

## **Impact of Promotional Expenditures in the Success of FMCG Organizations**

Muhammad Haris Arif, Tahir Ali

Karachi University Business School, Pakistan

[Haris.arif.ha@gmail.com](mailto:Haris.arif.ha@gmail.com) , [tahirali@uok.edu.pk](mailto:tahirali@uok.edu.pk)

### **Abstract**

The purpose of this study is to provide an insight into the impact of advertising, branding and retail marketing on buying behavior in FMCG'S sector of Pakistan and to examine which factor has more influence on buying behavior. A questionnaire derived from the previous studies and relevant literature was completed by 236 respondents who often engage in regular and impulse buying. Survey examine how different marketing tools can affect buying behavior and to understand consumer behavior toward such products. Convenience sampling technique was used. Multiple analyses assessed the impact of these factors on buying behavior. Result indicates that branding and retailing has a significant impact too along with advertisement and predicts good proportion of variance in impulse buying behavior. It is reasonable to conclude, on this evidence, that buying behavior can be reinforced and retained by marketers through advertisements, branding and retail marketing techniques. The relationship investigated in this study deserves further research because the data collected is from one sector in one country, more studies required before general conclusion can be drawn.

**Keywords:** packaging, labeling, retailing, advertising, celebrity impulse buying, FMCG, Pakistan.

## **Introduction**

Pakistan is the 5th biggest population of the world with population over 210.8 million therefore it is the center of attraction for consumer goods manufacturers and Fast moving consumer goods industry is one the biggest industry of Pakistan many National and international manufactures including Nestle, Procter and gamble, Reckitt Benckiser, Unilever, National foods, Tapal and many more. In this research the focused is on the promotional expenditures and their impact on shoppers buying behavior.

This research is based on the primary and secondary form of data, the secondary form of data is based on financial reports, we extract promotional expenses and the profitability with the help of these figures we find the relationship of promotional expenses and profitability of Nestle food Pakistan and Unilever food Pakistan for the last 10 years.

Primary source of data is Questionnaire filled by 236 respondents regarding their priorities while making purchase decision the three factor on which questionnaire was based on was (i) Indirect persuasion (advertising) (ii) The Art Of Retailing and (iii) Branding.

Advertising includes TVCs, Print ads, Digital Ads and celebrity endorsement the level of persuasion these elements posses in altering purchase decision similarly the factors of retailing and branding are discussed in their respective chapters.

Finally after comparing the results of primary and secondary data in the light of statistical tools we draw the conclusion of outcomes of the research and few valuable suggestion have been given where however the topic is so vast it requires further researches focused on each of the three discussed marketing factor and their impact on the growth and success of national and multinational organizations of FMCG Sectors.

## **Literature Review**

### **Advertising and its impact on consumer buying behavior**

A study done in India on Nov 2013 by Dr. D.Prasanna Kumar & K. Venkateswara Raju on the subject of advertising and its impact on consumer buying behavior suggest that advertising is designed for the purpose to convince audience to make purchase decision or at least take some action upon product, service or information etc. Their study investigate the relation between independent variables and dependent variables which were emotional response with attitudinal and behavioral aspect of consumer buying behavior, by tapping the responses of 110 respondents. The basic objective of this research is to assess the influence of advertising through attitudinal buying behavior of consumer. The outcome of their research paper conclude that the role of additional information in consumer purchase decision has implications for advertising. An convincing message reaching a potential decision maker while the buyer is seeking information will have a greater impact, since the decision maker is spared the time and effort needed to seek out this information himself and is less likely to turn to competing brand advertisements to obtain the additional information. In other words, buyers are generally more responsive to different brand advertisements while they are seeking information on these brands (Kumar & Raju, 2013)

### **Use of celebrity**

Today one of the most established forms of FMCG advertising is through the use of celebrity endorsement. In fact celebrity endorsers are being used widely in almost all television advertisements for the promotion of different brands. Marketers invest massive amounts of money in contracts with celebrity endorsers each year, since they believe that celebrities affect the process of selling of their brands or products positively. Marketers use celebrity endorsement in order to help in easy brand recall especially during purchasing situations. Though there are many studies about celebrity endorsements, but it seems that there are limited researches about the relationship between celebrity endorsers and attitudes of the consumers. Authors conducted this study to specify the impact of using celebrity endorsers in advertisements on purchase intentions of customers, particularly for FMCG products. (Shukre & Dugar, 2013)

### **Importance of shopping and marketing strategies**

A study made in Virginia in the year 2014 by Douglas D. Davis (Virginia Commonwealth University) and Charles A. Holt (University of Virginia ) illustrates the importance of shopping and marketing strategies when the price-setting institution typically used to model retail exchange is modified to allow buyer-specific discounts from the list price. Unlike the simple price-setting game, a variety of shopping and marketing strategies can be rational in this more complex setting. The experimental data provide support for the qualitative predictions of the model.

### **Impact of branding on impulse buying behavior in FMCG sector**

A study made on impact of branding on impulse buying behavior in FMCG sector of Pakistan in 2016 by Mr. Mudassir Hussain and M Waheed Akhtar suggest that branding has significant impact on impulse buying behaviour in FMCG sector in Result indicates that branding has a significant impact and predict good proportion of variance in impulse buying behavior. It is reasonable to conclude, on this evidence, that impulse buying behavior can be reinforced and retained by marketers through branding, nice packaging and labeling in a sophisticated manner. The relationship investigated in this study deserves further research because the data collected is from one sector in one country, more studies required before general conclusion can be drawn. The act of shopping is main feature of consumer's lives; it is continually growing and making applicable inquiry and understanding of this field. Impulse buying has been considered as an important form of consumer buying action (Cobb & Hoyer, 1986). The factors triggering such purchases are important to understand, as nine out of ten shoppers buy on impulse occasionally (e.g. Silvera et al., 2008; Cobb & Hoyer, 1986). Today almost 70% of buying choices are made at outlets or selling points (Heilman et al, 2002), which report for huge quantity of products sell under a wide series of product categories by impulse buying (Weinberg & Gottawald, 1982). So what is an impulse buying exactly? (Stern, 1962) describes that planned buying behavior is based on rational decision making and is more time consuming. In contrast, unplanned buying includes purchases without such pre planning and rational decision making therefore includes impulse buying. Scholars suggested that most important factors that separate planned and impulse buying is speed with which buying decisions done. (Piron, 1991) defines an impulse buying that comprises four criteria. (Hodge, 2004) impulse buying is unplanned, arise from reaction to stimulus, involves

cognitive and emotional reaction, and “on spot decided”. Furthermore, impulse buying viewed as “a response to inexpensive offerings” by previous research (Hausman, 2000), existing literature considered the phenomenon as an individual characteristics or trait. (Rook, 1987) considered impulsive behavior is a “lifestyle trait” of consumers. Some researches expose that consumer experience strong feelings about impulse purchases than about planned buying (Gardner & Rook, 1988).

### **Research Methodology**

The study is made to identify "Is there any significant relationship between promotional and distributional expenditures with the success of FMCG organizations.

#### **Hypothesis # 1**

Promotional war between FMCG Organizations has adversely affecting the profitability of organization during the last 10 years.

#### **Hypothesis # 2**

There is a significant impact of rising promotional budgets on the success of FMCG organizations over the last 10 years.

### **Research Design**

#### **Nature of the study**

The study conducted in this research is quantitative in nature.

#### **Sampling technique**

The sampling technique used for the primary data collection is random sampling because of the reach and availability of the FMCG firms

#### **Population**

The target population of this research are the general FMCG consumers and customers of Pakistan. According to the last census, the population of Pakistan is 207 Million out of which 101 Million are male and 106 Million are females.

#### **Sample size**

The study was conducted on a sample size of 236 people including Males/Females and aged between 18-65 years old from SEC ABCD and Urban Pakistan.

**Data collection**

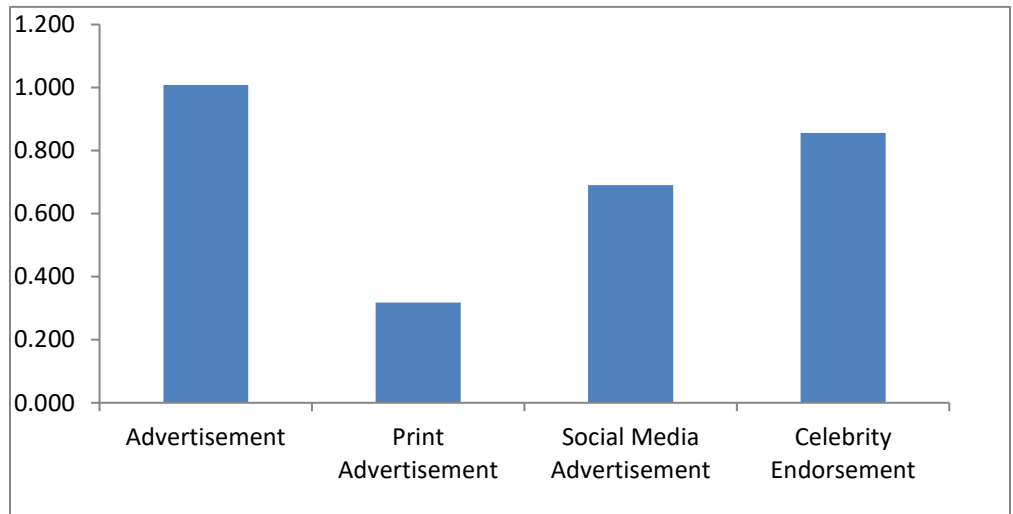
The secondary and primary data were collected for this research. Secondary data is collected through the published annual reports of the FMCG firms and primary data was collected through questionnaire and interview.

**Outcomes Of The Research**

Primary data of 236 respondents were collected and according to the result of responses the following outcome is concluded.

**Advertising**

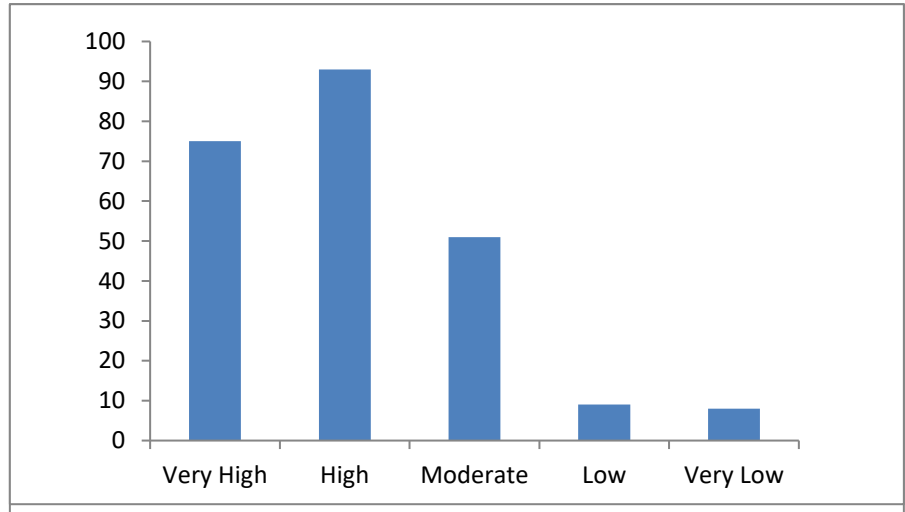
On the basis of above chart it is recommended that allocation of advertisement budget must be allocated according to the percentage of influence a factor may create. TV Advertisement positively contributes 35% which means it should get



the maximum attention followed by celebrity endorsement contribution of approx 30%, then Social Media Advertisement contributes 24% lastly Print ads convince or influence 11% of the population.

**Retailing**

The respondents’ answer for the visibility questions showed the following results 75 out of 236 respondent believes that their purchase decision is very highly based on the shelf presentation and displays, however 93 people



claims that shelf display have high impact on their purchase decision then 51 thinks shelf presentation moderately influence them to buy, where as 9 and 8 respondents voted for low and very low respectively. The mean will help to conclude the result in more significant manner.

**Branding**

Factors	Mean	Percentage of Mean
Brand Profile	0.911017	14.546681 %
Company profile	0.978814	15.629233 %
Previous experience	1.228814	19.621113 %
Quality of the Brand	1.135593	18.132608 %
Brand Loyalty	1.072034	17.117725 %
Packaging	0.936441	14.952641 %
<b>Total</b>	<b>6.262713</b>	<b>100 %</b>
Average mean	1.0438	

On the basis of above chart it is recommended that allocation of retailing budget must be designed according to the percentage of influence a factor may create. brand good will plays a crucial role in convincing more than 14% of the sample size, company profile convince 15.62% of the sample size, previous experience successfully convince highest number of respondents which more than 19% followed by quality of brand with 18% brand loyalty with 17% and packaging by 15%.

## Conclusion

It is very important to allocate the marketing budget wisely and it must be very calculated to achieve the greater success generally our organizations allocate most of their budget in advertising where as other marketing area left with very less amount. In this research I worked on three main areas of marketing

- Advertising
- Retailing
- Branding

Our research suggest that all three of the factor have certain importance but mean of respondent's responses suggest that the average mean of advertising factor is 0.71822 which is approximately equal to 1 means respondents thinks its importance to high extent however the mean of TV advertisement and celebrity endorsement is on a higher side simply means that advertising budget spend more on these two factor and less on remaining factors.

Retailing is one of a very crucial marketing techniques of modern days it covers category management, channel management and Shopper marketing. when we asked our respondents about the role of retailing in their decision making their responses suggest that it has significant importance the mean of retail based question is 1.017 which is higher than advertising mean hence it must get more importance and more budget than of advertising

Like advertising and retailing the third and most important marketing tool we discussed in this research is branding while advertising and retailing give short term benefit to the organization branding give long term benefits to the organization this might be the reason that the mean of branding from the responses of questionnaire is higher than both advertising and retailing which is 1.047 it is the clear indication that branding must get higher attention in order to get long term benefit instead of get sudden buzz the and then the early downfall.



## References

Advertising and its impact on consumer buying behavior by Dr. D.Prasanna Kumar & K. Venkateswara Raju, 2013

Use of celebrity by Shukre and dugar, 2013

Importance of shopping and marketing strategies by Douglas D. Davis (Virginia Commonwealth University) and Charles A. Holt (University of Virginia )

Impact of branding on impulse buying behavior in FMCG sector by Mr. Mudassir Hussain and M Waheed Akhtar