

Impact of pop material on fmcg sales marketing essay



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The retail scenario in India has been evolving rapidly for the last few years. The Indian retail market is now moving rapidly towards organized retail with close to 6% of the sales being in this format. The retail market is set to change rapidly with several major business houses attempting to establish a presence in the sector. Today mega Indian business houses and corporates like the Reliance Group of Mukesh Ambani (Reliance Fresh & Reliance Hyper), Future Group of Kishore Biyani (Food Bazaar), RPG Group (Spencer's Retail), the Aditya Birla Group (More), ITC Ltd (Choupal Fresh & Choupal Saagar), Wadhawan Holdings (Spinach), the Godrej group (Nature's Basket & Godrej Aadhar), Subhiksha, J Raheja group (Hypercity) alongwith with, Shoppers Stop etc are entering this space. With such a large variety of shopping options being available the shopper now has much more freedom in terms of his purchases and is influenced by several factors. Going forward this can only seek to increase and this in turn will bring a variety of challenges for brands. Importantly consumers will now be influenced not only by the media but also by the last mile of advertising that they will come across while shopping, that is POINT OF PURCHASE material. In the retail world, " POP" is used to refer to point-of-purchase advertising displays.

POP displays can take various forms, including shelf-mounted signs, hanging posters, and more. Since an estimated 70% of purchase decisions are made within the retail store itself, effective POP displays can have a dramatic impact on sales for a particular product category or brand. Recently, static signs have begun to give way to electronic, dynamically updated point-of-purchase displays that present targeted product information, instant coupons, and more. The software used to control these dynamic POP

displays typically allows for near-real time content updates, allowing brand managers to run instant marketing experiments, geographically targeted promotions campaigns, and more.

This study seeks to understand the impact of such material on the purchasing behavior and the sales of FMCG products to the end consumer. Further this is to be calculated in terms of the impact of this material in conjunction with other forms of media. Complicating the issue is the fact that retailers themselves are now launching their own brands in order to increase their revenues which otherwise are limited. The presence of in – store brands also suggests a desire on the part of the retailer to help the consumer.

Retailers are branching out into private brands as they are looking to increase their revenues which they can only do in one of the following three ways while not getting into their own brands these being:

Sell more per customer visit

Increase the number of visits per customer while maintain the size of the shopping basket

Get more people to the store.

Literature review

The modern retail store is the place where the brands which are being advertised and the consumer finally meet. This is finally the place at which the consumer makes his end purchasing decision and spends his money on buying the product. As a result of this the communication that is received by

the consumer at this final point becomes key. The communication received must complement the information received by the consumer from other communication vehicles. POP material satisfies the need for information of the product that exists in the mind of the consumer. The emergence of private labels has also increased the importance of such material as POP is the only exposure that consumers get to private labels which often compete on pricing, usually attempting to provide an extremely similar product at a lower price point.

The POP information is growing in importance with the consumer for the following reasons:

A wide variety of products are available at the store and their advertising is done only in terms of POP and awareness is created only at this point.

POP material can often prove to be more productive than other forms of advertising and promotions

Changes in consumers shopping patterns have resulted in higher levels of impulse purchase behaviour which is greatly influenced by POP material

Lower presence levels of salespersons leads the consumer to make decisions independently based on the information available at that point of time.

POP is far more precise in terms of target marketing with its positioning being in the exact spot of the availability of the consumer.

They attract consumer attention and compel people to inspect the product and hence facilitate sales.

POP material can be in various forms in terms of Print as well as digital mediums. It is important to evaluate the effectiveness of this medium of advertising.

Purchasing behaviour

Purchasing in itself can be of two types mainly planned and impulse. Here we look at planned and impulse purchase behaviour and how a consumer reacts to its various factors.

Impulse purchasing

With the growth of modern retail formats impulse purchasing is on the rise. This is because of the greater visibility of products in the case of this format of retailing. Research has shown that all shoppers have at some point of time indulged in impulse purchasing. With shopping becoming a leisure and lifestyle activity impulse purchasing is set to rise further.

Characteristics of impulse purchasing

An intense feeling to obtain the product

Not accounting for negative consequences of the product

Feelings of excitement

Conflict between control and indulgence.

There are four different types of impulse purchasing

Accelerator impulse – purchasing in advance so as to create a security net in anticipation of the future

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Compensatory impulse – buying in order to reward oneself or for compensating for some form of failure

Breakthrough impulse – sudden reaction to long standing discontent towards a particular object which the buyer feels can be resolved with the purchase

Blinding impulse – when the desire to obtain the product overwhelms the shopper which leads to the purchase

Shoppers believe impulse purchasing to be quite different from simple unplanned purchase which may occur simply due to earlier oversight and is different from deferred purchasing and from unplanned demand.

Greater understanding of this phenomenon is needed to understand the level of readiness of the consumer towards a particular brand or a category which can be changed at the point of sale. This would enable marketers to focus their energies on more effective channels of communication. The increased tendency to not plan for shopping in advance works in their favour as they will be able to increase the levels of impulse purchasing and the overall size of the shopping basket.

Planned purchasing

Planned purchasing occurs when a shopper enters a store with any one of the following in mind

Product category and brand decided

Product category decided

Product class decided

General need recognized

At the point of purchase the consumer is exposed to a variety of brands which may be national, local or private labels. The growth of in - store brands present a major threat to established brands. They attempt to make their product uniquely identifiable in order to ensure that they do not lose any of their sales to private labels. Competitive clutter is great at the POP due to a variety of copy cat, me too and private label brands. As a result of this locating the brand that the consumer had originally decided to purchase becomes a tough ask and the opportunity for a brand - switch exists. In this scenario the consumer may end up picking up a wrong brand (copycat) or a different brand. Thus manufacturers attempt to ensure that their products and SKU'S cannot be confused with any other an attempt to create an identity for their brand which is unique from all of their competitors. At the point of purchase the salience of a brand is measured by its perceptual features such as colour luminance, edges and how it influences the goals of the consumer. The perceptual features of brands have a significant effect on search performance. In - store factors are those factors which cannot influence the consumer without his presence at the store. In - store factors include number of facings of the brand, the positions of its vertical and horizontal displays and its price. Brands are clamouring for increased visibility inside stores as studies have shown that the impact of POP is directly related to the area occupied by the POP as it maximizes the amount of time spent by the eye on it, this is valid in a area of three to fifteen square inches. Placement of the material also makes a significant difference with <https://assignbuster.com/impact-of-pop-material-on-fmcg-sales-marketing-essay/>

material which is placed at the centre of a shelf receiving maximum attention. The immense value of eyeballs at the point of purchase has led to some retailers going on to create their own in - store media and marketing programs, in turn affording the retailers an additional source of revenue and creating brand building opportunities.

A study has revealed that up to two - thirds of a brand's perceptual features depend on in - store marketing with only one - third being dependent on out of store marketing. This reiterates the importance of integration between the in - store and out - store marketing effort. In spite of the strong effect that the perceptual features of the brand on its search performance it appears that consumers only evaluate one or two features of a brand at a time when they are attempting to locate a brand rapidly and accurately. This is important from the point of view of designing the packaging of the product and for advertising which seeks to highlight the visibility of the brand on the shelves. Advertising is necessitated in order to establish strong associations for the brand with its unique features. Major brands do not require substantial in - store branding as they have high recall value from the advertising that consumers are exposed to out of the store, thus the smaller the brand the greater the need for in - store branding. There is growing evidence which supports the effectiveness of in - store marketing for these brands.

This helps us understand the interplay between the in - store and out of store marketing techniques, how they affect consumer attention and choice of brand purchase and the differing impact of POP material inside the store.

This shows that while both in and out store factors influence attention, <https://assignbuster.com/impact-of-pop-material-on-fmcg-sales-marketing-essay/>

consideration and choice there is a difference in terms of the level of impact. In - store factors primarily influence attention whereas out of store factors influence the consideration of the product in the first place and help make a choice.

The final purchase of the product is a complex interplay of a large variety of factors which include out of store material which drives recall and in - store factors such as the POP material and shelf placement of a product.

The importance of garnering the attention of the consumer cannot be over emphasised. Companies look carefully at attention drivers and then try to appeal to the senses of the consumers. This holds a large number of implications for managers as even though the decision making is done inside the store only partial information can be processed by the consumer at this point. This is where out of store factors play a major role. The greater the usage of a brand the greater the level of loyalty is developed for it. Thus in store marketing works best for little known products which do not have any major differentiating factors.

The placement of a product on a certain position of a shelf can play a major role in the amount of attention that it receives from the consumer. The placement of a product in a particular place affects the consumers brand choice decisions, a manufacturer's distribution decision and a retailer's discount and shelf space decision. The consumer has certain pre defined notions of a product based on its placement in a store and on a particular shelf. Consumers believe that products are placed from top to bottom in descending order of price and similarly from right to left. Thus the centre

position of the shelf is the place which is most valuable from the point of view of the brand and maximises its visibility and the impression that the consumer develops of it. The consumers also have a linear association between price and quality believing that a product with a higher price offers superior quality. Thus when a consumer is looking for a specific price/quality he is more likely to look at the extreme ends of a shelf whereas in other circumstances he will be looking at the centre of the shelf.

The level of intensity is changing specially with the launch of brands by retailers which command a certain degree of brand loyalty and thus sell at a premium. Essentially private brands earlier competed solely on the basis of price discrimination. Now however the POP material put up in store gains more importance with these brands developing a loyal base of customers. In cases such as GAP and BENETTON it is difficult to distinguish between the brand and the retailer making the decision making process more complex for the consumer.

The advantage that retailers possess over manufacturers is that apart from the use of regular advertising they are also able to leverage the presence of their staff at the point of purchase. Thus brands who are not retailers themselves are finding it extremely difficult to retain their customers. Ensuring that a brand has a unique identity is of tantamount importance to manufacturers.

In the case of consumers with low levels of literacy the scenario changes and their decision making process is different from that of customers with high

levels of education. The presence of visual aids in the form of POP material can play a greater role in their decision making process.

“ Literacy is a key ability factor that should influence whether a consumer is persuaded by peripheral cues rather than message claims (Viswanathan, Rosa, and Harris 2003). The lack of reading fluency that characterizes low-literacy consumers leads their cognitive resources to be devoted to low-level reading processes (word level), leaving little room for comprehension of the overall message (Perfetti 1985).”

Thus POP plays a more important role in gaining their attention and communication to them effectively specially in terms of video displays.

In conclusion

Brand switching occurs at higher levels in the case of those products which are for everyday use and require a low level of involvement. They are more readily accepted by the consumers as there is very little differentiation between them and the perceived risk in these products is low. POP plays a great role in this case acting as reminders as well as influencing the last minute decision making process.

A differentiation occurs on the impact of POP material depending on the level for the purchase. The greater the level of involvement in the purchase the greater is the level of knowledge, the greater the directly associated attributes will be evaluated and the level of differentiation that will exist in the mind of the consumer when purchasing the product will be higher.

Greater levels of knowledge for the category lead to differences existing in the favour of the brand that has out of store branding i. e. National brands. The inverse is true in the case of lower levels of involvement.

This however is not the case when the level of involvement is extremely high and the consumer is able to objectively evaluate the product purely on the basis of its qualities. In such a scenario informed consumers will choose to buy store brands over the national brands whereas the inverse is true for those who do not have the ability to evaluate as they will place their trust in a national brand as the perceived risk will be lower. An important goal for any lesser known brand is to desensitise the consumer towards national brands; this can be achieved by minimising the perceived differences between the brands as opposed to the national brand. This is what FMCG brands will have to focus on in the future, that is to maintain the differences that exist in the minds of the consumer. Retailers on the other hand will be making every effort to promote their brand through in - store advertising and even attempting to exceed national brands in terms of quality to develop customer loyalty and command a price at par with a national brand.

It is important to note that if the trust placed by the customer in the store brand is high then not only does it work against a national brand but also against other retail outlets and can turn into a competitive advantage for the brand owner/retailer.

Knowledge gaps

The Return on Investment on the money spent on Point of Purchase advertising in the industry

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Brand Switching in the case of Modern Retail in India

The differing impact of Point of purchase material in the case of

High involvement purchasing

Impulse purchasing

Research problem

To understand the role of Point of Purchase material in influencing brand switching by the consumer and the impact this has on the sales of FMCG companies looking separately at high involvement and impulse purchase categories.

Research objective

To understand the drivers for brand switching in modern retail stores in India

The role played by Point of Purchase material in the decision making process of the consumer

The level of influence exerted by Point of purchase material in the case of :

Impulse purchasing

High involvement categories

Research methodology

In order to evaluate the impact of POP the research shall be split into two separate categories being High involvement and Impulse

The products to be evaluated in each category are:

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High involvement:

Face Wash

Health Food Drink

Anti – dandruff Shampoo

Impulse:

Chocolate

Chips

Beverages

Phase 1

Secondary research

Availability of product and brand at general/modern trade locations

Sales of brands from general trade stores in percentage terms

Sales of brands from modern trade

Number of competing brands/private labels at Point of Purchase

Phase 2

Primary research

Type of research: Qualitative

Primary research will be conducted at modern trade outlets in the following

three ways

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Interviews

Entry interviews – this would involve interviewing customers at the point of entry to the store to understand the needs which they are looking to fulfil at the point of entry.

Exit interviews – evaluating the shopping basket of the same consumer on his exit and comparing it with his desires at the point of entry.

Observational studies – silent observation of customers in order to determine the product from a particular chosen from a category after taking into account the POP material at the point.

Blind purchasing – providing shoppers with characteristics of a product category, providing them with the necessary resources and asking them to purchase any brand once inside the store and evaluating their purchase decision taking into account their exposure to POP material.

Expected contribution

The study is designed to help understand the impact of POP material on sales of FMCG companies in modern trade in order to interpret the effectiveness of this medium of communication when used in modern retail outlets. It is designed to understand how this method of communication can be used more effectively when competing with Private labels and other brands which do not use other mediums and capture sales solely at the point of purchase.