



An Empirical study of measuring consumer perception towards cash discount and deal proneness with reference to selected FMCG Products in Gujarat State

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ABSTRACT

FMCG industry provides a wide range of consumables and accordingly the amount of money circulated against FMCG products is also very high. FMCG Sector in India is estimated to grow 60% by 2012. The FMCG market was set to treble from US\$ 11.6 billion in 2003 to US\$ 33.4 billion in 2015. Cash discount is one of the widely used Sales promotions Scheme on various FMCG Products. It is found that male and female attitude towards the cash discount as one of the sales promotion schemes do not differ significantly.

Keywords : Advertised discount (AD), Consumer Perception, discount and Deal Proneness

Introduction:

Penetration level as well as per capita consumption in most product categories like jams, toothpaste, skin care, hair wash etc in India is low indicating the untapped market potential. Burgeoning Indian population, particularly the middle class and the rural segments, presents an opportunity to makers of branded products to convert consumers to branded products. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%.

Literature Review:

Consumers evaluate and encode information provided to them, and it is their perception of the information and not the information itself that affects their behaviour. Olson and Jacoby (1977) note External stimuli do not exert direct effects upon behaviour but only indirect effects. Stimuli must first be perceived and interpreted before they can affect decision processes and overt behaviour" (p. 73). Therefore, valuation or encoding of observed prices or price discounts (which are the external stimuli) is expected to be carried out.

The perceived discount (PD) is therefore the expected savings from this internal reference price (Mobley et al. 1988; Monroe 1977; Winer 1986). As the discount advertised (AD, defined in this study as the percentage off regular price) by retailers' increases, consumers' perceptions of the discounts or savings are also likely to increase.

Price and promotion strategies are closely related. It is very difficult to distinguish price variances which are caused by decisions derived from the prices policy from those produced as a result of the promotion policy. Thus, proposal has been developed by Cummins (1998), according to which sales promotion has to stop being a part of the communication mix to become an autonomous variable. When the promotion ends, sales are reduced even below the usual levels (without promotion). In the long term, the sales level tends to go back to a position near the initial position.

Besides, the presence of promotion actions attractive to consumers may make this change establishment (Tellis,

1997). This effect is related to the change of brand, that is, consumers who do not usually acquire the brand feel attracted and buy it.

Just as it was expected, Begona Alvarez Alvarez and Rodolfo Vazquez Casielles (2008) have confirmed the importance of prices in the purchasing process. The effects derived from their fluctuations depend on the characteristics of the brand. Specifically, they have found differences in the intensity of response to price variances between manufacturer brands and store brands. The latter appeared to be more vulnerable. However, for other categories of product with lower loyalty rates, the application of discounts is the most adequate action, since the use of other promotion actions does not produce any effect. Sellers use various advertising and promotion tactics to attract customers and increase sales. Previous research has shown that framing of promotion messages and presentation of price information influence consumers' perceptions of prices and their willingness to buy (Das, 1992; Sinha et al., 1999; Sinha and Smith, 2000).

By demonstrating that exclusive deals may be evaluated more, equally, or less favorably than inclusive deals, Michael J. Barone & Tirthankar Roy (2010) showed that consumer response to discounts were also sensitive to a —non traditional, deal characteristic, namely, the perceived exclusivity of a price promotion. These results extended the literature on deal restrictions as well. Although extant research has focused on promotional limitations, such as quantity, time, and minimum purchase requirements (Inman, Peter, and Raghbir 1997).

However, Shimp (2003) and Fill (2002) among other extant studies have documented a link between price promotion and product trial. With regard to free sample, another important promotional tool often used by firms, marketing managers recognize the importance of product trial and direct behavioural experience with a product; hence they often mail free samples of products to consumers so that consumers can try the products for themselves, rather than just hear about the products (Kardes, 1999).

Link between sales promotion and product trial has been found. Chandon et al. (2000) indicated that sales promotion may be attractive to highly promotion prone consumers for reasons beyond price savings

Research Objective:

To study the consumer attitude towards the cash discount as a sales promotion scheme and deal proneness of consumer considering demographic variables.

Hypothesis

Ho1: There is no significant difference between Consumer attitude towards the cash discount as a sales promotion scheme and gender

Ho2: There is no significant difference between Consumer deal proneness and gender

Sampling Design and Data Collection:

- The universe of the study consists of all FMCG consumers in the state of Gujarat.
- Sample Size: 500
- Sampling Method: Convenient Sampling Method
- Data Type: Primary Data & Secondary Data
- Data Collection Tool: Structured Questionnaire
- Scope of Research : Gujarat state

Data Analysis and Conclusion:

Ho11: There is no significant difference between Consumer attitude towards the cash discount as a sales promotion scheme and Gender.

Table 1.1 : Attitude towards Cash discount According to Gender:

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Attitude towards Cash Discount	Male	281	3.0859	.98839	.05896
	Female	179	3.1014	.98887	.07391

Table 1.2 One-Sample Kolmogorov-Smirnov Test (Test of Normality)

		Attitude towards Cash Discount	
N		460	
Normal Parameters ^a	Mean	3.0919	
	Std. Deviation	.98753	
Most Extreme Differences	Absolute	.092	
	Positive	.092	
	Negative	-.043	
Kolmogorov-Smirnov Z		1.968	
Asymp. Sig. (2-tailed)		.001	

Running the normality test it is found that the sample distribution is not the normal (0.001 < 0.005) distribution. Hence Normality of the sample does not validate the Z test for testing the hypothesis.

So, Non parametric tests have been used to test the hypothesis as mentioned below.

Table 1.3: Mann-Whitney Test:

	Gender	N	Mean Rank	Sum of Ranks
Attitude towards Cash Discount	Male	281	229.78	64568.50
	Female	179	231.63	41461.50
	Total	460		
				Attitude towards Cash Discount
Mann-Whitney U				24947.500
Wilcoxon W				64568.500
Z				-.145
Asymp. Sig. (2-tailed)				.884

Table 1.4 : Two-Sample Kolmogorov-Smirnov Test:

		Attitude towards Cash Discount	
Most Extreme Differences	Absolute	.048	
	Positive	.048	
	Negative	-.041	
Kolmogorov-Smirnov Z		.502	
Asymp. Sig. (2-tailed)		.963	

Here, at 5 % level of significance the value of the Mann Whitney and Kolmogorov-Smirnov tests are greater than 0.05 (0.884 > 0.05 & 0.963>0.005, respectively) it is concluded that there is no significant difference between Consumer attitude towards the cash discount as a sales promotion scheme and gender.

Ho31: There is no significant difference between Consumer deal proneness and Gender.

Table 1.5 : Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Deal Proneness	Male	281	3.6370	1.69509	.10112
	Female	179	3.7877	1.74630	.13052

Table 1.6 : Test of Homogeneity of Variances

Deal Proneness				
Levene Statistic	df1	df2	Sig.	
.959	1	458	.328	

From the above table it can be observed that Levene's Test for equality of variance the significance value is 0.328 > 0.10. So we conclude that both male and female categories have equal variance.

Table 1.7 : Test of Normality:

One-Sample Kolmogorov-Smirnov Test		
		Deal Proneness
N		460
Normal Parameters ^a	Mean	3.6957
	Std. Deviation	1.71488
Most Extreme Differences	Absolute	.114
	Positive	.114
	Negative	-.114
Kolmogorov-Smirnov Z		2.446
Asymp. Sig. (2-tailed)		.000

From One sample Kolmogorov Smirnov test of normality concluded that given variable distribution is not normal though having the equal variance of deal proneness across gender categories. Henceforth for testing hypothesis non parametric test should be used.

Table 1.8 : Mann Whitney U Test:

	Gender	N	Mean Rank	Sum of Ranks
Deal Proneness	Male	281	226.78	63726.50
	Female	179	236.33	42303.50
	Total	460		

Table 1.9 : Test Statistics

		Deal Proneness
Mann-Whitney U		24105.500
Wilcoxon W		63726.500
Z		-.753
Asymp. Sig. (2-tailed)		.452

Table 1.10 : Two Samples Kolmogorov Smirnov Test

		Deal Proneness
Most Extreme Differences	Absolute	.066
	Positive	.066
	Negative	-.039
Kolmogorov-Smirnov Z		.688
Asymp. Sig. (2-tailed)		.731

Here, at 5 % level of significance the value of the Mann Whitney and Kolmogorov-Smirnov tests are greater than 0.05 ($0.452 > 0.05$ & $0.731 > 0.05$, respectively) it is concluded that there is no significant difference between Consumer deal proneness and gender.

Managerial Implication

Consumer attitude towards cash discount and deal proneness does not differ according to the gender of the consumers. In FMCG sector while designing sales promotion schemes specifically cash discount gender is not important to consider.

Apart from it deal proneness of consumers while purchasing FMCG products is not affected by gender. While taking managerial decision of the dealing with deal proneness as one of the characteristics of consumer gender is not an intermediate variable.

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