

## **FMCG and the Strategy of Discount: A Critical Exploration**

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### **Abstract:**

Customers' purchase intentions are often a marker of the need, how the products are advertised, and how discounts are provided on products. The discount strategy has been a very significant aspect of FMCG marketing. The paper "FMCG and the Strategy of Discount: A Critical Exploration" examines the relationship between the customers' perceptions and choices vis-à-vis the discount strategy. In recent times, the discount strategy has been the most effective marketing strategy that significantly impacts the sales of FMCG products. The research paper explores the relationship between price and perceived value of the product to understand how the discount strategy works.

### **Keywords:**

Consumers' Perceptions, FMCG, Marketing, Perceived Value, Purchase Intentions, Strategy of Discount

The mediating role of price discount and consumers' perceptions and choices have been a potent field of study. The connection between the two is such that discount, on the one hand, attracts customers to buy. At the same time, it may make the customers shy away from the products thinking that the quality of the product is not up to the mark. Thus, the strategy of discount has been a matter of much research as well as practice in recent times when marketing of a product is as important as the content of the product. In the case of FMCG, it is more than true that discount often is a strategy that works well. However, some customers may choose not to buy discounted products, thinking they have no quality; or lack quality. The paper "FMCG and the Strategy of Discount: A Critical Exploration" examines this tenuous relationship to understand the ways in which the marketing of the FMCG has been shaping in recent times.

Customers' perceptions about discounts usually work on three aspects – perceived savings, quality and value. When a customer locates a discounted FMCG product, s/he is usually very calculative in his/her mind about these three aspects and decides immediately whether to buy the product and in what

quantity. In marketing research, theoretical models have been established to examine the relationship between price and customer perceptions of products. Two well-known models in the pricing are the price-quality–value model (Monroe and Krishnan 1985) and the means-end model (Zeithaml 1988). Price (related to discount) raises perceived quality and perceived sacrifice (the cost of paying extra). The trade-off between apparent quality and perceived sacrifice influences perceived value. Thus, each sector needs to explore the tenuous relationship to figure out its impact, though more so in the FMCG sector.

A price discount is a common marketing strategy for attracting consumers by providing an added value or incentive that entices consumers to purchase the promoted products immediately. When a product's price is high, consumers perceive the product's quality to be increased. In terms of price discounts, consumers should perceive that more heavily discounted products are of lower quality, according to the price-quality–value model (Monroe and Krishnan 1985) and the means-end model (Zeithaml 1988). Rungtrakulchai (2013) discovered a positive correlation between price discounts and perceived product quality. Garretson and Clow (1999) found a negative correlation between price discounts and perceived product quality.

Economic effects of price discounts are generated when customers benefit from a monetary or non-monetary (e.g., time and effort) gain or loss due to a price promotion. The face value or the rebate amount can produce a positive monetary effect of price promotion. A non-monetary benefit is an example of how price advertising can assist customers in simplifying their decision-making process and reducing transaction time or effort. However, price promotions may have unfavourable economic consequences. Customers may spend additional time locating the best deal or defer their purchase to take advantage of a promotional bargain.

According to the monetary effects of price discounts, a price reduction results in a financial gain for the retailer, which acts as an incentive for consumers to purchase the product. As numerous previous studies have confirmed, consumers perceive a greater level of savings for a product when a more significant price discount is offered. The perceived savings concept has been the most frequently used variable to assess the response to a price promotion. For instance, perceived savings have been used to quantify significant responses to price promotion comparison cues (i.e., the variance between a reference price and the actual price). In other words, perceived savings have been demonstrated to be a helpful indicator of how customers perceive price promotions.

The proposition that a positive relationship between price discounts and perceived savings is consistent with the price-quality–value and means-end models. Cost is defined in these models as the amount customers pay and are viewed as a sacrifice; thus, it is negatively related to perceived savings. On the other hand, a price discount reduces the original price perceived as gain; therefore, it is positively associated with perceived savings. In the case of FMCG, as customers need to buy them often and in bulk, the discount strategy usually works well, though often it also mars the sales when the discount is seen as a lack of quality.

Along with economic effects, price discounts have informational effects caused by the communication of direct or inferential knowledge gained from exposure to a price discount. Quality inference is a frequently used informative route for promotion effect. Often a price discount negatively correlates with perceived quality. Customers often assume that a discounted item is of low quality, mainly when

they receive an unexpectedly significant price discount that other retailers do not typically offer. However, previous research on the relationship between price discounts and perceived quality has produced inconsistent findings. The findings vary from study to study. Price reductions may enhance perceived quality), detract from the perceived quality, or do not affect the perceived quality.

According to Zeithaml (1988), when evaluating the quality of a product at the point of purchase is challenging, consumers' perceived quality is more dependent on extrinsic than intrinsic product attributes. Extrinsic product attributes are not physical characteristics of the product but product-related cues (e.g., price, brand, and degree of advertising), whereas intrinsic product attributes are physical characteristics of the product (e.g., colour and textures). Suppose consumers cannot predict the quality of service before receiving it, such as dental care (Garretson and Clow 1999). In that case, they will expect quality based on their price. A significant price discount alerts consumers to the possibility of receiving a low-quality service. On the other hand, if consumers have a reasonable expectation of product quality, they will be excited to receive a price promotion, resulting in a positive evaluation.

According to the affect-as-information model (Clore et al. 2001), affective feelings can provide information and serve as critical cues to guide judgement and decision making; thus, effective feelings can result in a higher or lower evaluation of a particular object. Although no study has examined the effect on perceived savings, some studies may shed some light on the subject. Buyers' mood states moderated the impact of price promotion (advertised selling price) on perceived transaction value (the evaluation of satisfaction obtained from taking advantage of the price deal). When confronted with price promotions, buyers in a positive mood perceive a higher transaction value than buyers in a negative mood, implying that positive affect has a beneficial effect on consumers' perceptions of price deals and thus on perceived savings. According to the affect-as-information model and the studies mentioned previously, consumers who experience more positive affective feelings due to a price discount should perceive a more significant amount of savings.

The model of effect as information (Clore et al. 2001) can also explain the impact of affective feelings on consumers' perceptions of product quality. When consumers evaluate the quality of a product, they affect as an input to their information processing. The greater the level of pleasure, the greater the perceived service quality level in personnel's empathy and assurance. When these research findings are applied to the context of price discounts, it is expected that consumers who experience a greater degree of positive affect as a result of a price discount will perceive a higher level of product quality.

According to the price-quality-value and means-end models, the trade-off between perceived quality and perceived sacrifice (the perception of paying the cost) results in perceived value (Monroe and Krishnan 1985). As a result, perceived sacrifice and value are antagonistic, whereas perceived savings and value are antagonistic. Previous research has established these relationships.

The study thus affirms the mediating effects of a price discount on the relationships between price discounts and customers' perceptions (i.e., perceived savings, quality, and value) and the effect of perceived value on purchase intentions in an online shopping context. To accomplish this, the price-quality-value model (Monroe and Krishnan 1985) and the means-end model (Zeithaml 1988) by incorporating the concepts of the three promotion effects (economic, informational, and affective effects;) and the effect-cognition model. This research's most excellent fascinating outcome was that

while the direct and indirect effects of price discounts on perceived quality were significant, they were in opposite directions, resulting in a total insignificant impact. The immediate adverse effects of price discounts on perceived quality may explain why some previous researchers discovered a negative impact (Garretson and Clow 1999). In contrast, the positive indirect effect of price discounts on perceived quality may explain why other researchers found a positive impact (Garretson and Clow 1999). Additionally, the aggregate impact of price discounts on perceived quality was insignificant in this study because the opposite direct and indirect effects were cancelled out. Competitive mediation is a term that refers to the phenomenon of direct and indirect impact acting in opposite directions.

By demonstrating the critical mediating role of affect in the effect of price discounts on cognitive perceptions, this study advances our understanding of the interactions between affect and cognition in the formation of consumer perceptions, more so, in the FMCG domain. There has been no agreement on whether cognition influences or is influenced by effect. But price discounts have a more significant affective impact than cognitive effects (economic and informational effects); the current research on the FMCG sector confirmed that the affect-cognition model is more appropriate for explaining price discount effects. Thus, it is one of the effective ways the FMCG sector can attract more customers, whether in a physical shop or online sales.

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