

# Effectiveness of Sales Promotions in Organised Retailing of Fruits and Vegetables- an Empirical Study

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## Abstract

The report is primarily aimed at analysing the performance of the sales promotion of Fruits and Vegetables in organised retail stores, Study the awareness levels of the promotions on Fruits and Vegetables among the customers and thus the efficiency of the communication of sales promotion by the stores to their customers. The results obtained from the study done on the customer of multiple stores of supermarket format selling fruits and vegetables also in Chennai using a questionnaire shows the response of the various customers to variables and the association of the variable with the demographic attributes if any. A comparative study of the study of sales of select SKUs in the months of February and May tells about the performance of sales promotion SKUs are selected such that promos are given for then in one month of comparison and not given for the same SKUs in the other month. The percentage change in change of sales of SKUs suggests that the promos are performing well. The primary data obtained is analyzed to find out as many associations as possible between the various variables of sales promotion and demographic attributes. Chi-Square test is used to find out possible associations between variables

**Keywords**—sales promotion, strategy, retailing, organised retail

## I. INTRODUCTION

### A. Food and Grocery Retailing in India

The Indian consumers, being in a fast growing economy, spend a larger share of their income on food. The food retail sector is largely dominated by unorganized players (Kirana shops/mom and pop shops/neighborhood and convenience retailing) in India. According to National Sample Survey Organization (NSSO) report on household consumer expenditure in India, “out of every 100 rupee spent in 2006-07 by the average rural Indian on household consumption, 51 rupees was spent on Food and 49 rupees on non-food items. But the average urban Indian spent 39 rupees on food, spending smaller portion of household expenditure in every food category excepting, beverages, refreshments and processed food”. According to McKinsey report (2007), the share of an Indian

household’s spending on food is one of the highest in the world, with 48 per cent of income being spent on food and beverages. The following studies stress the importance and significant contributions of food and grocery retailing in India, wherein the majority outlets delivering food and grocery situate in metro and mini metro cities. Chatterjee Purvita (2009) reports that, according to KPMG report on retailing in India, it was pointed out that the value of Indian food and grocery market was US \$236 Billion and this food and grocery segment constituted about 60 per cent of total retail sales. Surprisingly it was found that majority of these sales emanate from unorganized retail outlets. In India, food sales are the largest segment of retail industry. There are around 3.7 million food retail outlets with an estimated turnover of Rs 7400 billion (Chengappa *et al.*, 2007). Food retailing in India is, by and large, unorganized, highly fragmented and predominantly small, family owned businesses (Singh, 2007). About 78 per cent of these shops function with only family labour. Nearly 96 per cent of the food outlets are small with less than 500 sq ft area. Unorganized food retail segment consists of kirana shops, selling dry food products, and fruit/vegetable shops and hawkers (pushcart vendors) selling wet food products. As the unorganized retail outlets are under-capitalized, these are not able to cater to the fast changing consumer demand for value-added services, thus providing the edge to the organized retail sector.

### B. Scope of the study

The study has been conducted in Chennai. 50 stores that does organised retailing of fruits and vegetables are selected for the study. The selected stores are located in A class locations which means, more than 90% of families lying within a radius of 2 KM from the store fall under High income group.

### C. Objectives of Study

The Objectives for this study are:

1. To study the Performance of sales promotional methods in retailing of Fruits and Vegetables.
2. To study the awareness levels of the sales promotions of Fruits and Vegetables
3. To know the satisfaction levels among the customers regarding the sales

promotional offers in Fruits and Vegetables retailing.

## II. REVIEW OF LITERATURE

### A. Sales Promotion

Sales promotions are recognized as a viable competitive weapon for marketers, with companies investing up to one quarter of the marketing budget towards promotion efforts (Raghubir 2004). Many retailers are focusing more attention on in store marketing and sales promotion activities, which will lead to greater sales and profit increases. The retailers' unwritten rule is all about, "it is easier to get a shopper who is already in the store to buy more merchandise than planned to get a new shopper to come into the store". Hence sales promotion tools should be used as catalyst to generate more demands. Retailers have long known that consumers will change their shopping habits and brand preferences to take advantage of sales promotions, especially those that offer something special, different and of exciting. Every shopper very well know that, all shops provide the same assortments, but what makes them to be different to have an exciting offer becomes effective. The answer relies on in store promotion that can generate more excitement. Miranda *et.al.*, (2005) identified that Shoppers' intention to remain loyal to any store is influenced by factors like frequent-buyer reward schemes, travel distance, preference for an in-store delicatessen, size of the average grocery bill, store signage and the level of sale assistance. Engel *et.al.*, (1993) also identify seven store characteristics: location, assortment breadth and depth, services, store personnel, price, advertising and sales promotion, and proximity to work. Thus, large scale retailers in the form of hypermarkets, discount stores and supercentres have been very successful because consumers place importance on the ability to take care of as many shopping needs as possible when visiting the same store (Carpenter, 2008). According to Chevalier (1975), a significant percentage of total sales in a supermarket come from point of purchase displays. The retail firms are spending a lot of their marketing resources to keep existing customers rather than to attract new ones (Rust and Zahorik, 1993). The recreational orientation motive refers to those aspects of shopping that go beyond the mere acquisition of goods that lead to enjoyment and pleasure (Hirschman & Holbrook 1982; Babin, Arnold and Reynolds 2003). These include the emotional and social need for an interesting, enjoyable shopping experience, as well as social interaction with other customers, friends, acquaintances and sales staff (Jones 1999; Bellenger & Koargonkar 1980).

### B. Research Methodology

The method employed for this study is Analytical Study. Primary data and secondary data are used for the study. Primary data is collected from the

customers visiting the stores by using structured schedules. Primary data is collected from 50 stores selling fruits and vegetables located in Chennai. The average walk-ins in each store per day is 600. Hence, the sample size is selected as 300. It is collected from 50 stores. The questionnaire adopted for the study consists of multiple choice questions. The questionnaire is closed-end in which multiple choice, Likert scale, Semantic differential are used.

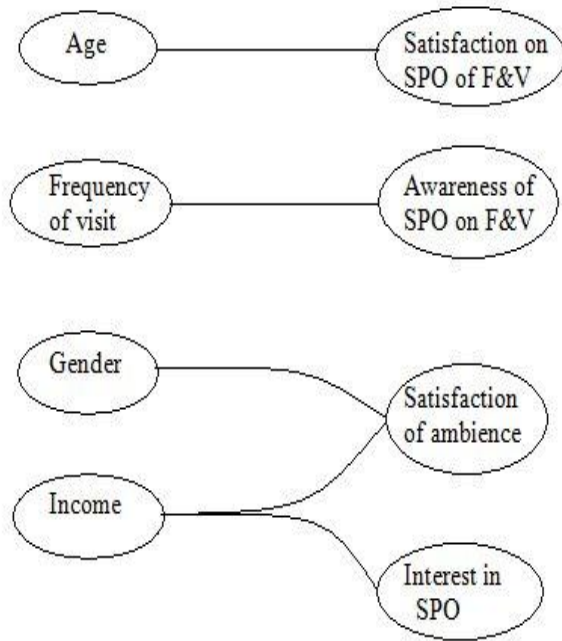
### C. Limitations

The locations of all the stores visited happened to be A class locations which means, more than 90% of families lying within a radius of 2 KM from the store fall under High income group. There may be a chance of variation in the result if the study is conducted in C class locations where 90% of families fall under low income group.

## III. SUMMARY, FINDINGS AND RECOMMENDATIONS

The report is primarily aimed at analysing the performance of the sales promotion of Fruits and Vegetables, study the awareness levels of the promotions on Fruits and Vegetables among the customers and thus the efficiency of the communication of sales promotion to the customer. It also looks into the satisfaction levels of customers with respect to the sales promotional offers in f&v. Literature Review sets the academic eye opening for the research. It contains the detail about sales promotion as defined by various authors in marketing. Based on the review of literature, the research questions, objectives and hypotheses were framed. A comparative study of sales data of select SKUs in the months of February and May tells about the performance of sales promotion. SKUs are selected such that sales promotions are given for them in one month of comparison and not given for the same SKUs in the other month. The percentage change in change of sales of SKUs suggests that the sales promotional offers are performing well. The primary data obtained is analyzed to find out as many associations as possible between the various variables of sales promotion and demographic attributes. Chi-Square test is used to find out possible associations between variables. The tests have shown association between the following variables:

- Family income and Interest in promotional offers.
  - Frequency of visit and awareness levels of sales promotions.
  - Age of the customers and satisfaction levels of sales promotional offers.
  - Family income and satisfaction of store ambience.
  - Gender and satisfaction of ambience in the store.
- The hypotheses tested shows that association exists between the variables as shown



There has been a significant increase in sales of SKUs with sales promotional offers. It suggests that the Sales promotional offers of F&V are doing good. Customers from low income groups and middle income groups are satisfied with Sales promotions and ambience of the stores. Customers of high income group are expecting more in terms of ambience. During the informal interview with the customers, it is understood that people of high income group are not interested in Sales promotions in Fruits & Vegetables because, they feel that SKUs that are given in offers are of lower quality. Such preconceptions may be removed by:

- a. Stepping up of quality standards
- b. Maintaining of freshness of Fruits & Vegetables throughout the day

82 percent of the customers with loyalty cards are satisfied with it. But 30 percent of the sample don't have loyalty card. Benefits of loyalty card should be communicated to the customers by using displays at the counters. Most of the customers say that they come to know about the sales promotional offers only after coming to store. SMS about promotional offers reach only 2 percent of the customers. This channel can be used more effectively to keep the customers informed about the offers by maintaining the database of mobile numbers. Awareness about promotional offers increases with frequency of visit. Customers should be kept informed about the promotional offers before visiting the store. It attracts new customers. It can be done by increasing SMS campaigning, issuing more loyalty cards and also by using print and electronic media in the catchment area. Freedom to choose product is one of the attributes of ambience. The data suggests that customers of high income group are not completely satisfied with ambience. Some customers

felt that there is no freedom to choose product.

#### IV. CONCLUSION

This study done in the south Indian city of Chennai is about performance of the sales promotion of Fruits and Vegetables in organised retail stores, Study the awareness levels of the promotions on Fruits and Vegetables among the customers and thus the efficiency of the communication of sales promotion by the stores to their customers. The results obtained from the study done on the customer of multiple stores of supermarket format selling fruits and vegetables also in Chennai using a questionnaire shows the response of the various customers to variables and the association of the variable with the demographic attributes if any. A comparative study of the study of sales of select SKUs in the months of February and May tells about the performance of sales promotion SKUs are selected such that promos are given for then in one month of comparison and not given for the same SKUs in the other month. The percentage change in change of sales of SKUs suggests that the promos are performing well. There has been a significant increase in sales of SKUs with sales promotional offers. It suggests that the Sales promotional offers of F&V are doing good. Customers from low income groups and middle income groups are satisfied with Sales promotions and ambience of the stores. Customers of high income group are expecting more in terms of ambience. During the informal interview with the customers, it is understood that people of high income group are not interested in Sales promotions in Fruits & Vegetables because, they feel that SKUs that are given in offers are of lower quality. Such preconceptions have to be addressed by interacting with customers.

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