

Effectiveness of Sales Promotion of Non-Alcoholic Beverage Industry in India.

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Abstract

This research examines on how sales promotion is used in Non-alcoholic beverage industry to generate higher sales, increased profitability and greater market share. Promotion is vital element of marketing mix. The purpose of sales promotion is to reach the targeted consumers and persuade them to buy. In spite of numerous sales promotion techniques available, it is important to note that many organizations have not yet appreciated how to effectively and efficiently utilize the sales promotion techniques in attempting to enhance their organization performance. The result of the study indicated that the beverage drink companies increasingly make use of sales promotions. The sample size employed was 186 respondents questionnaires were administered to the sampled respondents to collect primary data used for this study. The population for this research study is comprised of the executives and authorized sales representatives and also consumers in Bangalore and Pune. However, the study made use of survey design and purposive sampling technique in selecting the respondents. Chi-square independence test was used to test the hypotheses stated. The results show that adoption of sales promotion strategies significantly influence the effectiveness of beverage drink industry. It was concluded that management may engage regularly in more promotional mix strategies, and also tend to be creative to consumers; this in turn would enhance and boost their sales revenue.

Keywords: Sales promotion, Marketing, Organization effectiveness, Chi-square independence test.

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1. Introduction

Most of the companies undertake sales promotion activities in order to remain in the competitive market. Therefore, in the modern competitive world no firm can escape the responsibility of undertaking sales promotion activities. The strategic objective of sales promotion is to influence consumers buying behavior in order to increase short-term sales, build long-term market share, get consumers to try new products, obtain better visibility or reward loyal customers (Kotler& Armstrong, 2004; Alvarez & Castilles, 2004; Liao &Ze, 2006; Rajagopal, 2008).

Consumer expenditures on non-alcoholic beverages in India amounted to Rs72.63 billion in 2012, up from Rs68.7 billion in 2011. The compound annual growth rate (CAGR) from 2011 to 2012 was 3.6%. The main objective of sales promotion is to bring about a change in the demand pattern of products and services. Basically, sales promotion has three specific objectives. First, it is meant to provide important marketing information to the potential buyers. The second objective is to convince and influence the potential buyers through persuasive measures. Thirdly, sales promotion is meant to act as a powerful tool of competition.

1.1. Definitions Of Sales Promotion

The American Marketing Association (AMA) defined sales promotion as those marketing activities other than personal selling, advertising, publicity that stimulate consumer purchasing and dealer effectiveness such as display, shows and exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine.

1.2. Industry Overview

The beverage industry supports healthy eating habits and an active lifestyle.As a whole, the beverage industry is encountering new opportunities and challenges. Changing consumer demands and preferences require new ways of maintaining current consumers and customers and attracting new ones. Amid ever-increasing competition, beverage companies must intensely court customers, offer high quality products, efficiently distribute them, ensure safety, and keep prices low - all while staying nimble enough to exploit new markets by launching new products.

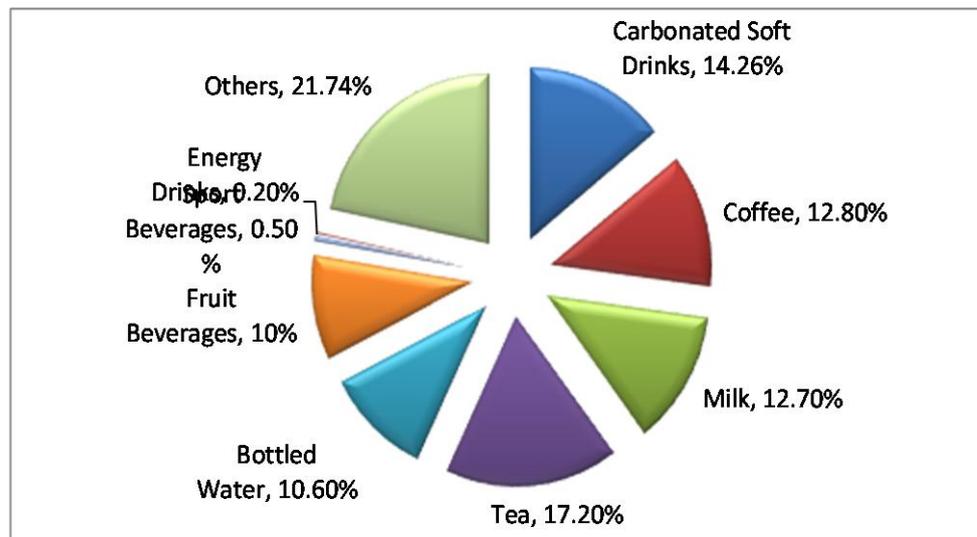
The Soft Drink Industry consists of establishments primarily engaged in manufacturing non-alcoholic, carbonated beverages, mineral waters and concentrates and syrups for the manufacture of carbonated beverages. Establishments primarily engaged in manufacturing fruit juices and non-carbonated fruit drinks are classified in canned and Preserved Fruit and Vegetable Industry. Principal activities and products:

- Aerated waters
- Carbonated beverages
- Mineral and spring waters
- Soft drink concentrates and syrup
- Soft drink preparation carbonating

According to Beverage Marketing Corporation, carbonated soft drinks (CSDs) continued to account for the largest beverage category both in volume and in per capita consumption in spite of losing ground to healthier and more popular non-alcoholic beverages, such as tea. Measured by volume, sales of CSDs made up about 12.8% of all non-alcoholic beverage sales in 2012.

Strong competition by industry firms for market share has brought about industry consolidation and cost cutting by major industry players. In order to reduce marketing and transportation expenses, to utilize existing capacities more efficiently, and to increase share in the marketplace, industry players have employed strategies such as mergers and acquisitions to acquire brands in multiple beverage categories, including CSDs, bottled water, flavored drinks, juices, dairy beverages, and sport drinks.

Figure 1: Share of Indian Non-Alcoholic Beverage Market by Volume, 2012



Source: Beverage Market Corporation

CSD sales tend to be seasonal, with higher consumption occurring during the hotter summer months. Unusually cold or rainy weather during the summer months can have a negative impact on sales. The industry has experienced intense price competition with the expansion of private label sales and decreasing consumer demand for CSDs. Price reductions have been an important element to enable

the industry to maintain its dominant market share in a beverage market where the choice of products is increasing.

1.3. The Importance and Necessity of the Research:

Sales promotional tools have been utilized as a set of tools to achieve marketing communications goals for firms. They are pivotal elements in marketing planning. Besides being utilized as tools for communication purposes with consumers, they may also be used as competitive tools in an aggressive market. Sales promotion is a branch of marketing which utilizes different motivational techniques for shaping and structuring programs related to making actual sales to consumers, commerce, or affecting sale levels in a period of time. Sales promotional tools have the ability to attract new customers and maintain loyal customers and if an organization is interested in maintaining its present customers, it should plan to allocate proper attention for them in its marketing plans. Finally, sales promotional tools are excellent tools for maintaining present customers and rewarding them for their continued relations with organizations. So, with respect to the effective elements in utilizing a combination of promotional tools, it is necessary that organizations be aware of degree of effectiveness of each of these tools. And since effectiveness of these tools in different organizations can be different, it is highly advisable to foresee a phase in marketing plans for measuring their effectiveness.

1.4. Types of Sales of Promotion

Essentially, sales promotions are categorized into three depending on the initiator and the target of the promotion. These include:

Consumer promotions

Consumer promotions are those efforts aimed at influencing the trial consumer (Bamiduro, 2001). They are promotions offered by manufacturers directly to consumers (Blattberg and Neslin, 1990). Such promotions are designed to motivate consumers to immediate (or nearly immediate) action (Courtland and John, 1992). Consumer's promotion techniques can be used to draw people into a particular store, to induce new product or to promote established products. To accomplish this task, markets have developed quite a variety of sales promotion techniques or tools.

Retailer promotions

Retailer promotions are promotions offered by retailers to consumers. These include allowances and discounts, factory-sponsored in-store demonstration, trade shows, sales contests, cooperative advertising etc.

Trade promotions

Trade promotions are promotions offered by manufacturers to retailers or other trade entities (Blattberg and Neslin, 1990). They are the aspect where the manufacturer is concerned not only with promoting the product to the consumers but also with the product is on the retailers' shelves when the customers go to the store to buy (Osuala, 1998). 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

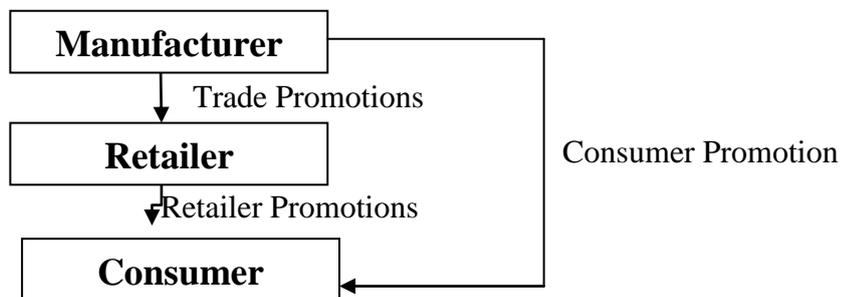


Figure 2.Types of sales promotion.

Source: Adapted from Per-Goran, P. (1995). Modeling the Impact of Sales Promotion on Store Profits. A published Dissertation, Stockholm School of Economics, Stockholm.

2. Research Methodology

The study employed descriptive survey design. Descriptive survey according to Kothari (2011) is concerned with describing, recording, analyzing and interpreting conditions that either exist or existed. The techniques allow the researchers to describe what sales promotion tools are, how they are used, where and their effects. In addition to this, the study also described common characteristics among the study population of the research. The population of the study comprises of executives and authorized sales representatives of major non-Alcoholic beverage Industry and consumers in Bangalore and Pune. Samples of 186 respondents are selected for the study through a purposive sampling method and the sample size calculation is shown below.

$$N = \frac{(1.96)^2 * 0.62601}{0.0081} \approx 186$$

2.1. Testing of Hypothesis

In order to test the hypothesis, the non-parametric test method (chi-square) is used. Steps required for testing chi-square

1. State the null hypothesis and alternative hypothesis
2. Determine the level of significance
3. Calculate the chi-square test.

$$X^2 = \frac{(O - E)^2}{E}$$

Where O is the observed value and

E is the expected value

4. Determine the degree of freedom (df), depending on the number of rows and columns.

$$Df = (r - 1) (c - 1)$$

Where

R = number of rows

C = numbers of columns

5. Result: After calculating the chi-square value, the obtained value is referred to as calculated value chi-square. This value is then compared against the tabulated value of chi-square.

3. Data Analysis & Findings:

The purpose of the research is to evaluate the sales promotion in non-alcoholic beverage industry in India. The research aims to answer the following research questions:

- What are the characteristics of beverage industry?
- What are the factors that have to be considered while promoting non-alcoholic beverages
- Does sales promotion influence the use of non-alcoholic beverages?

Hypothesis

Ho1

The beverage drink industry does not use sales promotion strategies significantly in India.

Ho2

The adoption of sales promotion strategies does not significantly influence the buying patterns in beverage drink industry.

Ho3

Sales promotion strategies do not provoke the consumer to purchase the products.

Ho4

There is no significant difference between the sales promotion and sales volume

Table 1.Frequency distribution of sales representatives and consumers

Respondent percentile	Frequency	Absolute frequency	Cumulative frequency	Frequency percentile
Executives		83	83	44.62%
Authorized sales agents		67	150	36.02%
Consumer		36	186	19.35%

Table 2. Mean and standard deviation on types of promotional strategies adopted by the Non-Alcoholic beverage drink industry

Response	X	Sd	Remarks
Sales promotion tools such as special sales, price off and coupons, stimulate consumers to repeat purchase.	5.18	0.69	Agree
Couponing, free samples and premiums are sales promotion techniques that persuade the consumers to purchase	5.12	0.25	Agree
The Companies also use cent-off coupons to increase sales.	5.20	0.14	Agree
Consumers who are satisfied with samples can develop positive attitude to beverage drink.	5.32	0.81	Agree
Scratch and win instant type of sales promotion can prompt consumers to increase buying frequency.	5.16	0.61	Agree
Incentive type of promotions like premium and pricing deals attract new triers, reward loyal customers and increase the repurchase rate of occasional users.	5.59	0.37	Agree
An impact coupon would be appropriate for firms to create loyal users and build up more repeat purpose.	5.86	0.51	Agree
Sweepstake and gifts are among the sales promotions that induce buyers to continue to buy.	5.19	0.98	Agree
The major promotion tools that lead consumers to buy repeatedly are cash refund offer, patronage awards and free goods.	5.84	0.15	Agree
The use of coupon that can be redeemed on the next purchase occasion is believed to encourage repeat purchase.	5.57	0.64	Agree

Table 3. Mean and standard deviation on the perception of respondents on influence of sales promotion and its effectiveness

Response	X	Sd	Remarks
Sales promotion motivates sales people to get squarely behind a product	5.61	0.71	Agree
They are used to maximize sales volume.	5.12	0.56	Agree
They persuade the end users to purchase a particular product always	5.98	0.95	Agree
Sales promotion stimulates interest, trial or purchase of beverages by consumers	5.14	0.18	Agree
Sales promotion yields faster and more measurable response to sales than advertising.	5.24	0.13	Agree
Combination of various types of promotional strategies helps the companies to achieve their set goals.	5.65	0.17	Agree
Sales promotions such as sales allowance and patronage awards can create immediate impact on sales.	5.68	0.53	Agree
Scratch and win promotion strategy affect the general buying behaviour of consumers especially in off-season	5.87	0.24	Agree
Sales promotion usually encourage consumers to increase the level of consumption of beverages in effort to win a prize.	5.47	0.57	Agree
Sales promotion is normally used to boost sales thereby increasing the profit.	5.16	0.51	Agree

Table 4. Summary of Chi-square test of significance of responses from the respondents in rating the use of sales promotional strategies.

Hypothesis	Sample Size	Degree of Freedom	Level of Significance	Chi-Square Values		Decision
				Calculated	Tabulated	
H ₀₁	186	35	0.05	105.94	49.8	Reject

The beverage drink industry does not use sales promotion strategies significantly in India.

The results as presented in the above table shows that χ^2 calculated (105.94) is greater than χ^2 tabulated (49.8) at 0.05(5%) significance level. Therefore, the null hypothesis that beverage drink industry do not use sales promotion strategies significantly was rejected while the alternative hypothesis was accepted

which suggests that beverage drink industry in India significantly make use of sales promotion strategies.

Table 5. Summary of Chi-square test of significance of responses from the respondents in rating that the sales promotional strategies and buying patterns in beverage drink industry.

Hypothesis	Sample Size	Degree of Freedom	Level of Significance	Chi-Square Values		Decision
				Calculated	Tabulated	
H ₀₂	186	35	0.05	72.52	49.8	Reject

The adoption of sales promotion strategies does not significantly influence the buying patterns in beverage drink industry.

The results as presented in the above table shows that χ^2 calculated (72.52) is greater than χ^2 tabulated (49.8) at 0.05(5%) significance level. Therefore, the null hypothesis that the adoption of sales promotion strategies does not significantly influence the buying patterns in beverage drinks industry was rejected while the alternative hypothesis was accepted which suggests that the sales promotion strategies significantly influence the buying patterns in beverage drink industry.

Table 6. Summary of Chi-square test of significance of responses from the respondents in rating that the Sales promotion strategies provoke the consumer to purchase the products.

Hypothesis	Sample Size	Degree of Freedom	Level of Significance	Chi-Square Values		Decision
				Calculated	Tabulated	
H ₀₃	186	35	0.05	174.27	49.8	Reject

Sales promotion strategies do not provoke the consumer to purchase the products.

The results as presented in the above table shows that χ^2 calculated (174.27) is greater than χ^2 tabulated (49.8) at 0.05(5%) significance level. Therefore, the null hypothesis that Sales promotion strategy does not provoke the consumer to purchase the products was rejected while the alternative hypothesis was accepted which suggests that the Sales promotion strategies provoke the consumer to purchase the non-alcoholic beverage products.

Table 8.Summary of Chi-square test of significance of responses from the respondents in rating that the significant relationship between the sales promotion and sales volume

Hypothesis	Sample Size	Degree of Freedom	Level of Significance	Chi-Square Values		Decision
				Calculated	Tabulated	
H ₀₄	186	35	0.05	122.61	49.8	Reject

There is no significant difference between the sales promotion and sales volume.

The results as presented in the above table shows that χ^2 calculated (122.61) is greater than χ^2 tabulated (49.8) at 0.05(5%) significance level. Therefore, the null hypothesis there is no significant difference between the sales promotion and sales volume was rejected while the alternative hypothesis was accepted which suggests that there is a direct relationship between sales promotion and sales volume.

4. Conclusion.

The main purpose of this study is to evaluate the sales and promotional activities of non-alcoholic beverages industry in particular. From the study we can conclude that sales promotional activities has a positive relationship with the buying patterns and effective implementation of sales promotion tools lead to increase in sales volume and invariably leads to higher profit. Sales promotions activities have a long way to go in Indian beverages market and need to be used more effectively in order to influence the consumers to purchase the products.

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