

EXPLORING FACTORS INFLUENCING NEW PRODUCT PLACEMENT IN FMCG FOOD RETAIL CHANNEL IN INDIA

Dr. Pallavi Chandwaskar

Assistant Professor, Dr. V.N. Bedekar Institute of Management Studies, Thane (W)
Maharashtra, India

Ms. Priyanka Nagre

Abstract:

The study conducted with Nestlé retailers aimed to understand the factors that would improve the product positioning and placement of newly launched Maggi Korean noodles among FMCG food retail channel. Study emphasized upon the critical elements influencing the purchasing decision of retailers for a new product. Extensive market research was carried, which included surveys with 880 retailers in the Navi Mumbai region. In order to understand the factors that influence retailers' preference Maggi Korean noodles in their outlet, purpose of the survey was aligned with it which aimed to gather a wide range of information on the variables such as brand awareness, promotional offers, pricing margins, return policies, and credit terms. This information provides a solid basis for examining the preferences and actions of retailers. The gathered data was analyzed with the help of SPSS and multiple regression statistical method was used to impact independent factors on purchase decision of shopkeepers. Overall the paper gave deep insights related to functioning of FMCG industry and retailers' behavior.

Key words: New product, retailer behaviour, FMCG products, product placement

Introduction:

Fourth largest sector in India is FMCG (Fast Moving Consumer Goods) which has been witnessing growth at a significant rate, thanks to the increasing disposable income of the individuals, changing consumption pattern and increasing brand awareness among customers. Increased prices for goods, especially basic necessities, and growth driven by consumers helped the FMCG industry grow in India. The FMCG business employs over 3 million people, making up much to 5% of all manufacturing jobs in India. According to CRISIL research database, India's FMCG sales revenue grew by 7-9% in 2022–2023. The sector is primarily driven by favorable government initiatives and policies, a growing rural market and youth population, new branded commodities, and the rise of e-commerce platforms. It is anticipated that the FMCG market would generate roughly US\$ 615.87 billion through sales by 2021–2027, growing at a CAGR of 27.9%. In such scenario, it is lucrative growth opportunity for FMCG firms to launch new products. Retailers are important players in the product distribution system, and the way they behave, what they want, and what they like can have a direct effect on how well new items do in the market and new product acceptance among the retail channel is largely a key factor for its success among end consumers.

When it comes to new product in the instant noodle category, market size of instant noodles is growing exponentially in Asia- Pacific region due to heavy consumer base and rising disposable income. These factors supported Asia- pacific market to reach at USD 49.54 Billion in 2023. Instant noodles became good fit for consumers as it utilizes less time and efforts to get ready. Highly populated countries like China, India, and others are contributing for growth of this sector because of accessibly and affordability.

Literature Review:

Product Placement

Trihatmoko (2018) addressed gap in product placement for competitive FMCG industry, where distribution strategy is not only depends on type, role, number of salesmen but also firm's strategic policy, customer coverage capacity along with distribution channel levels. The conflict between manufactures wanting quick market penetration with low prices and dealers looking for higher profit margins is affecting distribution strategy. To overcome this author suggested plan of action- trail, introduction, attacker and leader. This can be used to improve Place which is one of the critical elements of marketing mix.

Kramoliš Jan (2013) focused on various marketing strategic tools out of which product placement has gained special attention. Placing new product ensures company's long-term competitive spirit along with brand awareness. This paper covered various types and effects of product placement on television media channels. Interview of television advertisement experts was carried out by authors having experience from previous studies. Upon gathering data in form of individual answers, it was evident that product placement is responsible for long term competitive strategy, brand building and act as one of the above the line marketing tool.

Placing new products effectively are crucial for companies, this stage often faces negative impact due to limited customer acceptance which is driven by perceived risk and uncertainty. (Kenning, 2015) identified positive co-relation between consumer behavior towards acceptance of new product and the perception of family firm image (FFI) of retailers. According to research, family-owned businesses are seen by customers as more credible, which reduces perceived risk and promotes purchase intentions-specifically for new products. As a result, FFI provides retailers a competitive advantage and supports manufacturers in the success rates of launching new products.

FMCG Retail Sales Promotion

Sales promotion in FMCG Industry can be driven by many elements out of them according to (Victor Immink, 2004) one of the crucial elements is coordination between manufacturers and retailers. This synergy can be achieved by Sales Promotion Agreement (SPA). This research was entirely based on conceptual framework which included antecedents such as marketing and relationship variables (type of retailer, market share, trust, information sharing) influencing SPA factors (budget, timing). All these factors in result provided consequences like profit, turnover. This study proposed a model establishing relation between distributors performance and trade sales promotional strategies like dealers' contest, trade allowance and rebate on distributors. (Aniebiet Etuk, 2022) used survey research design and judgmental sampling. 5-point Likert scale questionnaire was circulated among 218 retailers to collect responses. The Hypotheses were tested by using simple linear regression. After applying statistical method, it

was found that rebate had significant impact on distributors performance followed by trade allowance on dealers' contest.

Oforu-Boateng's (2020) study delves into how consumer sales promotional activities have impact on consumers' buying decisions in Tema, Ghanaian. The results revealed a significant correlation between customer behavior and sales promotions, based on data from 220 respondents chosen by convenience sampling method. The best strategies ranking in ascending order were price cuts, offering extra packs (BOGO), discount coupons, free samples, contests. According to the survey, businesses should inculcate such marketing techniques to have a greater impact on customer behavior in order to boost sales.

Factors affecting retailers purchase intentions

Sathish K. (2024) explored the crucial success variables that affect new products' quick market penetration in the fast-moving consumer goods (FMCG) industry. The speed at which new FMCG items sell is greatly influenced by a number of factors such as robust brand reputation, innovative product features, competitive pricing, effective marketing strategy, and extensive distribution network. The study used a mixed-methods technique, which combined qualitative interviews with marketing professionals and quantitative surveys. Findings recommended that FMCG industry must work towards continuous improvements in product quality, enhance brand loyalty and minimize unpleasant consumer experiences. The study also emphasized on importance of market research, digital marketing and consumer insights in designing new products that cater to new trends and preferences.

Study by Alam, M. (2011) explored several factors having influence on retailers' mind to work with manufacturers in Bangladesh's FMCG (fast-moving consumer goods) sector in Dhaka. The author created theoretical framework with reference to the literature, leading to the formulation of two hypothesis. Sample size of 50 retailers was chosen by proportionate stratified sampling method and ten-item questionnaire was circulated to gather the data. By implementing factor analysis study found four factors- Customer Solution Capability, Promotional Capability, Managerial Efficiency, and, Manufacturer's Production Standard. The Multiple Regression analysis's findings demonstrated a significant correlation between the factors (independent variables) and the attitude of retailers (the dependent variable).

Study by Gaurav (2020) found one of the most important factors for any FMCG company which is nothing but retailer's satisfaction, because retailers are not only responsible for distribution of product but also act as a strong mediator for any company to reach out to customers. Research explored and evaluated several factors impacting satisfaction level of retailers situated at highways. This evaluation can help FMCG Companies to build suitable course of actions to maintain satisfaction and loyalty of retailers. Study implemented statistical method called as exploratory factor analysis to analyse data gathered by survey from 200 respondents.

Research Methodology:

A descriptive research method was used to examine competitive environment of market, collection of feedback from retailers, product availability status and understand various factors affecting purchase intension of retailers located in Navi Mumbai region for newly launch Korean noodles of Maggi. Primary data was collection was done by conducting survey of retailers. Data collection tool was a well-designed questionnaire was prepared to collect data

by including a mix of open and close ended questions. Survey was carried by interacting directly with retailers during visit to each retail outlet with salesman for 2 months. The population of the research includes total number of retailers dealing with instant noodles in the Navi Mumbai region. The sample of 880 retailers were taken to conduct the research. The Stratified random sampling method was used in which the entire population was divided into each different strata (as per location) and randomly retailers were selected to gather response from each stratum.

Findings and Discussions:

To find which all factors have significant impact on the purchase intention of the retail for Maggi Korean noodles, the following factors were chosen:

Dependent factor- Total Purchase Intention of retailers

Independent factors- Brand awareness, offers and schemes, price margins, return policy, credit policy, consumer demand

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.910 ^a	.828	.822	1.21693
a. Predictors: (Constant), Customer demand, Price margins, Credit policy, Return policy, Offers and Schemes, Brand awareness				

Interpretation: R Value also known as correlation coefficient is 0.910, demonstrating positive correlation among independent factors and dependent factor.

From above model summary table, it is observed that, R Square value is 0.828. This signifies that given model explains 82.8% of variance.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1254.942	6	209.157	141.234	.000 ^b
	Residual	260.643	176	1.481		
	Total	1515.585	182			
a. Dependent Variable: Total Purchase Intension						
b. Predictors: (Constant), Customer demand, Price margins, Credit policy, Return policy, Offers and Schemes, Brand awareness						

Interpretation: -

H0: - There is no significant impact of independent factors such as Brand awareness, offers and schemes, price margins, return policy, credit policy, consumer demand on total purchase intension of retailers.

H1: - There is significant impact of independent factors such as Brand awareness, offers and schemes, price margins, return policy, credit policy, consumer demand on total purchase intension of retailers.

P value indicated in ANOVA table is 0.000 which is less than 0.005. As P value is significant null hypothesis is rejected in favour of alternative hypothesis. It is proving that, there is significant impact of independent factors on purchase intension of retailers.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.903	.617		4.707	.000
	Brand awareness	.766	.080	.324	9.574	.000
	Offers and Schemes	.770	.072	.353	10.715	.000
	Price margins	.874	.070	.413	12.482	.000
	Return policy	.804	.070	.361	11.458	.000
	Credit policy	1.021	.095	.344	10.736	.000
	Customer demand	.988	.066	.477	14.939	.000
a. Dependent Variable: Total Purchase Intention						

Constant (a)=2.903

Brand Awareness (b1) = 0.766

Offers and Schemes (b2) =0.770

Price Margins (b3) = 0.874

Return Policy (b4) =0.804

Credit Policy (b5) =1.021

Customer Demand (b6) = 0.988

Formula: $y = a + b_1x_1 + b_2x_2 + b_3x_3 + \dots + b_nx_n$

Regression model:

$$Y = 2.903 + 0.766 * x_1 + 0.770 * x_2 + 0.874 * x_3 + 0.804 * x_4 + 1.021 * x_5 + 0.988 * x_6$$

Findings:

The interpretation explains above mentioned all factors have collective impact on purchase intention of retailers for stocking Maggi Korean noodles in their outlets. Although while interacting with them it was observed that every retailer has different opinion and individually consider different factors while making decision. Most critical factor was brand awareness as many retailers perceive that without customers having knowledge of new products, selling is difficult in the market. Followed by price margins, as retailers were showing their desire to get higher margins which is directly proportional to profit generation. Return policy was also opted by many retailers as they were worried to keep the product because of less brand awareness.

After comes customer demand as one of the important factors, as retailers get motivated to keep products which have been asked directly from customers end to fulfil their requirements.

Retailers felt companies should run consumer promotion offers and schemes to grab attention and create sense of urgency to try Maggi Korean noodles. Last factor, Credit policy was opted by few numbers of retailers as Nestle India has well- structured credit policy of 3 days from several years which has been accepted from almost every retailer. Few of the newly joined retailers showed interest in this factor.

Limitations and Future scope

The first limitation being, study was focused on a restricted geographic location. The project was executed only from Airoli to Belapur region of Navi Mumbai in India, people belonging to different areas may have different retailer as well as consumer preferences and behaviours.

Second imitation being, limited consideration of factors, While coming across research work by scholars and also out of the discussions with retailers 6 critical factors were identified but impact of factors on purchase decision is not restricted to these 6 factors only.

Third limitation being restricted to retailers' opinion. Only retailer's opinion was considered while collecting the data, for a better understanding opinion of consumers can also be considered in the framework.

Conclusion

The most important element affecting retailer's stocking selections turned out to be brand awareness. Many retailers believed that it would be difficult to sell a product in a competitive market if there was little consumer understanding and lack of demand. This realization made clear how crucial it is to develop strong awareness campaigns in order to guarantee the success of new product launches. Retailers stated that they were deterred from carrying the goods in stock due to their worries over poor brand recognition. The input provided highlighted the need of implementing efficient consumer education, promotion, and marketing strategies to enlighten prospective buyers.

Pricing margins came in second place, closely behind brand recognition. Retailers indicated a significant desire for larger margins since they believed that this would lead directly to increased profit. Retailers stock new items based on whether they offer favourable margins as compared to alternatives, since they compete in a highly competitive market. In order to

maintain competitive price for customers while also providing retailers with sufficient incentives to promote and sell the product, Nestlé would need to carefully balance its pricing methods.

Another important element mentioned was customer demand, since stores tended to sell things that people specifically requested. This research highlights the significance of creating grassroots customer interest, which may then have a pull effect and encourage retailers to supply the product to satisfy demand. Marketing strategies such as word-of-mouth, direct-to-consumer sample programs, and promotions might potentially boost demand for Maggi Korean noodles.

The need for additional customer programs and promotional offers surfaced as another theme from the survey. When the product was first introduced to the market, retailers believed that customer promotions may help draw attention to it. Retailers would feel more comfortable supplying the goods if these incentives created a feeling of urgency and excitement, which would also encourage customer experimentation. A key method for increasing the product's exposure and market penetration may be the strategic use of promotions.

Lastly, the study revealed that while the majority of retailers did not consider credit policies to be a key deciding factor, some especially those who had recently joined the company, exhibited interest in this area. Most of Nestlé India's retail partners have embraced the company's long-standing three-day credit policy. The availability of loan terms, however, could provide some further motivation for more recent businesses to carry new items, especially ones that their customer base isn't familiar with.

The study uncovered 6 key factors affecting purchase decision of product by understanding retailer's mindset and expectations. The findings were in favor of alternative hypothesis that signifies the impactful relationship between independent factors on dependent factor purchase decision to try Maggi Korean noodles. Among all, Brand awareness found to be most important factor, demonstrating retailers are keener to keep products which are well recognized and widely accepted in the market. Even with presence of several problems such as lack of awareness and less market share, Korean noodles have promising future by considering market dynamics and demand for the same. To gain benefit of this, it is recommended that company should work on enhancing brand visibility and implement several strategies such as enhancing promotional activities, designing customized marketing campaigns, offering combo packs, highlighting USP.