1.1 INTRODUCTION

Retailing in India records best growth rate globally holding the second position in population in the world expecting bullish long-term outlook with both local and international players attempting to penetrate Indian market with greater force. With a variety of products, brands, and services, the retail industry is ever growing and contributed about 10 per cent of the overall GDP of India and provides employability for Indians for over 20 per cent.

Indian Retail Industry has huge potential with more middle class, high urbanization and measurable growth of the internet. India overtook China already in expanding the retail market with a booming economy, with rising usage rates, fast-growing urban population, and rising segment in the middle class. India is going to shine as the growing online business market in the world, supported by booming investment in the retailing and distribution market and a fast increase in the number of internet users population. Various organizations have high expectations about the growth of Indian online retail market.

1.1.1 Retail Market Size in India

The total market for retail in India is forecasted to grow by 10 per cent (CAGR) and to reach US$ 1.6 trillion at the end of 2026. Similarly, the traditional trade grows at 10 per cent, the institutional trade (modern trade) would record faster growth rate of 20 per cent per annum with expected growth of 12 per cent per annum in total Indian retail market. And more organized retail market contributes to total retail market by only 9 per cent but 91 per cent belongs to unorganized retail sector. Indian Institute of Foreign Trade (IIFT) and Federation of Indian Chambers of Commerce and Industry (FICCI) studied that retail market focusing business through other business (B2B) is estimated to reach US$ 700 billion before 2020, while the retail market focusing Consumer through Business (B2C) would contribute by US$ 26 billion and on the other side retail using internet or e-commerce is estimated to rise as like as physical retail outlets with in forthcoming five years. Indian e-commerce retail market is estimated to rise from US$ 30 billion in FY2016 to US$ 120 billion within 2020 supported by telecom with networks and fast acceptance of e-services by Indian consumers.

There will be estimated rise in direct selling market size of Rs 23,654 crore (US$ 3.54 billion) by 2010, according to report of India Direct Selling Association and in other side, rise
in organized retail from the base of 87,100 crore Rupees (US$ 13 billion) to 171,800 crore Rupees (US$ 25.7 billion) in a time span of three years.

1.1.2 Retail Industry Classification

Retailing is one of the marketing activities involved in selling physical goods and services to end consumers for their self, family, or household consumption. In Countries like India, for a very long time, the grocery store in the corner places was the only one choice available to the nearby consumers for their purchase. With the fast-growing demand level of the customers with a change in trends, customer demand for variety, the rise in modern retail formats was happened. The traditional food, beverages, and grocery market have seen the growth in number of chain stores, supermarkets, hypermarkets and convenience stores.

In this study the retail and retailers classified as below:

1.1.3 Retail Outlets Classification

- Location Wise (Urban, Semi-Urban, and Rural)
- Size of the outlet (Average Square Feet)
- Years of Establishment
- Ownership Type (Owned, Rented and Leased)

1.1.4 Retailers Profile Classification

- Family Background (Agriculture, Retail, Business and Employed)

- Education (School Level, Diploma, UG, PG and Above PG)

- Position of the respondent in the Retail Shop (Owner, Manager, Others)

Though family background, education, and Position of the respondents are considered in the survey, the only family background of the retailer has been taken for the analysis purpose. In the family background, the items are combined into two scales as, retailers from business background and retailers from non-business background
FIGURE 1.1  SHOWING AGE WISE DISTRIBUTION IN INDIA

Source: Building-retail-businesses-for-tomorrow-today.pdf/RAI Report -2016

FIGURE 1.2: EMPLOYMENT STATUS IN INDIA

Source: Building-retail-businesses-for-tomorrow-today.pdf/RAI Report -2016
### TABLE 1.1 CLASSIFICATION OF RETAIL OUTLETS

<table>
<thead>
<tr>
<th>Format</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hypermarkets</strong></td>
<td>Average size of 50,000 to 100,000 sq. ft. It sells products like grocery, fresh and processed food, fashion and household care products, garments and durables.</td>
<td>Big Bazaar</td>
</tr>
<tr>
<td><strong>Cash &amp; Carry Stores</strong></td>
<td>Average size of 75,000 sq. ft. More number and variety of product units and more volume purchase needs.</td>
<td>Reliance</td>
</tr>
<tr>
<td><strong>Department Stores</strong></td>
<td>Average size of 10,000 to 60,000 sq. ft. with bigger layout and wide product mix, usually including fashion items, gift articles, and goods required for the house.</td>
<td>Lifestyle</td>
</tr>
<tr>
<td><strong>Supermarkets</strong></td>
<td>Very bigger in size and well-planned layout. Offers not only household products but also food as an integral part of their services.</td>
<td>Easy Day</td>
</tr>
<tr>
<td><strong>Shop n shop</strong></td>
<td>Shops inside the location of big shopping complex or malls in prominent places of the city.</td>
<td>Infinity</td>
</tr>
<tr>
<td><strong>Specialty Stores</strong></td>
<td>One category retail outlets. Target on individuals and community in the same class, with data collection data collection high level of loyalty customers.</td>
<td>Nordstrom</td>
</tr>
<tr>
<td><strong>Category Killers</strong></td>
<td>Size starts from ranges from 8000 sq. ft. Larger specialty retailers focusing on a particular segment with products at nominal price and average margin level.</td>
<td>Pets Mart</td>
</tr>
<tr>
<td><strong>Discount-Stores</strong></td>
<td>The shop size is 1000 sq. ft. sells a range of goods mostly discounted prices with branding.</td>
<td>Target</td>
</tr>
<tr>
<td><strong>Convenience Stores</strong></td>
<td>Less than 800 sq. ft. comparatively smaller stores located near the residential areas.</td>
<td>In &amp; Out</td>
</tr>
</tbody>
</table>

*Source: India Brand Equity Foundation, Market Overview Retail, November 2010*

### 1.2 FMCG INDUSTRY

#### 1.2.1 Introduction

Fast Moving Consumer Goods (FMCG) are the goods which are demanded more and purchased more frequently by the people. Except for pulses and grains, any usable goods which are purchased at equal intervals in lesser volumes. The products like washing soaps and powders, shaving goods, tooth brushes and pastes, shampoos, packed food items, face creams, hair oil, tea, coffee etc. The major players in the markets are HUL, Cavin care, Nestle, P & G, Colgate, ITC, Nirma, Britannia, Amul, Emami, Marico and Dabur. Larger amount of monthly family budget occupied by the FMCG products. After globalization, all the countries facing tough competition in trading and opening of market to MNCs made import become cheaper. To do the business in all the sectors has become challenging. High marketing budget
needs to be allocated for promotion. Among the promotion-strategies (Consumer Promotion, Trade Promotion, and Sales Force Promotion), Trade promotion gives a high impact in the retail market to penetrate and rise in competitive market. Thus, Trade promotion is significant for FMCG companies to market, earn. This made the researcher to get interested in this topic to study.

1.2.2 Indian FMCG Market

A research survey by a business weekly has found that nearly half of India’s population is below the age group of 20, and young people among them is about 160 million. Totally INR 14000 crores is an individual's, discretionary income and their families spend an additional INR 18500 crores on them every year. As Indians under twenty years are in high level of population, companies. India’s FMCG market with nearly half of the buyers preferring unpacked and house-made products. One of the well known FMCG analysts says, Indian companies have more growth potential and huge margins on retailing and distribution.

1.2.3 Characteristics of FMCG Products

The following are the FMCG characteristics:

- Their purchases are normally once in a month.
- They have low cost and margin for products
- They are purchased frequently
- These products are less durable
- The products are mostly in packaged form
- They have mostly work used in the branded category
- They are generally available in most retail outlets, departmental stores, and supermarkets.

1.2.4 Classification of FMCG Industry

The main segments of FMCG sector can be categorized as follows.

- Personal care
- House-hold care
- Packaged food & Beverages
- Health Care (OTC Products)
# TABLE 1.2 CATEGORY OF FMCG PRODUCTS

<table>
<thead>
<tr>
<th>I. Personal care</th>
<th>FMCG Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haircare</td>
<td>Hair Dye, Hair oil, Hair gel &amp; creams, shampoo and serum</td>
</tr>
<tr>
<td>Oral care</td>
<td>Tooth powder, toothbrush, toothpaste, mouthwash</td>
</tr>
<tr>
<td>Skin care</td>
<td>Body creams &amp; lotions, fairness creams &amp; lotions, moisturizing creams &amp; lotions, massage oils, scrubs and talcum powders</td>
</tr>
<tr>
<td>Personal wash</td>
<td>Baths soaps, liquid soaps, shower gels</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>Lipsticks face powder, perfumes, deodorants, Nail polish, Eyeliners, Kajal, Foundation make-up lotions.</td>
</tr>
<tr>
<td>Men’s grooming</td>
<td>Razors, Blades, shaving creams, foams and gel, shaving brush, after shave lotions</td>
</tr>
<tr>
<td>Paper products</td>
<td>Tissues, diapers, sanitary napkins</td>
</tr>
<tr>
<td><strong>II. House Hold Care</strong></td>
<td><strong>FMCG categories</strong></td>
</tr>
<tr>
<td>Cleaning Aids</td>
<td>Brooms, Brush, Doormats, Dusters, Mops, Floor cleaners, glass cleaners, scrubs, toilet cleaners, cleaning acids etc.</td>
</tr>
<tr>
<td>Fabric care</td>
<td>Detergent powders, soaps, fabric softeners, fabric whiteners, liquid blues etc.</td>
</tr>
<tr>
<td>Fresheners</td>
<td>Air fresheners, bathroom fresheners etc.</td>
</tr>
<tr>
<td>Insect repellent</td>
<td>Cockroach sprays, powders, Rat poison, Mosquito repellant coils, mat, cream, &amp; machine etc.</td>
</tr>
<tr>
<td>Shoe care</td>
<td>Shoe polish, shoe shampoo brush &amp; shoelaces etc.</td>
</tr>
<tr>
<td>Puja products</td>
<td>Agarbathi, matchbox, and Puja aids etc</td>
</tr>
<tr>
<td>Cleaning Aids .</td>
<td>Batteries, aluminum disposal foils, bulbs, torches, tube light &amp; other electrical fixtures etc.</td>
</tr>
</tbody>
</table>
## III. Branded Food and Beverages

<table>
<thead>
<tr>
<th>Branded Food and Beverages</th>
<th>FMCG Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby Foods</td>
<td>Cereals, instant formulas etc</td>
</tr>
<tr>
<td>Bakery Products</td>
<td>Biscuits, cookies, wafers, cakes, bread snack foods etc</td>
</tr>
<tr>
<td>Confectionary</td>
<td>Candies, gums, mints, chocolates etc</td>
</tr>
<tr>
<td>Dairy products</td>
<td>Butter, Cheese, Milk etc</td>
</tr>
<tr>
<td>Health beverages</td>
<td>Horlicks, Bournvita, Oval tine, Boost, Complan etc.</td>
</tr>
<tr>
<td>Hot Beverages</td>
<td>Tea, Coffee etc</td>
</tr>
<tr>
<td>Cold beverages</td>
<td>Bottled juices, mineral water, tinned juices, squashes, flavored milk aerated drinks, juice concentrates etc</td>
</tr>
<tr>
<td>Processed foods</td>
<td>Honey, sauces, jams, pickles, spreads etc</td>
</tr>
<tr>
<td>Ready to cook</td>
<td>Noodles, papads, pasta, branded flour, sugar, rice etc</td>
</tr>
<tr>
<td>Food Additives</td>
<td>Baking powder, custard, cocoa powder etc</td>
</tr>
</tbody>
</table>

## IV. Health Care Products (OTC)

<table>
<thead>
<tr>
<th>Health Care Products (OTC)</th>
<th>FMCG categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional Medicines</td>
<td>Ayurvedic products</td>
</tr>
<tr>
<td>Medicated skin products</td>
<td>Crack creams, Vaseline, Rosewater etc</td>
</tr>
<tr>
<td>Vitamins</td>
<td>Tablets, Supplement powders etc</td>
</tr>
<tr>
<td>Minerals</td>
<td>Medicated Drinks, Tablets etc</td>
</tr>
<tr>
<td>Analgesics</td>
<td>Tablets, Tonics etc</td>
</tr>
<tr>
<td>Cold cough</td>
<td>Tablets, Tonics etc</td>
</tr>
</tbody>
</table>
1.3 PROMOTION

1.3.1 Introduction to Promotion
The promotion meaning has been defined as follows:

Promotion is explained as the activity which involves coordination of all retailers to design common channels of information and marketing to sell goods and services. Promotion is best communication factor in marketing.

1.3.2 Elements of Promotion Mix
(a) Advertising
(b) Sales Promotion(Consumer Promotion, Trade Promotion and Sales Force Promotion)
(c) Personal Selling
(d) Direct Marketing
(e) Public Relations / Publicity

1.3.3 Sales Promotion

Sales promotion is one among the seven types of promotional mix. The other types of promotion mix are advertising, direct marketing, publicity, public relations, corporate image and exhibitions. Marketing communication is used for a fixed, minimized time to boost demand, stimulate market growth and increase availability of the goods. These include sales-contests, couponing, freebies, loss leaders, displays, premiums, gifts, samples, and rebates.

Most of the larger sized companies are only sales oriented but few are marketing oriented. Marketing representatives have to consume more time to understand the economic and environmental changes, changing consumer needs, competitive marketing strategies for boosting sales and finally the growth of the company. In modern economy there is a change in consumer orientation and approaches of the companies will have to spend more time and money on new product development, marketing research, advertising, and sales promotion.

1.3.4 Sales Promotion Methods
1. Customers Oriented Promotion Methods
2. Traders Oriented Promotion Methods
3. Salesmen Oriented Sales Promotion
1.3.5 Problems in Trade Promotion Management
(a) The poor understanding of the Markets and retailers
(b) Improper Selection of Target Groups
(c) Wrong Selection of Trade Promotion Methods
(d) Lack of Support from Retailers
(e) Improper Supply of Trade Promotion Tools
(f) Misappropriation of Promotional Goods
(g) Location of Retailers
(h) Insufficient Trade Promotion Budget

1.3.6 Grouped Trade Promotion Schemes for the Study
1. Quantity Based Discount Scheme (QBDS)
2. Trade Allowances (Support to increase sales level)
3. Trade reward contests (fix target and benefits to top achievers)
4. Trade support by Branding (For Brand positioning)

1.4 STATEMENT OF THE PROBLEM
Many FMCG companies are offering various promotions to consumers, retailers and sales force in order to capitalize the industry growth opportunities. However, every company is not having a clear idea about the type of promotions which are effective and profitable. Next to cost of production, the planning and budgeting for each promotional avenue to various categories of consumers, retailers and salespeople is a major constraint. This research mainly focussed to study the factors which are responsible for the preference of retailers regarding various trade promotion schemes. This study also tries to find the relevance of store characteristics and retailers behavior and factors which are helping the enterprises to perform successfully in this region from an operational perspective. From the reviews of literature it was found many types of research were conducted all over the world regarding consumer preference of promotions, consumer buying behavior, sales promotion schemes related to consumer etc. Very least studies are available related to retailer characteristics, trade promotion effectiveness and retailers' opinion on promotional strategies. Based on the literature review and preliminary informal discussions had with retailers clearly indicated that there is a felt need for analysing the opinions and expectations of the retailers with regard to the trade promotion schemes.
1.5 SIGNIFICANCE OF THE STUDY

As there exists the least number of studies related to retailers' preference of promotional schemes, the present study is undertaken to evaluate the effect of various promotional schemes for retailers with respect to the category of products in FMCG industry. For the FMCG manufacturers, the budgeting and planning marketing strategies are based on the retailer's preference of trade schemes with respect to product categories. Thus, the study was carried out to understand retailers' preference of trade promotion schemes for FMCG products is required.

1.6 OBJECTIVES OF THE STUDY

1. To study the retailer's evaluation of Consumer characteristics with respect to Trade Promotion Schemes.
2. To examine the influence of Trade Promotion Schemes on Channel related evaluations.
3. To assess the retailer's perception of Trade Promotion Schemes on Company-related characteristics.
4. To analyze the retailer's perception of profitability from Trade Promotion Schemes

1.7 HYPOTHESES USED IN THE STUDY

OBJECTIVE1:

To study the consumer related characteristics perceived by the retailers, Consumer response during the time of promotion and Perceived Influence on Consumers are considered as dependent variables and analyzed across the Trade Promotional Schemes.

To study the Consumer Response and the Perceived Influence on Consumers, across the Schemes and Product Categories, the following hypotheses were framed.

H_{11}: There are significant differences in Consumer-Response and Perceived Influence on Consumers across various Schemes and Product Categories.

H_{12}: There are significant differences in Consumer-Response and Perceived Influence on Urban Consumers across various Schemes and Product Categories.

H_{13}: There are significant differences in Consumer-Response and Perceived Influence on Rural Consumers across various Schemes and Product Categories.
H_{14}: There are significant differences in Consumer-Response and Perceived Influence on consumers and retailers from Non- Business related Family background across various Schemes and Product Categories.

H_{15}: There are significant differences in Consumer Response and Perceived Influence on consumers and retailers from Business related Family background across various Schemes and Product Categories.

OBJECTIVE 2

To study the channel related characteristics perceived by influence on Marketing effect, Trade Reaction, Product quality, and Salesman Personality are considered as dependent variables and analyzed across the Trade Promotional Schemes.

Channel related characteristics perceived by influence on Marketing effect, Trade Reaction, Product quality and Salesman Personality, across the Schemes and Product Categories, the following hypotheses were framed.

H_{21}: There are significant differences in Marketing effect, Trade Reaction, Product quality and Salesman Personality, across various Schemes and Product Categories.

H_{22}: There are significant differences in Marketing effect, Trade Reaction, Product quality and Salesman Personality in Urban location across various Schemes and Product Categories.

H_{23}: There are significant differences in Marketing effect, Trade Reaction, Product quality and Salesman Personality in Rural location across various Schemes and Product Categories.

H_{24}: There are significant differences in Marketing effect, Trade Reaction, Product quality and Salesman Personality and the retailers from Non- Business related Family background across various Schemes and Product Categories

H_{25}: There are significant differences in Marketing effect, Trade Reaction, Product quality and Salesman Personality and the retailers from Business related Family background across various Schemes and Product Categories.
OBJECTIVE 3

To study the company related perception by the retailers, Brand Strength, Market Power and Market Budget during the time of promotion are considered as dependent variables and analyzed across the Trade Promotional Schemes.

To study the Brand Strength, Market Power and Market Budget Perception of the retailers, across the Schemes and Product Categories, the following hypotheses were framed.

\[ H_{31} \]: There are significant differences in Brand Strength, Market Power and Market Budget Perception of the retailers across various Schemes and Product Categories.

\[ H_{32} \]: There are significant differences in Brand Strength, Market Power and Market Budget Perception of the Urban retailers across various Schemes and Product Categories.

\[ H_{33} \]: There are significant differences in Brand Strength, Market Power and Market Budget Perception of the Rural retailers across various Schemes and Product Categories.

\[ H_{34} \]: There are significant differences in Brand Strength, Market Power and Market Budget Perception of the retailers from Non-Business Oriented Family Background across various Schemes and Product Categories.

\[ H_{35} \]: There are significant differences in Brand Strength, Market Power and Market Budget Perception of the retailers from Business Oriented Family Background across various Schemes and Product Categories.

OBJECTIVE 4

To study the profitability related characteristics perceived by the retailers, Policy Perception during the time of promotion and Value Perception are considered as dependent variables and analyzed across the Trade Promotional Schemes.

To study the Policy Perception and Value Perception of the retailers, across the Schemes and Product Categories, the following hypotheses were framed.

\[ H_{41} \]: There are significant differences in Policy Perception and Value Perception of the retailers across various Schemes and Product Categories.

\[ H_{42} \]: There are significant differences in Policy Perception and Value Perception of the Urban retailers across various Schemes and Product Categories.

\[ H_{43} \]: There are significant differences in Policy Perception and Value Perception of the Rural retailers across various Schemes and Product Categories.
H₄₄: There are significant differences in Policy Perception and Value Perception of the retailers from Non-Business Oriented Family Background across various Schemes and Product Categories

H₄₅: There are significant differences in Policy Perception and Value Perception of the retailers from Business Oriented Family Background across various Schemes and Product Categories

1.8 SCOPE OF THE STUDY

Firstly, the study focus on assessing the Retailers perception on consumer response for Trade Promotion Schemes of FMCG Products in Rural and Urban areas in Tamil Nadu.

Secondly, an attempt has been made to study the preference and influence level of various Trade Promotion Schemes by Retailers for FMCG Products with respect to type, location, size, years of existence, and background of retailers.

Thirdly the Retailers preference of Trade Promotion Schemes are evaluated thoroughly based on the type of Retail outlets, type of product, and brand power of the FMCG products chosen with respect to company characteristics like market power and brand strength of the product.

Finally, the Retailers preference of Trade Promotion Schemes has been studied considering variables related to the profitability of the retailers. Careful effort has been made to ensure that all domains which are likely to affect the preference on trade promotion schemes and efficiency of business performance of retailers are included in the study.

1.9 LIMITATIONS OF THE STUDY

Limitations to the selection of respondents, choice of research design, sampling procedure, etc. are inevitable in any research work and this study is no exception. This study is subject to the following limitations:

a. The most important limitations of this study are that this survey is purely based on the perceptive answers given to the sample questions by the retailers of the industrial units selected for the study.

b. This research has made an analysis of the influence of trade promotion schemes on the preference of retailers for FMCG Products with common known schemes only. However, these schemes are constantly changing in nature with manufacturers, their objectives, and
seasonality, and a longitudinal follow up research should be conducted to identify these changes and re-examine the variation of the relationships.

c. This research endeavors to collect data relating to the Retailers' Preference of Trade Promotion Schemes and their influence on the Product and Brand Preference.

d. The scope of this research work is limited to Tamil Nadu only. Hence the findings cannot be generalized at the macro level.

e. The study focuses on small scale, medium scale, and large-scale retailers. The researcher has not given any special weightage to specific industries. Majority of the findings are general in nature.

f. This study was conducted in the limited number of Urban and Rural areas and hence generalization of results may not be appropriate or may not give the substantial ground in proving the same point elsewhere.

h. This study was conducted in areas convenient to researcher only. Results may vary when the same study is conducted elsewhere.

### 1.10 PROPOSED RESEARCH MODEL

**FIGURE 1.3 OBJECTIVE 1**
1.11 CHAPTERISATION OF THE THESIS

- **Chapter – I: Introduction** Deals with the introduction & related concepts.
- **Chapter – II: Review Of Literature** Deals with the Existent theories, Published works on this topic etc.
- **Chapter –III: Conceptual Model- Theoretical concepts**
- **Chapter – IV: Research Methodology Analysis of Data** Deals with the Preparation of Data for Analysis, Tested Results for Validity & Reliability etc.
- **Chapter – V: Observations & Findings, Suggestions** Deals with the various observations, Findings & Suggestions of the study.
- **Bibliography** deals with the references the researcher has used in order to carry on her research work.
- **ANNEXURES** deals with all the testimonial documents that are required to understand & support the research work done by the researcher. The following are the enclosed Annexure.
  - Questionnaire
  - List of conferences attended and Published Papers