SALES PROMOTION AND CONSUMER BUYING BEHAVIOR OF FMCG PRODUCTS IN KATHMANDU

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Abstract

This study assesses the impact of consumer sales promotion on consumer buying behavior of FMCG products. Consumer buying behavior in the study is a dependent variable and independent variables in the study are buy one get one free, free sample, and price discount. The study is based on primary data accumulated from 297 respondents from general people or consumers who have demonstrated buying behavior. The study is based on cross-sectional data and pursued statistical tests comprising correlation and regression to examine the association and impact of consumer sales promotion on consumer buying behavior of FMCG products. The result shows that the free sample has a negative relationship with consumer buying behavior. It shows that free sample negatively influences consumer buying behavior. Similarly, the price discount is also negatively correlated with consumer buying behavior. It depicts that the higher the discount scheme of the firm, the lower would be the consumer buying behavior. Further, buy one get one free is positively correlated with consumer buying behavior. This study and its results would be helpful for executives of FMCG product companies while making the decision and it also helps to identify the existing preferences of buyers in the market and diagnose the issues exploring better strategy in the organization. Future research can be conducted by adding more research variables of containing more data to examine its impact.

Keywords: buy one get one free, free sample, price discount, and consumer buying behavior

Introduction

Promote is a component of the promotion mix in marketing operations, as well as a marketing strategy for a company entering the market or keeping clients (Berjani and Strufe 2011). The primary goal of sales promotion is to reach out to customers and make an emotional connection with them. Advertising, public relations, personal selling, sales promotions, and direct marketing are some of the marketing communication strategies that have been recommended to improve consumer buy intention (Chang & Tsai, 2011). Consumer purchase behaviors are also influenced by sales promotions (Dehkordi et al. 2012). Sales Promotion is a direct stimulation to add value

to a product or an incentive to final consumers, salespeople, or distributors (Huang & Gartner, 2012). Sales Promotion is made up of a variety of transitory incentives aimed at incentivizing consumers or dealers to buy particular products ahead of time or in larger quantities (Khajvand & Tarokh, 2011). Sales promotion is simply a complimentary marketing effort that is used for a short period and is designed to encourage consumer purchase. With changing lifestyles, the consumer market would shift and different marketing strategies would emerge, such as a gift for a pair of sports shoes, a cash refund, a discount and coupon, a reward, and cash or a gift for a returned certificate (Li et al., 2011). Pinheiro et al. (2010) categorized promotion incentives into the price and non-price orientations, including (1) monetary or non-monetary promotions, (2) immediate or delayed promotions, (3) acquiring product-related or price-related incentives, and (4) purely economic or psychological promotions. Price orientation, according to Sun (2010), is defined as influencing consumer purchase through discounts such as coupons and preferential treatment. Non-Price Promotion is defined as sales promotions that are not related to product prices, such as gifts, prizes, competitions, and lotteries, which are used to entice customers to buy specific products. As a result, the measuring dimensions for sales promotion in this study are based on which include 1. Price Promotion, such as a cash discount, and 2. Non-Price Promotion, such as presents (Zhou et al., 2012). Marketing operations that induce a direct response from customers or marketing intermediaries, usually particular to a time period, place, or client group, through the offer of additional benefits. One or more of these activities involves the use of promotional tools and techniques (such as coupons, free samples, cash discounts, buy one get one free, rebates, point-of-purchase displays, premium money back offers, and loyalty programs) that directly influence people to make quick decisions and complete the purchasing process. Because merchant competency is so high, the major two reasons behind these excessive promotions from a marketer's perspective are that they have a direct impact on individual buying behavior by attracting competitive consumers to their items and that they help retailers keep their customers to Peattie & Peattie (1994). Sales promotional marketing activities are more effective than advertising publicity and personal selling (John and William, 1986). Other researchers looked at sales promotion as a direct enticement, offering a special added value for items to target salespeople, customers, or resellers (William and Ferrell, 1987; Gardener and Treved, 1998). Sales promotion, rather than marketing activities, is an effective means of competitive retribution, according to Joncos (1990). Promotion is a tactic employed by marketers temporarily to generate appealing goods or services to entice people to purchase goods or services during a specified time period by delivering additional benefits (Mercer, 2002). Ammar and Bilal (2014) found that "Buy-One-Get-One-Free" has a positive impact on consumer buying behavior during a sale promotion. Lammers (1991) found that a free sample had a positive relation to immediate sales of that product. The free sample had a considerable relationship with product trial behavior of consumer buying behavior (Ndubisi and Chiew, 2006). Aamir and Khan (2014) found that price discount has a positive impact on buying behavior during a sales promotion. Bobby & Aman (2007) does not believe that discounts are a good tool to use in sales promotional contexts. Minerals are a product that can be stockpiled and it does occur that customers predict a rise in market price and are buffering up with

minerals for future usage. There are some price models to stimulate long contracts and to favor customers who purchase large quantities. But price cuts are not used to attract customers, for that purpose they use the argument of a high-quality product.

All around the world, the retail market is expanding at a breakneck pace. Retailers are currently using a variety of promotional activities to separate themselves from the competition. Simultaneously, retail competition is heating up. Retailers began to expand their marketing activities directed at consumers as a result of population and economic expansion.

In the Nepalese FMCG sector, there are a variety of consumer promotional tactics available. Coupons, free samples, price discounts, buy one, get one free, and physical surroundings are just a few of the many options available. These promotional methods have a variable impact on consumer brand perception in the FMCG sector in Nepal depending on the nature of the product and the customer. Nepalese marketers make considerable use of sales promotion to compete and maintain a competitive edge, resulting in increased sales and consumer brand perception of their products through driving consumers' purchase decisions. Consumer sales promotion tools are divided into several categories, such as rebates and discounts, coupons, free samples, price bundles, and buy-one-get-one deals (Nagadeepa, Selvi, & Pushpa, 2015).

The main purpose of this work is to examine the impact of different sales promotion tools on consumer buying behavior. Further, this research investigates the impact of free samples, price discounts, and buy one get one free promotion tools on buying behavior of the consumer. Thus, this research concentrates on the promotion aspect. The component of sales promotions instruments is investigated inside the promotion element.

Methodology

This research is conducted to examine the impact of consumer sales promotion on consumer buying behavior of FMCG products. A total of 384 questionnaires were brought out and 312 were fully unanswered and returned out of which only 297 responses are used to describe the consumer buying behavior in this study. Moreover, the response rate for this study is 78 (percent). The population for the current research is general people or any consumers who have demonstrated some sort of buying behavior. The study is based on cross-sectional data and pursued statistical tests comprising correlation and regression to examine the association and impact of consumer sales promotion on consumer buying behavior of FMCG products.

The Model

The estimated model for the study assumes that consumer buying behavior depends on various elements. Similarly, the influencing factors of buying behavior contains free samples, price

discounts, and buy one get one free. Thus, the model for the study is as follow:

CBB= α + β_1FS + β_2PD + β_3BOGOF + ε

Where,

   CBB = Consumer Buying Behavior

   FS = Free Sample

   PD = Price Discount

   BOGOF = Buy One Get One Free

The following segment describes the variables used in the study.

Buy-One-Get-One-free

Buy one, get one free" is a type of sales promotion in which clients are offered an additional product for the same price as the first, but with a better package. Customers are more likely to purchase the fruit because there is no added cost, and it should be perceived as more valuable by the customer. If the extra product is included at no extra cost, the buyer may be persuaded to buy the fruit if they believe their money will be safe in this agreement (Aurangzeb, Asif, Ammar, & Bilal, 2014). The buy-one-get-one-free promotion method is one of the forms of bonus packs in which customers are supplied an additional product at the regular price but in a better package. Consumers would be readily convinced to buy things because there would be no additional cost and the products would be viewed as greater desirable. Furthermore, when compared to price discounts, this promotion approach would benefit retailers by speeding up stock clearing (Syuhaily, Yin Fah, and Foon, 2011).

H_1: There is a positive and significant relationship between buy one get one free and consumer buying behavior during a sales promotion.

Free Sample

Sampling is a process in which a real or trial-sized product is sent to customers. Free samples of products are given to consumers so that consumers have an opportunity to try and utilize the products. Sampling is the process of presenting fewer numbers of products to the consumers without any cost so that they can check it and purchase the product in near future (Pramataris et al., 2001).

H_2: There is a positive and significant relationship between free samples and consumer buying behavior during a sales promotion.

Price Discount

Price discount is a well-known strategy for providing a substantial discount in the purchase price that is prominently shown on the product or at the point of sale. Customers are provided a price decrease for a limited time as part of a price promotion (Ashraf, Muhammad, Aamir, and Khan, 2014).

H_3: *There is a positive and significant relationship between price discounts and consumer buying behavior during a sales promotion.*

Consumer Buying Behavior

Consumer behavior is defined as "the behavior that consumers demonstrate in searching for, buying, using, assessing, and disposing of things and services that they think will meet their requirements (Schiffman & Dkanuk, 2007). Consumer behavior is the behavior that consumers exhibit in searching for, purchasing, utilizing, reviewing, and disposing of things and services that they anticipate will meet their requirements (Kathleen, 2004). Consumer behavior is the dynamic interaction of individual thoughts, feelings, actions, and behavior in the environment through which human beings perform exchange aspects of their lives.

Results and Discussion

Descriptive statistics
Table 1

Demographic characteristics of respondent

Demography	Characteristics	Frequency	Percentage
Gender	Male	145	48.5
	Female	152	51.2
Age group	Below 20	58	19.5
	20-30	131	44.1
	Above 30	108	36.4
Level of Education	Undergraduate	20	6.7
	Graduate	141	47.5
	Masters or above	136	45.8
Marital Status	Unmarried	59	19.9
	Married	210	71.4
	Others	26	8.8
Total		297	100%

Table 1 shows the demographic data collected from the research questionnaire. The majority of respondents 51.2 (percent) were female and 48.5 (percent) male. The age group between 20-30 were the majority of respondents 44.1 (percent) participated in the study and age group below 20 19.5 (percent) respondents were minimum in the study. Similarly, the Married group stood 71.4 (percent) as the majority of respondents and least remained 8.8 (percent) under other categories.

Correlation Analysis

The Pearson's correlation coefficients between different variables are demonstrated in table 3. The independent variables are buy-one-get-one-free (BOGOF), free sample (FS), and price discount (PD) and consumer buying behavior is the dependent variable in the study.

Table 2

Pearson's correlation

Variables	Mean	Std. Deviation	FS	PD	BOGOF	CBB
FS	3.34	0.538	1			
PD	3.75	0.378	.171**	1		
BOGOF	3.5	0.357	.187**	.178**	1	
CBB	3.37	0.329	-.036	-.122*	.131*	1

Table 2 shows that the free sample is negatively associated with consumer buying behavior. It shows that the more the spending on the free sample lower would be the consumer buying tendency. Similarly, the price discount is negatively correlated with consumer buying behavior. It revealed that higher the price discount lower would be the consumer buying behavior. The buy-one-get-one-free is positively correlated with consumer buying behavior.

Regression Analysis

Multiple regression assesses the strength of the relationship between a set of the independent variable (two or more) which are hypothesized to influence one or more dependent variables (Malhotra and Das 2011). In this study, the analysis has been adopted to find out the impact of sales promotional tools on consumer buying behavior for FMCG products in Kathmandu valley.

Table 3

Regression analysis

Variables	(1)	(2)	(3)	Collinearity Statistics	
				Tolerance	VIF
Intercept	3.963***	4.098***	3.473***		
	(24.59)	(16.12)	(15.70)		
FS	-0.168***			.946	1.058
	(-3.65)				
PD		-0.186**		.949	1.054
		(-2.83)			
BOGOF			-0.0244	.943	1.060
			(-0.41)		
Adj-R^2	0.0399	0.0231	-0.0028		
SEE	.329	.327	.327		
F-Value	13.31	7.99	0.17		

t statistics   in parentheses

* p<0.05, **   p<0.01, *** p<0.001

The regression analysis table 3 depicts that the beta coefficient for free sample is negative with consumer buying behavior. It means the free sample promotional tool has a negative impact on consumer buying behavior. The beta coefficient for price discount is negative with consumer buying behavior. This result is inconsistent with (Aamir, and Khan, 2014; Lammers, 1991). It depicts that price discount has a negative impact on consumer buying behavior. Similarly, the beta coefficient for buy-one-get-one-free is negative with consumer buying behavior. It shows that buy-one-get-one-free has a negative impact on consumer buying behavior. This result is inconsistent with (Ammar & Bilal, 2014).

Summary and conclusion

This study assesses the impact of consumer sales promotion on consumer buying behavior. This study is based on primary data comprising 297 observations. The questionnaires were developed and distributed consisting the consumer sales promotion and consumer buying behavior.

The result depicted that the free sample is negatively correlated with consumer buying behavior. It shows that the higher the spending on free samples, the lower would be the consumers' tendency

to buy the goods. Similarly, the price discount is negatively correlated with consumer buying behavior. It depicts that the higher the price discount lower would be consumer buying tendency. Likewise, the beta coefficient for buy-one-get-one-free is negative with consumer buying behavior. It shows that higher the spending on buy-one-get-one-free, the lower would be the consumer buying behavior.

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