

An Empirical View of the Different Types of Consumer Promotions in India

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Abstract

The paper provides an empirical view of the range of promotions launched in the Indian market place from 1996 to 2003. The different promotions include free gift offers, price offs, extra product offers, exchange offers, buy-more-and-save offers, contests and sweepstakes. The most frequently launched promotion is the free gift offer followed by the sweepstake offer and extra product offer. Some differences in trends are found across FMCG, Consumer Durable and Service sectors. A detailed description of each type of promotion is provided in order to highlight the different incentives offered by such promotions.

An Empirical View of the Different Types of Consumer Promotions in India

Expenditure on sales promotion by various marketing companies in India is estimated to be Rs. 5,000 crore and is growing at a robust pace every year (*Economic Times* June 15, 2003). Companies in an attempt to drive sales offer various kinds of consumer promotions from price offs, extra product, freebies, scratch cards. In the year 2001, there were as many as 2,050 promotional schemes of all kinds in the Rs 80,000 crore FMCG industry. In the year 2000, the number stood at 1,954 schemes (Financial Express, 2000).

There have been very few discussions in sales promotion literature about how different types of promotions may be classified. One dimension, which has been suggested to classify different promotions, is the price versus non-price nature of the promotion (Campbell and Diamond, 1992; Blattberg and Neslin, 1990). Price promotions are defined as ‘promotions such as coupons, cents off, refunds and rebates that temporarily reduce the cost of the goods or service’ (Cooke, 1983). These promotions focus on the reduced economic outlay required to obtain a good or service. Non price promotions are defined as ‘promotions such as giveaways or contests in which value is temporarily added to the product at full price’ (Cooke, 1983). Studies, which have compared consumer response to different promotions, have followed this classification in differentiating between types of promotion. A list of the different types of price and non price promotions and their definitions is shown in Table 1.

Table 1

Classification of Different Promotions

Nature of Promotion			
Price Promotions		Non-price Promotions	
<i>Offer</i>	<i>Definition</i>	<i>Offer</i>	<i>Definition</i>
Price-off	Offers a discount to the normal selling price of a product	Extra product	Offers an increased quantity of the product without an increase in normal retail price
Coupon	Offers a certificate that provides a price reduction at point of purchase	Premium	Offers a free gift in addition to the main purchase
Rebate	Offers cash back from the manufacturer on a purchase	Contest	Provides a chance to win a large prize through skill
		Sweepstake	Provides a chance to win a large prize based on chance

Definitions paraphrased from Blattberg and Neslin, 1990

Although a wide variety of price and non-price promotions are launched in the market, most of the academic research on promotions has focused on price promotions, namely price offs and coupon offers (Blattberg, Briesch and Fox, 1995). Promotional tools such as free gift offers, extra product offers that are increasingly being used in the market place. However very little academic theory or research has looked at how consumers perceive and respond to such promotions. In recent years, researchers have started comparing consumer response to different promotions e.g. price promotion versus premium promotion (Nunes and Park, 2003) or extra product promotion versus price

promotion (Smith and Sinha, 2000). These researchers have found that different types of promotions evoke differential response. However, studies have not attempted to systematically identify the entire range of promotions launched in the market place.

A first step towards researching different promotions is identification of the range of different promotions launched in the market place. The present paper provides an empirical view of the variety of promotions launched in the Indian market place for the years 1996 to 2003. It further reports the incidence of the different promotions in different sectors e.g. FMCG, Consumer Durables and Services. Finally, details about each type of promotion are noted in order to highlight the different incentives offered by each type of promotion.

METHOD

Television and print advertisements across a range of product categories were content analyzed starting from 1996 to 2003. The advertisements were sourced from a database maintained by MAGINDIA, a not-for-profit center of Indian advertising which tracks and records advertisements across years. Totally 480 print ads and 190 televisions ads across the years were analyzed. The analysis pool contained 19 ads for 1996, 15 ads for 1997, 27 ads for 1998, 18 ads for 1999, 26 ads for 2000, 127 ads for 2001, 464 ads for 2002 and 75 ads till June 2003. The distribution of different promotions across the years is shown in Table 2.

Table 2

Different Types of Promotions launched from 1996-2003

Type of Promotion	2003	2002	2001	2000	1999	1998	1997	1996
Price off	4%	9%	8%	4%	6%	4%	7%	16%
Free Gift	53%	53%	61%	50%	50%	59%	67%	58%
Sweepstake	16%	11%	7%	15%	6%	7%	0%	0%
Extra Product	11%	8%	6%	4%	28%	7%	13%	5%
Contest	7%	4%	1%	0%	0%	7%	0%	0%
Exchange offer	0%	4%	5%	4%	0%	4%	0%	11%
Buy two items and save	3%	5%	4%	0%	0%	0%	0%	5%
Any other	7%	5%	9%	23%	11%	11%	13%	5%
Total	75	464	127	26	18	27	15	19

The product categories analyzed in the study covered Consumer Durables, Services and Fast Moving Consumer Goods. In total around 54 product categories were covered in the study.

A classification table was developed for the purpose of the content analysis (Appendix 1). Firstly, basic details on year, product category and brand name was noted for each promotional advertisement. Following this, the type of promotion was recorded. Raters were provided sentence long descriptions of different promotions (Appendix 2) and identified promotions based on how they matched the descriptions. Further to this, details about each type of promotion were recorded. E.g. for a price promotion, the amount or percentage of price discount was recorded. For a free gift promotion, nature of the free premium, the price and brand name was recorded. Promotions that did not fall into any of the descriptions provided to the raters were recorded in the 'Any Other' category and details of such promotions were noted down.

Two coders were trained to content analyze the promotional advertisements by product category. Coders viewed each promotional advertisement and noted details about the type of promotion.

RESULTS

▪ Frequency of Promotions across Product Categories

Before proceeding with the main analysis, the frequency of promotions across different sectors of FMCG, Consumer Durable and Services were noted. The frequency of promotion in these sectors is shown in Table 3.

Table 3

Frequency of Promotions across FMCG, Consumer Durable and Services

	#	%
FMCG	349	45%
Durables	341	44%
Services	82	11%
Total	772	

The frequency of occurrence of promotions is similar between FMCG (45%) and Durables (44%) sectors. The Services sector accounts for the lowest number of promotions. Within FMCG, the most frequently promoted product categories are soap, detergent liquid/powder and tea. These are also product categories with the highest level of market penetration (NCAER: Indian Market Demographic Report, 2002). Within Durables the most frequently promoted product categories are colour television and personal computer. The most frequently promoted categories in the Services sector are Fast Food Restaurants and Cellular Phone Service.

▪ Frequency of Different Promotions in Services, Durables and FMCG

The different types of promotions identified in the study include price offs, free gift offers, sweepstakes, extra product offers, contests, exchange offers and buy-more-and-save/get offers. The overall frequency of occurrence of these promotions as well as frequency of occurrence in FMCG, Durables and Services was analyzed as shown in Table 4.

Table 4
Frequency of Occurrence of Different Types of Promotions

	Services		Durables		FMCG		Total	in %
	#	%	#	%	#	%		
Price off	7	9%	38	11%	16	5%	61	8%
Free Gift	41	50%	181	53%	200	57%	422	55%
Sweepstake	6	7%	41	12%	36	10%	83	11%
Extra Product	12	15%	10	3%	43	12%	65	8%
Contest	5	6%	6	2%	16	5%	27	3%
Exchange offer	0	0%	30	9%	0	0%	30	4%
Buy two items and save/get	4	5%	15	4%	13	4%	32	4%
Other	7	9%	20	6%	25	7%	52	7%
Total	82		341		349		772	

The most popular promotion is the free gift promotion, which constitutes more than half (55 %) of the total number of promotions. This is followed in popularity by the sweepstake promotion (11%), which in turn, followed by the extra product promotion (8%) and the price off promotion (8%) in popularity. In Services, the order of frequency of promotions is the premium promotion followed by the extra product promotion followed by the price off promotion. In case of Durables, the order of frequency of promotions is the premium promotion followed by the sweepstake promotion followed by the price off promotion. In FMCG, the order of frequency of the promotion is the premium promotion follows by the extra product promotion, followed by the sweepstake promotion. A detailed analysis of each type of promotion is provided in the following section.

▪ **Details about Different Types of Promotions**

The specific details about the different types of promotions - price offs, free gift offers, sweepstakes, extra product offers, contests, exchange offers and buy-more-and-save/get offers - are discussed in the following section.

1. Exchange Offer

This promotion is seen mainly in the consumer durable product category. This promotion requires the consumer to exchange an old product for a new one and get some benefit, usually a price reduction. For example, in case of cars, the scheme offers the consumer a price reduction of Rs. 10,000 on the new car in exchange for an old car. For pressure cooker, the scheme offers a price reduction of 40% on exchanging an old cooker for a new cooker. In case of household durables, the scheme usually requires the consumer to exchange an old model of a product (e.g. AC, refrigerator, music system, mixer grinder, gas stove) to get a price reduction on the new model. Apart from exchanging an old durable good, the scheme also involves exchanging a small TV for a big TV. Most exchange schemes provide an incentive to purchase in the form of a price reduction. One exchange scheme involved returning an old washing machine for a new one and getting an electric iron as gift.

The purpose of the exchange scheme appears to be upgrade existing users of durable products to newer and larger sized models of a product.

2. Free Gift Offer

This promotion is popular across a range of product categories. It offers the consumer an incentive to purchase in the form of a free product/service. For example, in case of a car purchase, the consumer is offered a free product such as a music system or accessories. The consumer may also be offered a free service such as extended 3-year warranty or free insurance. Often the product offered free is a complement to the original purchase. This is illustrated by instances of the following types of free gift offers:

- a free stabilizer with an AC purchase
- free pillows with a mattress purchase
- free petrol on a 2 wheeler purchase
- free toothbrush with toothpaste
- free shaving blade with shaving gel/foam.

At times, the product offered as a free gift constitutes an upgrade to the original purchase. For example in case of Computer Printers, a free Internet connection, Internet telephony kit, software titles and multimedia package is offered along with the printer. Or in case of notebook computer/PC, the consumer is offered a Free Internet upgrade and 20 GB, Web Camera, Printer, Britannica CDs, software. In case of fast food restaurants, the free products are items such as soft drink, bread stick, pineapple fudge, garlic bread, ice cream cookies. Here the free products appear to be 'use complements' to the original product.

At other times the free product may be a related product or product used in a similar context e.g. cooking or cleaning or personal care or eating. For kitchen products, the free product are items used in the kitchen such as plastic containers, metal spoon, tawa, non stick pan, idli stand, serving bowl, table mat and OTG. In case of detergent powder/cake the free products are related cleaning products such as bleach, washing soap, washing powder, bucket, bath soap, floor cleaner and utensil cleaner. In the skin care segment, the free products are other personal care items such as soap, body lotion, shampoo sachet, shaving cream and toothpaste. In case of food products, the free product comprises of other edible items such as biscuits, coffee, namkeen, salt, chocolate.

At other time the free product may be totally unrelated to the original purchase. For example the consumer may be offered a free pen with a skin care cream or free batteries with soap. It is possible that, in such, cases, the products through unrelated are targeted to the same segment of consumers. This is particularly seen in free gift promotions targeted at children. For example, in case of health drinks, the free product are items such as cricket bat, zoom ball, story book, pencil box, biscuits, binoculars, toy bike, cricket set, football and trendy wristwatch which are valued by children. Similarly, in case of confectionary products such as chocolates and biscuit, the free products are products relevant to children such as comics, sticker, toy, tattoo, magic paint card and magic candle.

In some cases, the free gift offered along with the purchase is another product variant offered by the company. For example in case of fruit juice the consumer is offered the

guava flavor fruit juice when he/she buys 5 packs of orange flavor. In case of spices, the consumer is offered Kashmiri mirch along with purchase of the regular spices.

Several free gift offers have a pre commitment of size or value of purchase from the consumer. The consumer has to make a certain value of purchase before he is entitled to the free gift. Often, there are smaller gifts associated with purchase of smaller pack sizes and larger gifts associated with purchase of larger pack sizes of a product. In most cases, the price of the free gift is not mentioned. The brand name of the free product e.g. Timex watch or Motorola handset is mentioned in some cases.

3. Sweepstake offer

The sweepstake offer gives the consumer a chance to win a large prize through luck. It usually involves a lucky draw or a scratch card based on which the winners are decided. The prizes offered on this promotion can be broadly classified into two types. The first type of prize is a trip to a foreign location e.g. Paris, London, Thailand, Singapore or Malaysia. Many brands offer a trip to the South Africa World Cup as a promotional attraction. The second type of prize are durable products such as Bike, Car, Watch, Washing Machine, Television, Refrigerator, DVD, Mobile Phone, Cordless phone, PC, Microwave, Camera, Sunglasses, Gold Jewellery, Gold Coin. Gold has a major appeal as a prize on the sweepstake promotion across diverse product categories such as soap and personal computer. In some cases, the details of the prize on the sweepstake promotion is not specified and is stated as 'prizes worth Rs. 50 crores.'

4. Buy more and save/get

This type of promotion requires a consumer to buy two or more products to avail of the promotional advantage. The promotional benefit is usually in the form of money saved as a result of buying two or more products at the same time. In certain cases, the promotion requires the consumer to buy additional units of the same product to avail of the promotional advantage. For example, in case of bath soaps and detergent cakes, this promotion requires the consumer to buy three bath soaps/detergent cakes and get one soap/detergent cake free. In case of fruit juice the consumer is required to buy 5 packs of

fruit juice and get one pack of fruit juice free. This promotion seems to be popular in categories where the extra units of the product offered on the promotion can be stored for future consumption.

When different products are bundled together on this promotion, there is usually a relationship between the products. For example in case of computer printers, this scheme requires the consumer to buy a printer and scanner together and get a price reduction. In case of consumer durables, this scheme attempts to induce the consumer to buy greater number of products from the same company. For example the scheme requires the consumer to buy AC and refrigerator or AC and microwave of the same brand and avail a price reduction. In FMCG products, this promotion requires the consumer to buy toothpaste and toothbrush together or buy shaving cream and blade together to get a price reduction. This promotion is seen in case of Fast Food Restaurants as well where the consumer is required to buy a pizza, coke mobile and garlic bread and get a saving on the combination purchase. In case of FMCG products, this type of promotion bundles together products that are use complements.

5. Contest offers

Contest offers are seen mostly in products targeted at children. In case of Fast Food restaurant, this promotion requires the consumer to fill up a coupon and get a chance to meet a film star such as Hrithik Roshan. In case of soft drinks, the contest offer requires the consumer to answer a question in an ad and get a chance to meet a movie star. In other product categories, the prizes offered on this promotion are similar to those on the sweepstake promotion. The consumer is offered the chance to win a car or a flat or various household durable appliances.

6. Extra Product Offers

Most of the extra product promotions (65%) are seen in the FMCG category where the extra units of product serve as additional consumption units for the consumer. There are no extra product promotions seen in the durables product category. In FMCG, the specific products on which the extra product promotion is launched include Talcum

Powder, Detergent Cake, Soaps, Fruit Juices and Hair Oil. In case of toothpaste the promotion requires the consumer to buy one toothpaste and get the second toothpaste free. In a talcum powder extra product promotion, the consumer is offered 20% extra in the same pack. This promotion is also seen in the Services sector. In case of Internet service provider, this promotion offers extra hours on the Internet and free Internet access on Sunday. In case of fast Food restaurants, the promotion offers a second pizza free along with the original pizza or a slice free along with the original pizza.

- *Other Offers*

A variety of promotions are seen in the 'Any Other' category. One frequent promotion in the consumer durable category is the 0% finance scheme for purchase of two wheelers, notebook/PCs, refrigerator, music system, television, microwave oven, 2 wheeler.

A different kind of promotion requires the consumer to invest money in order to avail the promotional benefit. In case of fans, this sort of promotion requires the consumer to purchase 3 fans and pay Rs. 90 to get a wristwatch worth Rs. 480. Another such promotion requires the consumer to buy a fan, pay Rs. 40 and get a free camera worth Rs. 300. In case of health drinks, the promotion requires the consumer to pay Rs. 7/- more and get a badminton racket free.

A variant of this promotion is another promotion, which requires an investment of effort rather than money from the consumer. For example, in case of tea, the consumer is required to pay Re. 1 and get a Britannia biscuit pack free along with the tea pack. In case of salt, the consumer is required to collect a newspaper coupon and pay Re. 1 to get a pack of salt.

Yet other types of promotions require an investment of both money and effort from the consumer in order to avail of the promotional benefit. For example, a soft drink promotion requires the consumer to collect crowns and put in some money to get a price discount on the soft drink. In case of ice cream the consumer is required to collect three ice cream wrappers to get a scratch card which gives him the opportunity to win lakhs of prizes. In case of chocolates, the promotion requires a consumer to exchange empty chocolate wrappers to get movie tickets or bunny stickers free.

Appendix 1
Data Collection Instrument

MAGINDIA AD ID:	
YEAR 1994	
PRODUCT CATEGORY	
BRAND NAME	
PACK SIZE (if mentioned)	
PROMOTION TYPE	
	Price off
	Free Gift
	Sweepstake/Scratch card
	Extra Product
	Contest
	Exchange offer
	Buy two items and save
	Any other (please mention name)
IF PRICE OFF PROMOTION	Amount of price discount
IF FREE GIFT PROMOTION	Name of gift item
	Brand name of gift item
	Price of gift item
IF EXTRA PRODUCT PROMOTION	Amount of extra product
IF BUY TWO & SAVE OFFER	Names of two items
	Brand names of two items
	Savings/Benefit offered
IF CONTEST/SWEEPSTAKE OFFER	Prize(s) offered
IF EXCHANGE OFFER	Details
ANY OTHER DETAILS	

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