

SALES PROMOTION PRACTICE IN APPARELS IN RETAIL SECTOR

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ABSTRACT

Indian apparel market is at the infant stage where extensive changes are to be evident, due to mass urbanization and shift of population from rural to urban areas we can see rapid growth which has spawned a new class of consumers with more money to spend, and mainly a growing passion for fashion. In this new opportunistic market like India there is a high scope for apparel retailing, wherein there is significant growth opportunity for both foreign and domestic players. This research studies the industry in detail from both business point of view and customer's perspective. This research attempts to understand sales promotion practices presently implemented by organized apparel retailers, the way they evaluate these strategies and the challenges ahead. The research was divided into two parts, i.e. one from the business point of view and the other from customers' viewpoint. Hence the sample for customers consists of 200 respondents and sample of 5 multi-brand apparel retailers in Bangalore south. Primary data was collected through a structured questionnaire for customers and an interview session with the store manager of the apparel retailer on the basis of a draft questionnaire. Secondary data was collected from research reports, databases, journals, articles, previous projects etc. SPSS 17.0 and excel was used to compute the data statistically. The results of the study will help the apparel retailers plan their sales promotion strategies to reach their customers and influence them to visit their store to purchase apparel products.

KEYWORDS: Apparel Discounts, Apparel Retailer, Apparel Sector Challenges, Sales Promotion.

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INTRODUCTION

The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

The total concept and idea of shopping has undergone a phenomenal change in terms of retail formats and consumer buying behavior, ushering in a revolution in shopping in India. Modern retailing has entered into a new phase in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof.

A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized retail sector in India. The growth pattern in organized retailing and in the consumption made by the Indian population will follow a rising graph helping the newer businessmen to enter the India retail industry.

In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the Indian retail Industry to grow faster. Indian retail is expected to grow 25 per cent annually.

According to various studies there are seven aspects of the promotional mix. In the case of sales promotions media and non-media marketing channels are employed for a fixed period of time to create demand and increase sales. Examples include contests, discounts, coupons, freebies, offers, schemes and rebates. Sales promotions can be introduced to three sets of people, namely the customers, sales staff, and distribution channels such as retailers or wholesalers.

Sales promotions activities targeted at the consumer are called 'consumer sales promotions'. Sales promotions designed to target the retailers and wholesalers are called 'trade sales promotions'. Sales promotion is basically designed in such a way that it provides value addition or benefit to customers, wholesalers and retailers to maximize the sales turnover. These strategies are mainly an attempt to create interest and a positive word of mouth to create a need and a desire to purchase.

The objectives of sales promotion include entering new markets, to attract new customers and retain the existing ones, to clear old and non moving stocks, to meet the challenges of competition, to create awareness and a positive word of mouth in the market. Sales promotions tools include buy-one-get-one-free, loyalty card programs, free gifts, and discount prices during end of season and festivals and joint promotions.

REVIEW OF LITERATURE

Several studies have been conducted on apparel retail sector worldwide including developing countries, but reports and studies on usage of promotions are majorly in context with developed markets only. A brief overview is presented below.

Dhir, Sachdeva and Jain (2011) have said that the Indian domestic market for apparels is growing very fast and only 16% is organized. They have forecasted that the growth of the domestic market is expected to be tremendous; growth drivers include increased income, high growth of Gross Domestic Product (GDP), rapid urbanization, organized retail, entry of large players, awareness & need to look fashionable. They have found that the Indian wear, especially in women segment has captured a larger market share. It also says that this area of apparels is highly unorganized with very few branded players.

Pal (2010) says that, 'The Indian retail industry undergoes major revolutions. Retailing in India is gradually becoming the next boom industry. In India, there will be the fastest growth in retailing and real estate. The consumer buying patterns and behavior are changing steadily. The growth of India's retail sector not only limited to urban areas but also growing in rural areas. In the next five years, it is expected that, India's retail industry will expand by more than 80%.'

Liu, Yuping (2007) found out the long-term impact of loyalty programs on consumer purchase behavior and loyalty. The study found out that consumers who were heavy buyers at the beginning of a loyalty program were most likely to claim their qualified rewards.

Rahil (2007) have covered the whole retail sector of India. This paper starts with the potential of this industry wherein the industry was initially overlooked by both government and business giants but today has become a major area of investments. The paper here continues to bring out the Indian retail story with the objective of highlighting some of the major concerns that organized retailers will have to consider as they venture into the Indian market. The paper outlines the transformation of the Indian consumers and highlights the characteristics of the unorganized and organized retail sectors in India. It then covers some of the ground realities of

the support infrastructure that will pose major challenges to the large retail chains in India. Finally the paper ends with some lessons for both domestic and foreign organized retailers as they attempt to make entry into the largely unexplored but tremendously fertile Indian retail landscape.

Heerde, Gupta (2003) in their report the authors speak about the elasticity of promotion activities. The authors prove that approximately 74% of sale promotions help in brand switching or in other words help companies to pull in customers of their competitors, and the remaining effects the demand and sales. The authors offer a complementary decomposition measure based on unit sales. The measure shows the ratio of the current cross-brand unit sales loss to the current own-brand unit sales gain during promotion; the authors report empirical results for this measure. They also derive analytical expressions that transform the elasticity decomposition into a decomposition of unit sales effects. These expressions show the nature of the difference between the two decompositions. To gain insight into the magnitude of the difference, the authors apply these expressions to previously reported elasticity decomposition results and find that approximately 33% of the unit sales increase is attributable to losses incurred by other brands in the same category.

Dana (1998) studied consumers' attitudes towards the use of coupons (a price-oriented promotion) and sweepstakes (a non-price promotion). The models were designed specifically for developing or newly industrialized countries with collectivist cultures and were tested with consumer samples from Taiwan, Thailand, and Malaysia. The study suggested that marketing managers use price-oriented promotions such as coupons, rebates, and price discounts to increase sales and market share, entice trial, and encourage brand switching. Also the use of non-price promotions such as sweepstakes, frequent user clubs, and premiums add excitement and value to brands and encourage brand loyalty.

IMPORTANCE OF THE STUDY

The apparel retail landscape is changing phenomenally with globalization which has led to lot of players in the apparel retail sector. All apparel retailers are vying with each other to retain existing customers and attract new customers. To achieve this objective all the apparel retailers plan sales promotion activities both short term and long term. Hence, it is important to study the various sales promotion activities implemented by the organized apparel retailers. This research

attempts to understand the sales promotion practices presently implemented by organized apparel retailers, the way they evaluate these strategies and the challenges ahead for them to continue to be profitable in the competitive market.

STATEMENT OF THE PROBLEM

It is seen that many organized apparel retailers use sales promotion activities widely to promote their outlets and to make maximum sales. In spite of wide use of sales promotion activities in Bangalore there has hardly been any study on examining the sales promotion practices followed by apparel retailers in Bangalore. Apparel sector has seen rapid growth in Bangalore's organized apparel retailer market, wherein we have huge retailers fighting out to catch up their share in the market.

With such an emerging sector it is very important to understand the sales promotion practices followed by multi-brand apparel retailers, implementation and managerial challenges for future changes.

OBJECTIVES

The study is to understand the current sales promotion techniques adopted by multi-brand apparel retailers in Bhavnagar.

- To compare and understand different sales promotion practices used across multi- brand retailers.
- To find the evaluation criteria used by the multi-brand apparel retailers for sales promotions activities.
- To know the challenges ahead for the multi-brand apparel retailers.
- To understand the sales promotion influence on purchasing trend of customers.

HYPOTHESIS

H0: There is no significant influence of sales promotion on consumer purchase in apparel store.

H1: There is a significant influence of sales promotion on consumer purchase in apparel store.

RESEARCH METHODOLOGY

Here exploratory research design has been used for good and qualitative outcome. The data collected is completely based on qualitative method for apparel retailers and quantitative method for apparel customers. The data is collected by using open-ended questionnaire presented to the store managers and department managers of apparel retailers for their opinions and the data is further interpreted. It was more of an interview based interaction wherein the questionnaire helped as a base. For getting the customers perspective, a structured questionnaire was prepared and responses.

The source of data is both primary and secondary. The secondary data was collected from company reports, industry research reports, articles and journals. Also, interaction with the marketing companies of these retailers during the course of data collection helped in knowing the market and different types of promotions as well.

Understanding of secondary data helped in interacting with the target sample and structures the questionnaire. Convenience sampling technique was used.

In the first stage the population was divided into two broad categories namely, the apparel retailers and the customers. The selection was based on a convenience basis as per personal judgment and availability.

In the second stage, to understand the buyer's behavior their data was further divided according to their shopping destination.

In the third stage, data from all the five retailers were compared on a few parameters and the findings from that data has been identified and details captured. Sample size consisted of 5 respondents who were apparel retailers for qualitative study and 200 respondents who were apparel retail customers for quantitative study. An extensive fieldwork was conducted for a period of more than 30 days wherein the apparel retailers were interviewed on the basis of predetermined set of questions.

Then a different set of structured questionnaire was used to collect data from the direct customers.

The collected data from the apparel retailers were set in a tabular form and the findings of each of the five retailers were compared and analyzed in detail. The data collected from the customers were analyzed using SPSS 17.0 package.

RESULTS AND DISCUSSION

All the companies have a basic target audience which is mainly between 19-30 years of age. These are the target customers to rope in for the retailers. But these are again differentiated on the basis of their standard of living and preference. Each and every company has their own methods to evaluate any particular promotional campaign. Companies like planet fashion want to just clear the pending stock, megamart has sales promotion on the basis of sales generated, shoppers stop on the basis of conversions and footfalls generated. Best method was adopted by lifestyle wherein they compared revenue, sales, quantity; all three on monthly and weekly basis and then on the basis of time period, i.e. revenue, sales, quantity during promotional period compared to non promotion period.

Coming to the future challenges that the companies feel and strategies they are coming out with, all are very positive and optimistic about the future competition and considering it to be an opportunity, two are entering the online sales route, one is changing its store appearance and store type and one is planning to enter the tier II markets.

FINDINGS

TABLE 1: SALES PROMOTIONS ACTIVITIES OF MULTI-BRAND APPAREL RETAILERS:

Store name	Planet Fashion	Mega mart	Lifestyle	Reliance Trends	Shoppers Stop
1.End of Season Sale	Yes	Yes	Yes	Yes	Yes
2.Festive Promotions ((Diwali, Christmas etc)	Yes	No	Yes	Yes	Yes
Loyalty card program	No	Yes	Yes	Yes	Yes
Special Promotion Event	No	Yes	Yes (Shoe fest, Denim	Yes (republic day,	Yes (suits mela,

			fest, etc) categorywise	independence day	formal mela etc)
Joint Promotion	No	Yes (radio 94.3, sponsorships)	No	No	Yes (Citibank, Vibes, Horlicks, Movies etc)
Media used	Print, T.V	In store, Electronic, Print, radio	Hoardings, Instore promo, print, radio, pamphlets	Print, electronic, hoardings	Below the line activities
Target Population	25-40 yrs, office goers	All age groups	21-35 yrs, fashionable youth	All age group, middle class	Different categories for different age groups
Promotion Type	Flat 60%, direct clearance	Price promotion, free gifts, contests, combo offers	Gift vouchers, discounts, contests	Gift vouchers, discounts	Discounts, gift vouchers, discount promotions
Evaluation of promotion	Clear stocks and increase sales	Increase sales revenue	Comparison of sales revenue, qty on week, time period basis	Sales period & non-sales period	Conversion of footfalls generated
Future challenges & strategies	Positive, Entering of online retailers	Very positive, top level management decision	Store products based on changing choice and preferences of consumers	huge positive scope, entering tier II cities	Very optimistic, many benefits. Entering online sales.

Interpretation.

Apparel sector is a very dynamic and innovative sector where trends, tastes, and preferences of apparel customers changes very fast. Hence clearing of stock twice a year with more than 50% off on MRP is used. If the stocks are not cleared it can remain unsold adding to the inventory cost and shelf space. As a result we can observe that all the stores in this sector engage in end of season sales.

In India purchases take place frequently due to many occasions and reasons making it a must to make purchases. Seeing this factor promotional offers are very much there during the festive period majorly on new arrivals. Wherein there are hardly any huge discounts offered but many different offers and schemes.

Data also shows that four out of five stores use loyalty card program to motivate and encourage their customers to visit frequently and make high units of purchases. For the sake of convenience and one stop shopping experience, companies are coming out with new formats wherein variety

of products, right from baby products to household requirements to personal requirements are sold.

Looking into the rewards and benefits of the loyalty card we found many gaps, like customers are not very well versed with all the benefits. The terms and conditions differ for different periods and seasons, and the ways to redeem their points.

Special promotion events which was initially started by pantaloons retail in the form of exchange has not yet been brought in or explored by any other company, for special promotions companies do have promotions but they are category based e.g. shoes fest, suits mela etc, wherein the offers or discounts again stand to be common like on different occasions.

None of the companies conduct joint promotions and not many have still explored this avenue, except for megamart and shoppers stop. Both have their own respective ways to promote themselves, like mega mart collaborating with radio programs, college fests etc. In case of shoppers stop they are famous for their collaboration with citibank, horlicks and movie sponsorships.

Joint promotions basically help with sharing promotional cost, increase visibility, increase awareness and more accessible customer base.

TABLE 2: ANOVA

		Sum of Square	df	Mean Square	F	Sig
	Between	5.779	3	1.926	2.839	0.039
Influence of sales	Group					
Promotion on	Within	132.976	196	0.678		
Consumer	Group					
Purchase in	Total	138.755	199			
Apparel Stores						

H0: There is no significant influence of sales promotion on consumer purchase in apparel store.

H1: There is a significant influence of sales promotion on consumer purchase in apparel store.

Where H0 is Null Hypothesis and H1 is Alternate Hypothesis.

From Table 2; $p\text{-value}=0.039 < 0.05$, hence H0 is rejected and H1 accepted.

There is a significant influence of sales promotion on consumer purchase in apparel store.

SUGGESTIONS

Interact with the customer and make them feel special, create a friendly relation with the customers. As sales promotions influence customers to purchase from apparel stores, have sales promotions running for a fixed time period which is short term, creating a sense of urgency to shop and ensure happiness with the shopping experience. Give surprise to customers by giving them special service and offers exclusively designed for their birthdays, anniversaries etc. Get into joint promotions especially with movies, as the Indian customers are movie freaks and would look forward to get apparel brands used in the films.

CONCLUSIONS

The information obtained from the five multi-brand apparel retailers and the direct customers revealed that sales promotions positively influence consumers to purchase from the stores. Sales promotions have become a long term affair rather than being a short term excitement and interest building activity. Today all apparel retailers have promotions for any of the occasions, festivals and seasons, to increase their sales revenue and profits. The industry has many large multi-brand retail formats with innovative promotion strategies. It was found how a store evaluates any particular promotion and according to the evaluation what action has to be taken. The study was also done to understand what future challenges or opportunities the company sees especially with many new large format experienced players entering the market. For this most of the companies without much hesitation told that competition is always a challenge but the untapped markets, hardly explored places is of huge opportunity.

LIMITATIONS OF THE STUDY

- The study is limited to Bangalore south only.
- There is time constraint.
- Respondents at apparel retailers were sometimes hesitant to give out details.
- Respondents being store managers and department managers of apparel retailers, interviewing them is subject to their availability.
- Respondents might have interpreted the questions in a different manner, based on their mood and feelings at the time they were approached for data collection.

SCOPE FOR FURTHER RESEARCH

- Conducting study covering retail formats of all apparel retail companies in India.
- Study comparing organised and unorganised apparel retailers.
- Impact of each sales promotion activity on increase in customer purchase.
- To analyze the return on investment of each sales promotional activity done by the apparel retailer.

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