Trade Sales Promotion and Distributors’ Performance of Fast-Moving Consumer Goods (FMCGs)

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Abstract

This study examined trade sales promotion and distributors’ performance of fast-moving consumer goods (FMCGs). It was carried out to establish the effects of trade allowance, dealers’ contest and rebate on distributors’ performance with special reference to fast-moving consumer goods. The study adopted survey research design. The sampling technique adopted was judgmental sampling. Primary data were obtained from 218 retailers and wholesalers of fast-moving consumer goods using a 5-point Likert scale questionnaire. The hypotheses developed for the study were tested using simple linear regression. Consequently, it was found that rebate had the highest significant positive effect on distributors’ performance, while trade allowance and dealers’ contest had the second and third-highest significant positive effects on distributors’ performance of FMCGs respectively. Therefore, the study concluded that trade sales promotion strategy has a significant positive influence on distributors’ performance in the context of fast-moving consumer goods (FMCGs). The study also made practical and theoretical implications for further research.

Keywords:
customer; distributors performance; FMCGs; sales promotion; trade allowance;

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1 Introduction

Fast-moving consumer goods are non-durable household goods such as packaged foods, beverages, toiletries, etc. that are sold quickly and at relatively low prices (Niedermeier et al., 2021). They are purchased frequently, consumed rapidly, priced low, and sold in large quantities to consumers who are typically price-sensitive in their purchase behaviours. Hence, in marketing fast-moving consumer goods, manufacturers and distributors rely overwhelmingly on sales promotion strategies (Binuyo et al., 2019). While distributors apply a variety of consumer sales promotional tools (such as price off, bonus packs, premium, product samples, coupons and rebates) to entice consumers to make purchases, manufacturers adopt trade sales promotion strategies (such as cooperative advertising, point-of-purchase display, dealers’ contest, and trade allowance) to encourage distributors to stock and sell their products. Trade sales promotion is a variety of short-term marketing incentives targeted at members of a company’s distribution channel with the objective of enticing them to stock and sell the company’s products (Neha & Manoj, 2013). Around the world, manufacturers of fast-moving consumer goods take advantage of trade sales promotional programmes to build, and motivate an effective distribution chain that is capable of achieving their marketing objectives, including effective market coverage (Blattberg & Neslin, 1993; DelVecchio et al., 2006).

In Nigeria like other parts of the world, trade sales promotion is a popular marketing strategy adopted by manufacturers of fast-moving consumer goods such as Unilever Nigeria Plc, Nestlé Nigeria Plc, Cadbury Nigeria Plc and Promasidor Nigeria Plc (Michael & Ogwo, 2013). In an effort to enhance their distributors’ effectiveness at marketing fast-moving consumer goods, these manufacturers have implemented a number of trade sales promotional strategies such as trade allowances, dealers’ contests, point-of-purchase displays, dealer listings, cooperative advertising, among others (Ezekiel et al., 2020; Okoye-Chine, 2021). This study, however, centers on trade allowance, dealers’ contest and rebate. According to Michael & Ogwo (2013), trade allowance encompasses price reductions given to distributors, such as wholesalers and retailers by manufacturers to encourage them to stock and sell more quantities of their products. Dealers’ contest is a short-term incentive programme designed by manufacturers to motivate distributors to accomplish specific sales objectives such as increasing sales volume, increasing market coverage, getting rid of old stock and new product introduction (Pembi et al., 2017). Rebate, on the other hand, is an amount of money paid, by way of reduction, return, or refund on what has already been paid by customers to purchase a given product. Its aim is to stimulate product sales by providing more economic value to customers via price reduction (Kahindi & Gitahi, 2020; Moghri, 2021).

In a conscious attempt to build, motivate and entice distributors to stock, promote and sell their products, manufacturers of fast-moving consumer goods use these and other sales promotion strategies in their marketing campaigns. However, the effectiveness of trade sales promotional strategies on the performance of distributors of fast-moving consumer goods has not been widely researched compared to the influence of consumer sales promotion on sales performance. Even though trade sales promotion is a dominant marketing strategy used by manufacturers and wholesalers of fast-moving consumer goods, there is still a dearth of empirical evidence to demonstrate the causal relationship between trade sales promotion and distributors’ performance of fast-moving consumer goods particularly in emerging African economies like Nigeria (Daramola et al., 2014; Gryshchenko et al., 2015). There is therefore need for studies that obtain and analyze empirical data from distributors of fast-moving consumer goods to determine the extent to which trade sales promotional strategies actually influence their marketing performance. Against this backdrop, this study was carried out to precisely determine the effect of trade sales promotion strategies (trade allowance, dealers’ contest and rebate) on distributors’ performance of fast-moving consumer goods such as processed food, milk, soft drinks, beverages and diapers (Ramos-Alvarado et al., 2012; Guo et al., 2014).

Review of related literature

This unit reviews some existing studies relevant to trade sales promotion and distributors’ performance of fast-moving consumer goods. Hilal (2019), carried out a study to assess the effect of trade sales promotion on the sales performance of retailers in Sri Lanka using primary data obtained from 75 retailers of lubricant oil with the aid of a structured questionnaire. The study tested its hypotheses using multiple regression and the findings of the study revealed that incentive schemes, quantity discounts and trade contests had significant effects on the sales performance of retailers dealing in lubricant oil. Therefore, the study concluded that the sales performance of lubricant oil retailers in Sri Lanka could substantially be improved through trade sales promotion. Pembi et al. (2017), also assessed the influence of sales promotion on the sales performance of Flour Mills Company in Nigeria. The study obtained primary data from 20 staff

of Flour Mills of Nigeria Plc using a structured questionnaire. Simple regression was used for hypotheses testing. The findings of the study revealed that consumer sales promotion (free sample, demonstration, price-off and special sales, premium offer, and competition), trade sales promotion (free goods, dealers’ contest, buying allowance, co-operative advertising, and dealer listed promotion) and sales force promotion (bonus to sales force, sales force contests, sales meeting, salesmen’s convention, and conference) had positive and significant effects on the sales performance of Flour Mills of Nigeria Plc. The study hence concluded that sales promotion strategies have a significant positive effect on organizational performance of manufacturing companies in Nigeria (Buckinx & Van den Poel, 2005; Huang et al., 2014).

Similarly, Ezekiel et al. (2020), carried out an empirical study to explore the influence of trade promotion on the sales growth of the Guinness Plc. The study obtained primary data from 36 wholesalers and retailers of Guinness products using a structured questionnaire. The study adopted simple linear regression to statistically test its hypotheses. Accordingly, the findings of the study revealed that dealers’ contest, special allowance, and buying allowance had significant positive impacts on the sales volume of Guinness products. Furthermore, Michael & Ogwo (2013), conducted a study to determine the effect of trade sales promotion strategies on the marketing performance of soft drink distributors in Nigeria. The study obtained primary data by administering 234 copies of the questionnaire to senior promotion and sales executives of two major soft drink manufacturing firms and their accredited distributors in Abia State, Nigeria (Johannsen, 2020; Oko & Nnanna, 2014). Data analysis was done using Pearson’s correlation and stepwise regression with its constituents – ANOVA and T-test to determine the trade sales promotion activities that actually influenced the marketing performance activities in these firms. Consequently, the findings revealed that trade allowances and trade contests had significant positive effects on marketing performance in the soft drink industry in Nigeria. Hence, the study concluded that trade sales promotion strategies have the potency to significantly and substantially enhance the marketing performance of distributors of soft drinks in Nigeria. In addition, Okoye-Chine (2021), examined the effects of premium, rebates and discounts on the marketing of Coca Cola drinks in Anambra State. Primary data were obtained from 368 consumers of Coca Cola products using a structured questionnaire and personal interview. Data analysis and test of hypotheses were done using descriptive statistics and multiple regression respectively. The findings of the study revealed that premium, rebate and discounts had significant effects on the marketing of Coca Cola drinks. Therefore, the study concluded that sales promotion has a significant positive effect on the marketing of Coca Cola drinks. As such, the study recommended that soft drinks manufacturing companies should maintain the application of sales promotion strategies such as premium, rebate and discounts in order to enhance market visibility and sales performance. On the basis of the foregoing relevant studies, the conceptual model presented in Figure. 1 has been developed for the study (Tsao et al., 2014; Yang et al., 2020).

![Figure 1. Conceptual model of the study](image)

Source: Indicators of independent variable adopted from Okoye-Chine (2021); Michael & Ogwo (2013); Pembi et al. (2017). Indicators of dependent variable adopted from Yildiz & Yildiz (2013)

The conceptual model presented in Figure 1 hypothesizes that trade sales promotion has a significant effect on distributors’ performance of fast-moving consumer goods. This was therefore the basis of the hypotheses developed for the study (Stephen, 2016; Schmitt et al., 2015).

H1: Trade allowance has a significant effect on distributors’ performance

Trade allowance encompasses price reductions given to distributors, such as wholesalers and retailers by manufacturers to encourage them to stock and sell more quantities of their products (Michael & Ogwo, 2013). Trade discounts and allowances are price reductions given to middlemen (such as wholesalers, industrial distributors, retailers) to encourage
them to stock and give preferential treatment to an organization’s products. Through such offers, distributors are able to realize more value for their investments, which encourages them to purchase in large quantities from retailers (McNeill, 2013). Trade allowances also enable wholesalers and retailers to offer some incentives to consumers in form of consumer promotions such as price-offs, discounts, premium and bonus packs in order to entice consumers to make large-scale or frequent purchases. The foregoing premise suggests that trade allowance significantly contribute to improvements in the marketing performance of distributors. This premise is corroborated by the study of Ezekiel et al. (2020), which revealed that trade allowance (special allowance and buying allowance) had a significant positive impact on the sales volume of Guinness products in Calabar. The premise is also substantiated by the study of Michael & Ogwo (2013), which revealed that trade allowances had a significant positive effect on marketing performance in the soft drink industry in Abia State, Nigeria (Yulianti & Kintani, 2020; Sipayung et al., 2021).

H2: Dealer contest has a significant effect on distributors’ performance

Dealers’ contest is a short-term incentive programme designed by manufacturers to motivate distributors to accomplish specific sales objectives such as increasing sales volume, increasing market coverage, getting rid of old stock and new product introduction (Pembi et al., 2017). By organizing incentivized dealers’ contests among distributors with clear sales targets and rewards, manufacturing companies are able to stimulate and encourage distributors to avail every opportunity and marketing strategy to achieve sales targets, thereby boosting the sales volume of manufacturers’ products and the revenue accruable to manufacturers (Familmaleki et al., 2015). Hence, manufacturers are able to leverage on the networks and relationships of distributors to enhance their sales and marketing performance. The foregoing scholarly viewpoint suggests that dealers’ contest contributes significantly to the improvement of distributors’ marketing performance. This viewpoint is reinforced by the study of Pembi et al. (2017), which revealed that dealers’ contest had a positive and significant effect on organizational performance. The viewpoint is also reinforced by the study of Ezekiel et al. (2020), which revealed that dealers’ contest had a significant positive impact on the sales volume of Guinness products (Sigurdsson et al., 2010; Van Loon et al., 2015).

H3: Rebate has a significant effect on distributors’ performance

Rebate is the sum of money refunded, reduced or given back to customers after they have paid the cost price to acquire products and services (Michael & Ogwo, 2013). Its aim is to stimulate product sales by providing more economic value to customers via price reduction (Kahindi & Gitahi, 2020; Moghri, 2021). Many business firms and companies across industries frequently offer rebates based on certain locations, products or product groups and on certain types of transaction (Kahindi & Gitahi, 2020). As a flexible sales promotional tool, rebate is used by manufacturers of fast-moving consumer goods to entice dealers and distributors to purchase and hold large quantities of their products, thereby increasing manufacturers’ sales performance. This assertion is supported by the empirical study of Okoye-Chine (2021), which revealed that rebate had a significant effect on the marketing of Coca Cola drinks in Nigeria.

2 Materials and Methods

The research design adopted for this study was survey research design. The population of the study comprised retailers and wholesalers of fast-moving consumer goods in Calabar, Cross River State, Nigeria, from which a sample size of 246 was determined using the Topman sample size determination procedure as follows:

$$n = \frac{Z^2Pq}{e^2}$$

Where:
- $n$ : Sample size required
- $Z$ : Tabular statistical unit (1.96)
- $P$ : Probability of positive response (0.8, obtained from a pilot survey)
- $q$ : Probability of negative response (0.2, obtained from a pilot survey)
- $e$ : Margin of error (5 percent)

By simple substitution:

\[ n = 1.96^2 (0.8 \times 0.2) \]
\[ = 3.8416 (0.16) \]
\[ = 0.6147 \]
\[ = 245.88 \]
\[ n = 246 \text{ distributors approximately} \]

To select distributors of fast-moving consumer goods for the questionnaire survey, the study adopted judgmental sampling technique with the assistance of a 3-member team of enumerators who were instrumental in administering and retrieving copies of the questionnaire from distributors (wholesalers and retailers) of FMCGs (specifically, processed food, milk, soft drinks, beverages and diapers) at the popular Watt Market in Calabar, Nigeria. The instrument of data collection was a structured questionnaire with variable indicators adapted from the studies (Okoye-Chine, 2021; Michael & Ogwo, 2013; Pembi et al., 2017; Yildiz & Yildiz, 2013). The questionnaire comprised Section A (where respondents’ demographic data such as age, gender, educational qualification and marital status were elicited) and Section B (which elicited respondents’ opinions on the study’s variables – trade allowance, dealers’ contest, rebate and distributors’ performance). The variable (trade allowance) was measured by statements 1-3 in the questionnaire; dealers’ contest was measured by statements 4-6; rebate was measured by statements 7-9; while distributors’ performance was measured by statements 10-12. Prior to field administration, the instrument was confirmed for validity through face and content validity, while Cronbach’s alpha reliability method was adopted for instrument reliability analysis. The reliability results displayed in Table 1 revealed that since the coefficients of all the measurement scales were greater than 0.7 as prescribed by Tavakol & Dennick (2011), the instrument was considered reliable and adopted for field administration and primary data collection. Furthermore, the hypotheses developed for the study were subjected to statistical testing using simple linear regression in the Statistical Package for the Social Sciences (SPSS 23). The regression model was stated thus:

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. of items</th>
<th>Cronbach’s alpha coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade allowance</td>
<td>3</td>
<td>.720</td>
</tr>
<tr>
<td>Dealers’ contest</td>
<td>3</td>
<td>.711</td>
</tr>
<tr>
<td>Rebate</td>
<td>3</td>
<td>.781</td>
</tr>
<tr>
<td>Distributors’ performance</td>
<td>3</td>
<td>.708</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ analysis through SPSS (2021)

3 Results and Discussions

A total number of 246 copies of the questionnaire were administered to retailers and wholesalers of fast-moving consumer goods out of which 218 copies (representing 88.6 percent) were retrieved and usable for the study, while 28 copies (representing 11.4 percent) were not returned; hence 218 copies of the questionnaire were analyzed for the study.

Trade allowance and distributors’ performance

The results of the regression analysis summarized in Table 2 reveals that the relationship between trade allowance and distributors’ performance of fast-moving consumer goods is 78.8 percent (R = .788). The results also show that up to 54.4 percent of the variability in distributors’ performance of fast-moving consumer goods is caused by trade allowance (R2 = 0.544). Similarly, the F-statistic (F = 257.931), t-statistic (t = 9.413) and significance level (p-value = 0.000 <
0.05) indicate that the influence of trade allowance on distributors’ performance of fast-moving consumer goods is statistically significant and positive. Therefore, the results provide sufficient empirical evidence to conclude that trade allowance has a significant positive effect on distributors’ performance of fast-moving consumer goods. This entails that trade allowance has the second-highest significant effect on distributors’ performance of fast-moving consumer goods. This finding is corroborated by the study of Ezekiel et al. (2020), which revealed that trade allowance (special allowance and buying allowance) had a significant positive impact on the sales volume of Guinness products. The finding is also substantiated by the study of Michael & Ogwo (2013), which revealed that trade allowances had a significant positive effect on marketing performance in the soft drink industry in Nigeria.

_Dealers’ contest and distributors’ performance_

The results of the regression analysis summarized in Table 2 reveals that the relationship between dealers’ contest and distributors’ performance of fast-moving consumer goods is 63.1 percent (R = .631). The results also show that up to 51.5 percent of the variability in distributors’ performance of fast-moving consumer goods is caused by dealers’ contest (R² = 0.515). Similarly, the F-statistic (F = 229.629), t-statistic (t = 3.486) and significance level (p-value = 0.001 < 0.05) indicate that the influence of dealers’ contest on distributors’ performance of fast-moving consumer goods is statistically significant and positive. Therefore, the results provide sufficient empirical evidence to conclude that dealers’ contest has a significant positive effect on distributors’ performance of fast-moving consumer goods. This entails that dealers’ contest has the third-highest significant effect on distributors’ performance of fast-moving consumer goods. This finding is reinforced by the study of Pembi et al. (2017), which revealed that dealers’ contest had a positive and significant effect on organizational performance. The finding is also reinforced by the study of Ezekiel et al. (2020), which revealed that dealers’ contest had a significant positive impact on the sales volume of Guinness products.

_Rebate and distributors’ performance_

The results of the regression analysis summarized in TABLE 2 reveals that the relationship between rebate and distributors’ performance of fast-moving consumer goods is 82.9 percent (R = .829). The results also show that up to 60.1 percent of the variability in distributors’ performance of fast-moving consumer goods is caused by rebate (R² = 0.601). Similarly, the F-statistic (F = 325.461), t-statistic (t = 7.429) and significance level (p-value = 0.009 < 0.05) indicate that the influence of rebate on distributors’ performance of fast-moving consumer goods is statistically significant and positive. Therefore, the results provide sufficient empirical evidence to conclude that rebate has a significant positive effect on distributors’ performance of fast-moving consumer goods. This entails that rebate has the highest significant effect on distributors’ performance of fast-moving consumer goods. This finding is backed by the empirical study of Okoye-Chine (2021), which revealed that rebate had a significant effect on the marketing of Coca Cola drinks in Nigeria.

### Table 2

**Summary of regression analysis results**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>R</th>
<th>R²</th>
<th>Standardized β coefficient</th>
<th>Test statistic</th>
<th>P value</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁</td>
<td>0.788</td>
<td>0.544</td>
<td>0.788</td>
<td>F test = 257.931  T test = 9.413</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H₂</td>
<td>0.631</td>
<td>0.515</td>
<td>0.631</td>
<td>F test = 229.629  T test = 3.486</td>
<td>0.001</td>
<td>Significant</td>
</tr>
<tr>
<td>H₃</td>
<td>0.829</td>
<td>0.601</td>
<td>0.829</td>
<td>F test = 325.461  T test = 7.429</td>
<td>0.009</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Significant @ P ≤ 0.05

Source: Authors’ analysis through SPSS (2021)

4 Conclusion and Practical Implications

As observed earlier, even though trade sales promotion is a dominant marketing strategy used by manufacturers and wholesalers of fast-moving consumer goods, there is a dearth of empirical evidence to demonstrate the causal relationship between trade sales promotion and distributors’ performance of fast-moving consumer goods particularly in emerging African economies like Nigeria. Against this backdrop, this study was carried out to verify the effects of trade sales promotion strategies such as trade allowance, dealers’ contest and rebate on the performance of distributors of fast-moving consumer goods to provide empirical evidence necessary to bridge the identified research gap. To that end, primary data were obtained from distributors of fast-moving consumer goods using a structured questionnaire while the data were analyzed using descriptive and inferential statistics. The findings of the study therefore revealed that trade allowance, dealers’ contest and rebate had significant positive effects on distributors’ performance of fast-moving consumer goods (FMCGs). These findings provide credible empirical evidence to imply that the implementation of trade sales promotion strategies (such as trade allowance, dealers’ contest and rebate) by manufacturers of fast-moving consumer goods could actually contribute significantly to the improvement of distributors’ marketing performance if effectively implemented. Therefore, this study concludes that trade sales promotion strategy has a significant positive influence on distributors’ performance in the context of fast-moving consumer goods (FMCGs). Based on emerging empirical evidence from the findings of the study, it could be implied that manufacturers of fast-moving consumer goods could improve distributors’ performance by offering trade allowances in forms of price reductions, extra product quantities and cash discounts to distributors in order to entice them to buy, stock, and sell large quantities of their products. By periodically organizing sales contests for distributors, manufacturers of fast-moving consumer goods could also motivate distributors to stock and sell more quantities of their products. Similarly, the use of rebate by manufacturers of fast-moving consumer goods could provide more confidence to distributors that their purchases of manufacturers’ products are safe and they will be refunded a given percentage of their monies if they purchase certain amount of quantities prescribed by manufacturers.

5 Research Limitations and Further Research

Due to the dearth of existing relevant literature on the subject of the research, the scope of this study was limited to three strategies of trade sales promotion (namely trade allowance, dealers’ contest and rebate) out of the large pool of strategies used by manufacturers of fast-moving consumer goods. As such, the study does not explain the influence of other trade sales promotion strategies such as cooperating advertising, dealers’ listing, trade shows and product demonstrations on the performance of distributors of fast-moving consumer goods. Finally, this study was solely based on fast-moving consumer goods such as processed food, milk, soft drinks, beverages and diapers. Consequently, it does not explain the performance of distributors of other variants of consumer products (such as shopping, specialty and unsought goods) relative to trade sales promotion. Considering the limitations of the present study, it is suggested that future researchers should explore the effects of other trade sales promotion strategies (such as cooperating advertising, dealers’ listing, trade shows and product demonstrations) on the performance of distributors of fast-moving consumer goods in order to improve the generalizability of the findings of existing studies. It is also suggested that future researchers should extend the scope of their studies to accommodate other forms of consumer goods such as shopping, specialty and unsought goods in order to bridge the inadequacies of the scope of the present study.
Conflict of interest statement
The authors are in complete accord about the publication of this research. We hereby declare no conflict of interest.

Statement of authorship
The authors have a responsibility for the conception and design of the study. The authors have approved the final article.

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