

IMPACT OF SALES PROMOTION SCHEMES ON RETAILER OF CHHATTISGARH

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ABSTRACT

Sales promotion is the process of communication with individuals, groups and organizations to directly or indirectly facilitate exchange of goods and services by proper informing and persuading one or several audiences or market segments to accept the proposed products.

Independent and small retail stores go through periods when daily sales receipts are down. To increase sales, attract new customers, and retain current customers, many retail stores implement various sales promotion techniques. While most business owners would love to sell products at full price all of the time, sales promotions have proven effective at increasing the overall bottom line in many retail stores. Understanding how to effectively run and track your sales promotion campaigns are essential to increasing the profits in store.

Keywords : *Sales promotion, small retail, customer, market segment.*

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INTRODUCTION

Considering the fact that customer leads the market today, every organization wants to increase profit as well as retain their customer thus increase market share also. Day by day new type of retail stores are opening in India. In today's time organized retail stores are contributing significantly in growth of Indian retail industry. Big brands are interested in investing in Indian retail market.

Retail is the sale of goods and services from individuals or businesses to the end-user. Retailers are part of an integrated system called the supply-chain. A retailer purchases goods or products in large quantities from manufacturers or directly through a wholesaler, and then sells smaller quantities to the consumer for a profit. Retailing can be done in either fixed locations or online. Retailing includes subordinated services, such as delivery. The term retailer is also applied where a service provider services the needs of a large number of individuals, such as a public utility, like electric power.

Retail stores are an important part of a nation's economic and social structure as they play a very important role in creating employment opportunities for the growing labour force (Storey, 1983). Successful Retailers can enhance rural and small community development through activities such as manufacturing, finance, transportation, construction, as well as the distribution of both agricultural and consumer related goods and services. This is applied to the economic development at the national, regional and community levels. For example, when small community businesses successfully meet consumers' needs, high local spending increases the community's tax base, which in turn is used to provide a better quality of life for rural residents (Milwaukee, Miller, McLeod, & Oh, 2001).

CLASSIFICATION OF INDIAN RETAIL INDUSTRY

In Indian retail sector organised retail is a recent phenomenon. It is a zero-sum game between 2 players. So the Indian retail industry is divided in the following two sectors i.e. Organised Retail and Unorganised Retail.

Organised Retail

Organised retail sector refers to the sectors undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, and many more. These include the corporate retail

formats of the exclusive brand outlets, hypermarkets, supermarkets, departmental stores and shopping.

Unorganised Retail

Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, hand cart and pavement vendors, and mobile vendors, the local kirana shops, owner manned general stores, paan / beedi shops, convenience stores, hardware shop at the corner of your street selling everything from bathroom fittings to paints and small construction tools; or the slightly more organised medical store and a host of other small retail businesses in apparel, electronics, food and many more. Which together make up the so-called unorganised retail.

Undeniably, around 96 per cent of Indian retail sector is unorganised and hence majority of sales take place through unorganised stores popularly known as kirana or mom-and-pop stores. The unorganised retail sector is expected to grow at about 10 per cent per annum with sales rising from 309 billion in 2006-07 to reach US \$ 496 billion in 2011-12. Despite the steady expansion of organised retailers. Though organised sector is growing a faster rate, unorganised sector is still preferred by the customers as they are more convenient and easy to approach. The kirana shop owner knows that the buyer buys place first. They offer that utility. Total number of traditional retailers is estimated to be 13 million by Technopak Advisers Private Limited. The classifications of the unorganised retail universe by categories are as follows:

1. **Fruit and vegetable sellers** – Sells fruits and vegetables.
2. **Food stores** - Result of bakery products. Also sells dairy and processed food and beverages.
3. **Non-Vegetable Store** - Sells chicken and mutton.
4. **Kirana I** - Sells bakery products, dairy and processed food, home and personal care and beverages.
5. **Kirana II** - Sells categories available at a kirana – I store plus cereals, pulses, spices and edible oils.
6. **Apparel** - Sells men's wear, women's wear, innerwear, kinds and infant wear.
7. **Footwear** - Sells men's wear, women's wear, kid's wear.
8. **Customer durables and IT**- Sells electronics, durables and IT products.
9. **Furnishing** - Sells home lines and upholstery.
10. **Hardware** - Sells sanitary ware, door fitting, and tiles.

11. General mechanize - Includes lighting, stationery, toys, gifts and crockery.

The wholesale and retail sector is a service business that is important to the economy of Chhattisgarh. Since the value added of wholesale and retail business is growing in the same direction as the Gross State Domestic Product (GSDP) so is its ratio. During 2010-2011 the GSDP was Rs. 44097 crore , per cent growth over previous year 15.86 per cent. During 2010-2011 per capita income was 44097 which is also increasing Deposits and bank credit is also increasing since 2002 in 2011 deposits was 48871 crore and bank credit was 24811,(Economic survey 2011-12).

Currently, there are many changes taking place in the retailing industry, as globalization impacts on retailers of all sizes and all over the world (T. E. Dana, 1999). The trend in retail trade is likely to be more competitive, particularly in terms of prices.

For a sales promotion strategy to be successful there needs to be a plan in place. When retailer design a sales promotion strategy, retailer need to make sure that the company is getting the best return on investment and good marketing exposure in exchange for the promotional part of the strategy. If a retailer is using a buy one, get one free promotional strategy, then there needs to be sufficient return for the item that will be given for free to make sales promotion a success.

LITERATURE REVIEW

Management practices in retailers are typically those strategies and operational process options chosen by a business owner or operator to ensure the superior performance and competitiveness of their business. The majority of the studies involving small business management were conducted in the 1980's and 1990's and many of their implications are still valid in Chhattisgarh's contexts.

At a business unit level, they include the selection of strategies that competitively position the business in their environment (Porter, 1985). Whilst at a functional level, they include managers' choices of marketing, operational and human resource strategies and business processes that facilitate the achievement of the organisation's strategic goals. For the smaller business, Storey (1994) concluded that six factors significantly impact upon the performance of the business: legal structure, business size, age, industry sector and markets, location and ownership. Selecting strategies for success is one of the most important decisions for small businesses Borch, Huse, & Senneseth, (1999).

Competitive Advantages and Disadvantages of small and medium retailers

Lowry (2000) stated that the advantage that small retailers have over large ones are:

1. Selling prices are minimized because the owner and other family members often derived their compensation from the profit of business, rather than salary payments. While this may be a business advantage, many owners would be better off working for someone else at a reasonable wage than relying on the uncertain profits of their stores for their income.
2. Small retailers can hire employees at minimum wage because the employees are mostly unskilled or part time workers.
3. Rental costs tend to be low because many small retail stores are located in neighborhood and rural locations outside of the high rent shopping centers and other major shopping districts.
4. Small and Medium Retailers have an advantage for convenient location. Many offer the types of consumer goods that individuals want to purchase immediately. To accommodate this market, they make themselves accessible by locating in the neighborhoods of their customers.
5. The owners of Small and Medium Retailers have the opportunity to build close personal relationships with customers. As a result, they can stimulate repeat buying and know demand of their customers.

Measuring Organizational Performance

1. Ali, Breen, & Sims, (2001), T. E. Dana, (1999), Gardenne (1998), Lin (1998), Simon & Hermann (1996) have found out measures for the success and failure of small businesses.
2. Anderson (1996), claims that the seven key areas of business success as customer services, marketing, merchandising, store operations, management, human resources and finance.
3. Bruno and Leidecker (1987) summarized that small business failure is defined by 'bankruptcy, organizational death, merger, or acquisition'. Furthermore, if a firm fails to meet its responsibilities to the stakeholders of the organization, including the employees, suppliers, the community as a whole, and customers, it is also defined as a failure.
4. Watson and Everett (1999) on the other hand, were able to demonstrate small business failure rates by using a definition of failure as discontinuance of ownership,

discontinuance of business, bankruptcy/loss to creditors, prevention of further losses and failure to meet the business goal.

Sales promotion strategies are powerful tools to give marketing campaigns an extra edge in attracting new customers. Sales promotions rely on consumers' price sensitivity to encourage them to try new products, retry products they may not have tried in awhile or purchase a greater volume of products they already buy. Retailers can put numerous components of sales promotion strategies into play, since promotions are often aimed directly at end consumers, which are the retailers' target customers.

Store Markdowns

A store price markdown is a blunt instrument in the sales promotion toolkit, but it can be effective in attracting new customers to a retail store. Store markdowns reduce prices on a wide range of products in a store for all customers. A store promotion can be more effective when supported by a large advertising campaign to inform consumers in the area about the potential sale. Although this promotional strategy reduces the per unit income for retail stores, the increased sales volume can boost total revenue and inventory turnaround.

Loyalty Programs

In addition to balancing per unit income reduction against increased volume, sales promotions other than storewide markdowns balance the value of promotional offers against expected redemption rates. Loyalty programs can be a cost-effective sales promotion tool. Store membership loyalty programs can work much the same way as storewide markdowns, with the exception being that not every customer receives a discount. Members bring in lower per unit revenue while increasing sales volume. Nonmembers balance out the equation by paying full retail price and not necessarily boosting sales volume.

Coupons

Coupons can be even more cost efficient than loyalty programs, but coupons can have less effect on sales volume. With coupon programs, a majority of customers will pay full price for products, while only a select few who clip coupons will receive price discounts. Coupons can be effective as a supplement to other promotional strategies, allowing retailers to gain business from a select group of value-conscious consumers. The problem with coupon-clippers, however, is that retailers can find it challenging to build loyalty in this group, who are likely to defect as soon as the coupon promotion ends.

Freebies

Giving something away for free can be a powerful way to grab people's attention and break down any resistance to change. For consumers, free samples in retail stores or free services offered via coupon can allow them to try something new without the risk of wasting money on a disappointing product. Buy-one-get-one programs can create a value proposition that causes shoppers to temporarily choose one brand over another. Freebies work in the business world, as well. Food product manufacturers, for example, can provide free samples to retail purchasing managers to give them confidence that the products will sell.

Discounts

Offering price discounts is at the heart of most sales promotion programs. Storewide sales mark down prices on a wide range of goods, enticing customers to visit a store and search for deals. Coupons can attract a highly value-conscious market segment that can often be persuaded to buy in bulk for the right price. Mail-in rebates help keep revenue numbers high, since customers originally pay full price for goods on promotion. In addition to this, not every customer who buys a product specifically because of a rebate will actually redeem the rebate, maximizing the value of the promotion to the company.

Measuring Effect of Sales Promotion

Measuring the effect of a sales promotion is relatively easy but requires careful analysis of sales data before and after the promotion. You will also need to keep track of what other marketing and communication efforts and dollars your firm is undertaking at the same time as the sales promotion. Because sales promotions deal in tangible things, such as redeemed coupons or cash refunds and rebates, you can count those and see how many sales were a result of those promotions. Next, compare those sales figures to those your company had before the promotion to see if the promotion resulted in increased sales. To understand the true effect of the promotion, keep other media expenditures and types the same during the promotion as before. That way you are only measuring the effect of the sales promotion itself.

Sales promotions offer the customer extra value in return for purchases. The idea is for customers to buy more during the sales promotion period, thereby increasing total sales. Companies evaluate the success of their promotion based on the sales volume and the associated costs. They check the increase in sales against a baseline and calculate additional profit compared to what the profit would have been, had the sales promotion not taken place. They

check for additional brand awareness or a better brand profile by performing customer surveys. Long-term, a successful sales promotion must result in better sales.

Evaluation Methods

Sales promotions result in an upward bump in sales during the promotion period. Because customers buy during sales promotions for reasons that may affect their purchases before and after the promotion, the company should evaluate the volume of sales for the sales promotion period plus an equal period before, and at least two equal periods after, the promotion. If the sales promotion lasts a week, the evaluation period should be at least four weeks, including one week before and two weeks after the promotion. This methodology catches possible dips before the promotion, if customers are waiting for the sale, as well as any continuing increase or decrease in sales volume after the promotion. The evaluation must also include the costs of the promotion over the evaluation period. If the company wishes to evaluate brand awareness, it must include a customer survey in the evaluation.

Sales

To determine the increase in sales due to the sales promotion, the company must establish the level of sales that would have taken place without the promotion. Such a base level must avoid the effects of any variation in sales volume during the evaluation period. The best estimate is usually the average level of sales of the months prior to the evaluation period, adjusted for seasonal factors obtained from previous years. The company must compare this estimated level of sales to the actual sales that took place over the evaluation period to get the increase resulting from the sales promotion.

Profits

Sales promotions can generate increased profits. The volume of additional sales must be large enough to generate profits greater than the cost of the sales promotion. This cost has several components. There are the costs of producing the promotional signs, coupons and publicity. There are additional costs for processing the coupons, discounts or other incentives. Finally, there are the costs of the promotion itself, such as a discount or rebate. The company must subtract these costs from the additional profits generated by the extra sales to get the true net additional profit that can be attributed to the sales promotion.

Brand Awareness

Sometimes sales promotions are good public-relations vehicles, and can generate interest and return customers. They may be able to add to consumer brand awareness at a lower cost than other promotional means. In this case, the goal is not additional profits but rather additional sales over the long term, as more consumers become familiar with the advantages of the particular brand. Customer surveys to determine brand familiarity before and after the sales promotion give an accurate evaluation of the immediate success of the promotion. In the longer term, though, the measure of success must be continued higher sales. Such sales increases should already appear following the sales promotion, and a continued evaluation of the level of sales will give a good indication of the success of the promotion as far as brand awareness is concerned.

RESEARCH METHODOLOGY**OBJECTIVES OF RESEARCH:**

The purpose of research is to discover answers to questions through the application of scientific procedures. The purpose of this research is to see the impact of sales promotional strategies in retailers sales in Chhattisgarh, India. The objectives of this study are as follows:

1. To identify sales promotion strategies, used by small retailers
2. To identify impact of sales promotion strategies used by retailers
3. To provide measure to improve sales promotion strategies.

Variables used for the Study:

The following variables are used for collection of data:

1. Store Markdown
2. Loyalty Program
3. Coupan
4. Freebies
5. Discount

Hypothesis

H1: Sales promotion strategies have significant impact on retail sales.

RESEARCH PLAN	
Research Design:	Exploratory and Descriptive
Research Technique	Survey
Research Instrument	Structured Questionnaire
Measurement Scale	7 point Likert Scale
Data Collection	Primary Data collected through questionnaire, Secondary data from: Books, Websites, Journals, Magazines
Location	From Durg and Bhilai
Sample Plan	Simple Random
Sample size	100

The research design used in the research is Exploratory and descriptive research. The Exploratory research is used for collecting secondary data from magazines and journals and descriptive research is used to collect the data, which is through questionnaire in order to know the influence of brand on variety seeking consumer behaviour. The data has been collected using survey method from the consumers of Bhilai and Durg. In order to identify and measure the parameters regarding the influence of brand on variety seeking consumer behaviour, hypothesis have been formulated. The scaling technique used is Likert scale 1-7.

SAMPLING PLAN

Measure	Item	Number of Respondents
Age	<20	17
	20-40	74
	41-60	8
	>60	1
Gender	Male	54
	Female	46
Income	< 1 Lakh	61
	1-3 Lakhs	13
	3-5 Lakhs	11
	>5 Lakhs	15

Occupation	Business	18
	Service	16
	Student	51
	Professionals	5
	Others	10
Total		100

Data Collection

In this research, Data collection is done through the help of Questionnaire and 100 respondents were selected randomly for survey.

Descriptive Statistics

Sample of adults of different age categories, both male and female is used. Consumers of varied occupations and varied income groups are referred.

Data Analysis and Result

For analysis of our research, we have used various sales promotion schemes which may increase sales of retail store. Store Markdown, Loyalty Program, Coupon, Freebies, Discount and business performance For the result, we have used regression Analysis.

Factor analysis

Component Matrix For Dependent Variable	
	Component
	1
Profit	.891
Sales	.895
Brand_aware	.885
Extraction Method: Principal Component Analysis.	

Rotated Component Matrix for Variables of Sales Promotion				
	Component			
	1	2	3	4
SMD1	-0.005	0.876	0.169	0.010
SMD2	0.125	0.887	0.237	-0.154
SMD3	-0.039	0.800	0.202	-0.032
FB1	0.125	0.237	0.887	-0.154
FB2	-0.031	0.449	0.711	-0.178
FB3	0.018	0.192	0.880	0.101
DISC1	0.829	-0.022	-0.013	0.256
DISC2	0.862	0.149	-0.057	0.018
DISC3	0.785	0.107	-0.037	0.123
COUP1	0.483	0.262	0.026	0.699
COUP2	0.231	0.169	-0.038	0.766
COUP3	0.572	0.100	0.119	0.587

Regression analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.677 ^a	.458	.435	.75176955

a. Predictors: (Constant), REGR factor score 4 for analysis 2, REGR factor score 3 for analysis 2, REGR factor score 2 for analysis 2, REGR factor score 1 for analysis 2

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.310	4	11.328	20.043	.000 ^a
	Residual	53.690	95	.565		
	Total	99.000	99			

a. Predictors: (Constant), REGR factor score 4 for analysis 2, REGR factor score 3 for analysis 2, REGR factor score 2 for analysis 2, REGR factor score 1 for analysis 2

b. Dependent Variable: REGR factor score 1 for analysis 1

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.067E-17	.075		.000	1.000
	Store Mark Down	-.239	.076	-.239	-3.160	.002
	Freebies	.552	.076	.552	7.305	.000
	Discount	.255	.076	.255	3.370	.001
	Coupan	-.177	.076	-.177	-2.337	.022
a. Dependent Variable: REGR factor score 1 for analysis 1						

Interpretation of findings: The basic findings of our research are as follows:

- It was found by factor and Regression analysis test that all the four sales promotion scheme significantly influence performance of retail store.
- In the Regression test the beta value of freebies is 0.552; thus the freebies is most important sales promotion scheme.
- In the Regression test the beta value of discount is 0.255; thus the discount is second most important sales promotion scheme.
- In the Regression test the beta value of store markdown is -0.239; thus the store markdown has negative impact on sales promotion scheme for small retail store.
- In the Regression test the beta value of coupon is -0.177; thus the coupon has negative impact on sales promotion scheme for small retail store.

Recommendations:

Following are the recommendations to the retailers:

1. Sales promotion strategies

a) Freebies

Freebies is most promising sales promotion strategy for small retailer to increase their business performance. Retailer should provide offer like free products with purchase of some other product.

b) Discount

Discount should be provided at different level in retail store so that it attracts customer to retail store and customer will buy the product.

c) Store Markdown

Store markdown is not the good sales promotion strategy for small retail store as it sends negative message to customer about the reputation of a retail store. Small retailer should avoid this type of sales promotion scheme.

d) Coupon

Coupon is also not a good sales promotion strategy for small retailer as customer assume that he or she have bondage to buy product to redeem the coupon and he/she is not getting direct benefit from the current purchase.

This study is only modest attempt and not be claimed as applicable everywhere , further it is to be pointed that data are inebriation for the study and consequently the findings mode out of it are reliable to the extent that the respondent have been for the right filling up the information..

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