer/ consumer directed promotional schemes included in the study are

- Online and traditional price off- ‘Price Off’ whether being offered through online store or the traditional brick and mortar sector, aim in offering a certain amount or percentage of discount from the marked price, which is reflected in the price tag. Marked price or the old price is crossed out and the price after discount is stamped so as to attract prospective buyers and also as an assurance to buyer/purchasers regarding the value transfer on purchase. Price war among the competing layers are the major reason for these offers and is one of the major marketing strategy used by the players concentrating on fast moving consumer goods as these products are characterised by relatively small absolute profit per unit sale and hence aim in selling larger quantities so as to make substantial amount of cumulative profit. Though the strategy was initially used in traditional retail stores or the brick and mortar sector, the digital revolution which gave a hike to online shopping hasn’t spared durable and consumer goods category. A good number of buyer/purchasers started depending on online stores irrespective of requirements like durable or consumer goods sector because of benefits like convenience, lack of crowds, lack of time
constraint and more variety. Hence the fast moving consumer goods channel concentrating on online stores also started depending on ‘price off’ strategy.

- Buy and get free offers- buy and get free offers also referred as premiums are the prizes, gifts and offers that the buyer receive at the time of their purchase. Getting a face wash along with sun screen protection is capable of working as an attractive premium for women buyer/purchasers. It can be offered by either manufacturer or the retailer and can be different types like either it can be offered as a bundled product, where the purchaser pay only for the brand that he purchase (sunscreen as in the case of example suggested) and gets the latter product (face wash in the suggested case) as free or can be ‘in mail premiums’, where the prospect has to send the proof of their purchase so as to receive gift or can also be ‘self liquidating premiums’, in which the purchaser has to pay most the cost of the products or items, which is received as the premium.

2.2 BUYER’S PERCEPTION AND BEHAVIOUR

The strategic field of ‘purchase behaviour’ is rooted in three different philosophical orientation namely production orientation, sales orientation and marketing orientation. The former orientation focused on gearing up manufacturing skill and aimed in expanding production, the second one focused on maximum sales and aimed in selling whatever was manufactured by the firm and the last orientation focused on giving preference to buyer/purchaser’s specific needs and interests. Thus the modern orientation gives priority to buyer, attracting buyers and also offering them what they have longed and referred for.
The focus on marketing concept, made it necessary to identify the degree of diversity that exist among end users and also the ingredients of buyer/purchaser segments which constitute the commonality of needs and interest that exist among them. Intensive studies show that the diversity and also commonality are the resultants of facts and cognition, which include internal as well as external variables that are capable of influencing buyer’s perception and behaviour. The perception and behaviour of ‘buyer’ is influenced by wide range of factors including product factors, situational factors and buyer/purchaser related factors.

Considering the perception and behaviour of buyers with respect to FMCG sector, the purchasers normally has access to limited information either because of the reason that the buyer may seek variety or may be due to fact that there is enhanced variety in product due to excessive competition between national and international players. Though these categories represent a group of loyal customers, it is highly possible that the purchasers are loyal to more than one brand. The purchasers are ready to try out variety of brands mean time being loyal to dominant brand. The fast moving consumer goods sector represents low involvement product category and hence the perception and buying behaviour is highly influenced by variety seeking association and also by impulsive purchasing.

As the end users prefer variety, the manufacturers are forced to come with diversified brands and they also have to introduce attractive and competing marketing strategies so as to generate impulsive buying. The wide range of marketing strategies including promotional measures, product diversification and attractive pricing strategies aim in creating positive purchase outcome by the purchasers. Marketing strategies act as...
input components that can influence buyer’s perception, decision making and behaviour. The input variables either serve as source of information to the purchasers or act as factors that can influence the value, attitude, perception and behaviour of purchasers. The buyers decision making process is normally considered as a two headed arrow that connect input variables and process segments and the buyer’s perception and behaviour is not generated on a single stage but consist of series of stages which includes need recognition, pre purchase search and evaluation of alternatives and final purchase decision by end user. The input factors exert influence in the first two stages and are shaped by the input variables. The marketing strategies especially the promotional measures are said to be successful when the buyer/purchaser consider a particular brand as evoked set and distinguish it from inept set or inert set. Inept set consist of those brands or products that are excluded from purchasing as the buyer feel to be unacceptable and inert set consist of those brands or products that buyer/purchaser act indifferently as they are perceived to be lacking in any advantage. The evoked group consist of those products that are acceptable and remembered by the purchaser. The promotional techniques should be designed so as to impart favourable and relevant image for the product so that they can be a part of evoked set with respect to purchaser. The categories in evoked set not only encourage the buyer to perform trial purchase but are also capable of initiating repeat purchase and also long term commitment purchase. The input variable and process segment concept is applicable not only to traditional promotional schemes but also to online promotional schemes as today’s economy witness equal importance to traditional brick and mortar store and also for online websites.
2.3 FAST MOVING CONSUMER GOODS IN KERALA – SALES THROUGH ONLINE AND IN STORE CHANNELS

Kerala the southernmost part of India is well known for ‘the Kerala Phenomenon or Kerala model development’. Though the state lag behind many other states in agriculture and industrial development, the people exhibits a high standard of living, hundred percent literacy rate and favourable familiarity usage of internet and other modern facility gadgets.

High level consumption of food, non food, essential and non essential commodities through retail stores and also from online sites marks the consumption standard and internet familiarity of Keralites. The increased number of migration to gulf and European regions has brought changes in the socioeconomic conditions and has paved way for their families to fritter more on consumption items.

Fast moving consumer goods are those commodities that are sold at relatively low unit cost, high turnover rate, short shelf life and do not require a lot of thinking time and financial investment to purchase. The consumer packaged goods or fast moving consumer goods include wide range of frequently purchased commodities including personal care products like skin care, cosmetics, tooth care, perfumes etc, household care products like fabric care like detergents, household cleaners like air fresheners and food and beverage sector including bakery products, chocolates, juices, branded cereals etc. Though the FMCG category comprises of wide variety items, the study is limited to skin care products (like body and face cream/lotion), detergents and branded cereals that represents the different sub categories of fast moving
consumer goods like personal care, house hold care and food and beverage sector.

Kerala being the thirteenth largest economy in India enjoys a NSDP per capita of 1,25,820 INR for the financial year 2014-15 has witnessed favourable growth for the FMCG sector. The factors like increased disposable income, growing urbanization, retardation in its urban and rural distinction and growing number of youth population has accelerated the growth of FMCG sector. The number of FMCG firms competing in Indian as well as Kerala market has increased in the past few years and includes ITC, HUL, Procter and Gamble, Godrej, Johnson and Johnson, Marico Ltd etc. The advent of internet and modern telecommunication gadgets has encouraged the companies to come up with online sales and online promotional offers in addition to the traditional marketing strategies. The increased literacy and education programs initiated in the state has encouraged Keralites to make use of online stores in addition to the brick and mortar sector for the fast moving consumer goods based on their convenience, accessibility, range of products required, availability of information content etc. The FMCG companies, like any other sector is compelled to implement attractive and unique marketing strategies including product diversification, attractive and varied promotional measures so as to attract and retain purchasers.

As stated earlier the buyer’s response towards varied strategies are differentiated and is influenced by facts and cognition. The study has used a research model constituting of varies facts and cognitive factors as the input variables and the whole work try to examine whether the selected input variables are capable of influencing buyers perception towards the online and traditional promotional offers especially ‘price
off’ and ‘buy and get free’ offers. The research study aim in analysing whether the promotional offers are capable of generating an elevated mood state among the buyers of FMCG category or whether they create a negative perception among the purchasers. The research model has taken contributions from ‘consumer perception model towards promotional activity’ suggested by Aradhana Krishna, Imrn S Currum and Robert W Shoemaker (1991) and ‘the conceptual model regarding shopping behaviour’ proposed by Carrie M Heilman, Kent Nakamoto and Ambar G Rao (2002). In addition to the stated models, various cognitive variables and facts have also been used as input variables for the current research model.

The study also extends in analysing the influence of factors like quality, price, convenience and credit facility with respect to that of Buyer’s perception. The literatures reviewed for the study neither shows that these cited factors have any influence on buyer’s perception towards promotional offer- both online and traditional offer and they represent any influence on the independent and intermediate variables chosen for the study. Hence these factors are not represented in the proposed research model.
Figure 2.1: Research Model for determining influence of facts and cognition on buyer’s perception with respect to online and traditional promotion
Purchase behaviour and buyers decision making process are complex in nature and buyer’s attitude towards the promotional strategies depends on various external as well as internal factors that are capable of influencing the buyer’s overall attitude and perception. According to the ‘behavioural perspective’, individuals who are planning for or those who are undergoing a purchase process are affected by stimulus which is capable of developing a response and this response can in turn influence the buying process of the individual. In the present era, the buyer’s decision making models go beyond simple stimulus - response connections and have more than one input variables which can create a stimulus. The present study considers facts and cognition as the input variables. Facts includes evidence based variables that can be readily determined, measurable, objective in nature and can be categorized whereas cognitive variables include the attitude of purchaser towards various factors and they cannot be categorized or determined easily. The factual variables used as input factors in the research model includes socio-demographic factors like gender, age, income, educational qualification and size of household, which act as descriptive characteristics of the sample selected for the study and geographic factor like nature of place of domicile (this factor represents the nature of habitation of respondents viz. Panchayat, municipality or corporation and helps in determining whether the buyers behaviour changes with respect to the nature and kind of development occurring in their habitation). The two factual variables used in the study can be termed as ‘geo-demographics’ which act as a hybrid segmentation design. The cognitive factors mentioned in the model includes psychographics, consisting of interest and opinion towards the promotional offers which mainly constitute attitudes (cognition) towards various issues or factors. Similarly the cognitive factor also include personality trait like open-or-close mindedness that are popular as
abstract cognitions as they can be measured using psychological (or attitudinal) instruments.

Former studies conducted by Aradhna Krishna (1991 and 1994) have revealed that recalling of promotional offer especially ‘price off’ and ‘buy and get free’ options are higher for buyers with larger family size and also those buyers who visit the retail shops or online stores frequently. The recalling ability is also higher for younger buyers as they have more ability to process information than the older group of buyers. Earlier studies report that the recalling ability is higher for female purchasers than their male counterpart and is also higher for buyers belonging to lower or medium income group, as the budgetary constraint directly influence the degree of involvement and this in turn forces them to recall about promotional offers.

The Elaboration Likelihood Model proposed by Richard. E. Petty and John Cacioppo (1986) suggest that personality trait like open or close mindedness can influence the depth and ability of processing information which in turn can influence the buyers ability to recall the availability of promotional offers. The cognitive variables are capable of influencing the ‘mental processing of information’ and buyers with higher cognitive value or ability will have higher ability to encode and also process information. Thus buyers having positive interest and opinion about promotional offers will show more ability in processing information and thereby have more ability to recall about promotional offers. The recalling ability regarding promotional offers can directly influence the buyer’s perception towards the same and can result in either positive perception or negative perception towards the price off scheme or buy and get free option. Heilman, Nakamoto and Ambar Roa are of the view that positive perception towards promotional offers can
create elevated mood state among the buyers which in turn can encourage them to buy more of the same product (stockpiling) or buy other products that are available with promotional offers from the same retail store or online site. The research model is used to determine whether these expected results are same in case of separate sample chosen from entirely different environment and whether the results are same in case of online promotional offers and also traditional promotional offers. As today’s marketers considers online and retail selling as two sides of same coin, they try to come up with new and attractive marketing strategies in both sector and the buyer/consumer directed ‘promotional strategies’ is one among them. Hence the same model is used to analyse buyer’s perception and decision making regarding online and traditional promotional offer and to determine whether marketers are successful in creating positive perception among the buyers with their strategies.

The model has made use of various factual and cognitive variables where seven variables appear to be input factors and five variables appear to be intermediating factors acting as connecting link between independent variables and the dependent factors that are considered to be analysed in the study where latter includes recalling of promotional offer by buyers and also the perception towards promotional strategies. Some of the variables used in study require adequate explanation and those are mentioned in the following text of the chapter.

1. Stockpiling of FMCG products: The sales promotional activities including consumer directed strategies, trade promotions and sales force directed activities are expected to create hike in revenue and sales and the same can be due to brand switching, stockpiling or store switching behaviour of buyers. The term
‘stockpiling of non durable and FMCG’ category was analysed by Robert J Meyer (1990), and according to him consumers use to show deviation from optimality like overbuying a particular category of non durable or FMCG product/ brand when unexpected price reduction happens. Meyer defined this behaviour as stockpiling of products.

2. Recalling ability: Mc Guire (1968) developed a processing model for explaining the effectiveness of sales promotional technique. The stages are similar to other HOE (Hierarchy of Effects) models and include an additional stage, which is not found in other models and is termed as ‘retention/ recalling’ stage. According to Mc Guire, the effectiveness of any promotional measure depends on receiver’s ability to recall the same. According to Belch and Belch, as stated in ‘Advertisement & Promotion: An Integrated Marketing Communication Perspective’, ‘recalling ability’ of buyer’s or mere recalling is one of the important method or test for measuring the effectiveness of any promotional strategy and the same falls under post testing strategy.

3. Degree of involvement: According to AMA, degree of involvement or level of involvement is defined as the amount of importance a buyer attach to any marketing strategy or to the product itself, while going to purchase the product. Involvement is the embodiment of time, consideration given or even the enjoyment and satisfaction derived by the buyer while coming across any strategy like promotional offer or while purchasing a product/ brand.

4. Ability to process information: The Cognitive Information Processing theory proposed by Schunk (1996) intends that an individual’s ability to attend any environmental event, his ability
to process it and the retrieval or recalling of same are interrelated. According to AMA, marketing strategies are designed based on cognitive information processing theory and all marketing strategies, including price strategy or promotional strategy, the firms should try to increase the individuals interest to process the information and recall it in easier manner. The environmental event discussed in the study is ‘consumer directed promotional measures’, including online and traditional measures and the study intend to check whether buyer’s perception to same is influenced by his ability to process information and thus in turn his ability to recall about stated or prior enjoyed promotional offer.