

INTEGRATED MARKETING COMMUNICATIONS EFFECT ON MARKET PERFORMANCE OF SELECTED FMCG COMPANIES IN INDIA

Sandeep Singh*

sandeepsingh@smsvaranasi.com

ABSTRACT

FMCG companies spend substantial proportion of their expenditures on marketing communications to get the desired performance in the marketplace. In present times, organizations are fast realizing the importance of integrated marketing communications (IMC) where all the elements of marketing communications has to be used by them in an integrated way to create consistency and synergy in the messages send to the target audience. This paper analyses the level of IMC implementation in selected FMCG companies and its effect on the market performance. Companies selected for the study are HUL, Dabur, and Emami.

Keywords : Integrated Marketing Communications, FMCG, HUL, Dabur, Emami

INTRODUCTION

Marketing communications occupies a crucial place in marketing activities of organizations and today there is hardly anyone who has not been influenced by the marketing communications in one form or another. Business organizations have realized this fact in competitive environment that target customers need to be communicated in an efficient and effective way for getting success in the marketplace. Marketing communications is used by all organizations to promote their products, services, and other offerings. Expenditures in marketing communications by organizations are on the increase and it signifies the importance of marketing communications for the organizations in the global era.

In today's world, for marketing communications, marketers have various options of media outlets including both traditional and new forms such as Internet and firms are going beyond traditional media and embracing new options to communicate with the target audience.

REVIEW OF LITERATURE

Belch and Belch (2003) writes: "In addition to redefining the role and nature of their advertising agencies, marketers are changing the way they

communicate with consumers. They know they are operating in an environment where advertising messages are everywhere, consumers channel-surf past most commercials, and brands promoted in traditional ways often fail."

Sergio Zyman, the former head of marketing for Coca-Cola in his book 'The End of Marketing as We Know It', says: "all elements of the marketing mix communicate, such as brand names, packaging, pricing, and the way a product is distributed. The information revolution is exposing consumers to all types of communications, and marketers need to better understand this process."

Earlier the various elements of marketing communications like advertising, sales promotion, public relations, publicity etc. were used in fragmented way and was increasingly found wanting of effective results with increased competition and technological developments in the marketplace. This made marketers to realize that use of all the elements of marketing communications is necessary to not only offset the disadvantages of a particular element of marketing communication through other elements but also to bring coherence and synergy for bringing effectiveness in messages sent to target audience and cost. This has resulted in the emergence of the concept called Integrated Marketing Communications (IMC).

* Associate Professor, School of Management Sciences, Varanasi & Doctoral Research Scholar, UIM-Rani Durgawati Vishwa Vidyalaya, Jabalpur (MP)

According to American Marketing Association: "IMC is a concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines (for example, general advertising, direct response, sales promotion, and public relations...) and combines these disciplines to provide clarity, consistency and maximum communications impact."

Shultz and Shultz (1998) have defined IMC as: "IMC is a strategic business process used to plan, develop, execute and evaluate coordinated, measurable, persuasive marketing communications programs over time with consumers, customers, prospects, employees and other targeted, relevant external and internal audiences."

IMC is based on synergizing the different elements of marketing communications effect and making them complimentary and reinforcing so that the combined effect is much more than the effect of individual elements of marketing communications (Duncan and Everett, 1993), resulting in reduced cost on marketing communications (Fill, 2001).

In FMCG Industry, huge amount is spend on marketing communications. Fast moving consumer goods are those goods that are purchased by the consumers frequently and repeatedly for their daily, weekly, or monthly use. The volume and the variety of FMCG consumed are high as compared to other type of goods or in other words the consumption of such products is very high due to frequent and varied requirements of each and everyone and this makes marketing communications crucial for companies to get success in the marketplace.

Today, marketers are fast embracing the

integration of marketing communication and Indian FMCG companies are no exception. The simple reason is that superior outcomes are achieved through IMC (Naik and Raman, 2003). IMC approach and implementation is strongly linked to better marketing performance such as enhanced market share, sales, and profits as has been revealed in the study done by Low (2000).

IMC IMPLEMENTATION IN SELECTED FMCG COMPANIES

IMC implementation in selected FMCG companies has been measured in the study using Duncan-Moriarty IMC mini audit. Responses have been taken from 20 employees each of the three companies selected for the study. IMC mini-audit helps in measuring integration in the management of marketing communications under five constructs:

- 1) Organizational Infrastructure
- 2) Interactivity
- 3) Mission Marketing
- 4) Strategic Consistency
- 5) Planning and Evaluation

For all questions responses has been given on five-point Likert scale (1 =Never, 5 = Always) by the employees of selected FMCG companies.

According to Duncan-Moriarty IMC mini-audit:

- Mean Score less than 2.8 means marketing communications of organization is not integrated
- Mean Score from 2.8 to 4 means marketing communications of organization is integrated
- Mean Score above 4 means marketing communications of organization is highly integrated

By looking at the scores of the companies given below it can be interpreted that:

IMC Implementation Factor	Mean Score of HUL	Mean Score of Dabur	Mean Score of Emami
Organizational Infrastructure	3.83	2.98	3.85
Interactivity	3.08	2.93	3.35
Mission Marketing	3.8	2.47	3.5
Strategic Consistency	3.57	2.7	3.53
Planning and Evaluating	3.48	2.93	3.77
Overall Score	3.55	2.8	3.6

- All the three companies are using the marketing communications in an integrated manner.
- Although all the three companies are using the marketing communications in an integrated way but the intensity is not high as no company has scored more than 4. Within three companies there is no significant difference between Emami and HUL but they both differ significantly with Dabur.
- Emami has the highest level of integration in marketing communications with HUL slightly behind among the three companies selected for the study. Dabur has much less integration as compared to Emami and HUL.
- Among the three companies, Emami and HUL have shown integration in all the five factors namely organizational infrastructure, Interactivity, mission marketing, strategic consistency and Planning and evaluating. Whereas Dabur has shown integration at only three levels while failing in mission marketing and strategic consistency.

INDICATORS USED FOR MARKET PERFORMANCE

The efforts of companies in Integrated Marketing Communications is reflected in market performance of companies and so is the case with FMCG Companies which are more dependent on IMC keeping in consideration that they make products for mass markets. The important and most apparent indicators of market performance are:

- Sales
- Annual Sales Growth Rate (%)
- Market Share
- Profit After Tax (PAT)

For this study another indicator which is Marketing Communications Expenditure/Sales Percentage has also been considered.

So, overall five indicators have been used and for market performance analysis data of indicators has been taken from financial year 2007-08 to 2012-13 of the selected FMCG companies except market share for which year 2012-13 has been excluded for unavailability of data.

Complete details of indicators alongwith the period for which data has been taken is given below:

S.No.	Indicators of Market Performance Analysed in the Study	Period
1	Sales	2007-08 to 2012-13
2	Annual Sales Growth Rate (%)	2007-08 to 2012-13
3	Market Share	2007-08 to 2011-12
4	Profit After Tax (PAT)	2007-08 to 2012-13
5	Marketing Communications Expenditure/Sales (%)	2007-08 to 2012-13

MARKET PERFORMANCE EFFECT OF IMC

The findings of the study on the indicators mentioned above are given below:

1. Sales

Financial Year	Sales of HUL (in Rs. crores)	Sales of Dabur (in Rs. crores)	Sales of Emami (in Rs. crores)
2007-08	15325	2361	585
2008-09	17865	2805	749
2009-10	18220	3391	1021
2010-11	20285	4077	1247
2011-12	22800	5283	1435
2012-13	26679	6146	1699

Table 1: Comparison of Sales of HUL, Dabur, and Emami

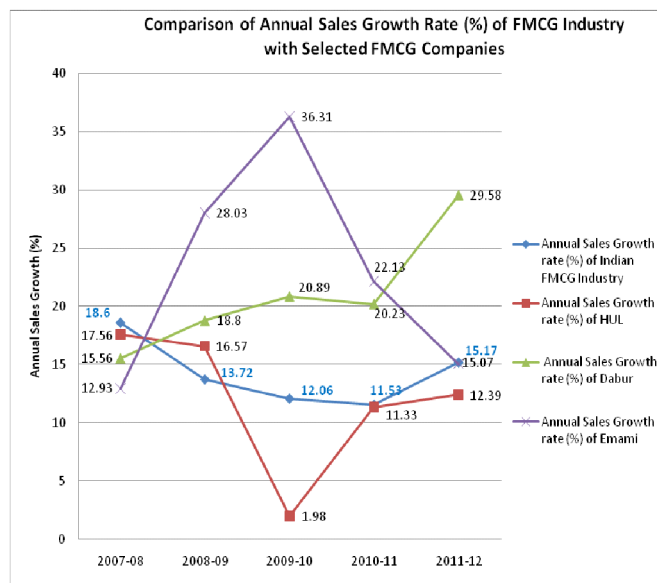
2. Annual Sales Growth

Financial Year	Annual Sales Growth rate (%) of HUL	Annual Sales Growth rate (%) of Dabur	Annual Sales Growth rate (%) of Emami
2007-08	17.56	15.56	12.93
2008-09	16.57	18.8	28.03
2009-10	1.98	20.89	36.31
2010-11	11.33	20.23	22.13
2011-12	12.39	29.58	15.07
2012-13	17.01	16.33	18.39

Table 2: Annual Sales Growth rate (%) of HUL, Dabur, and Emami

Financial Year	Annual Sales Growth rate (%) of Indian FMCG Industry	Annual Sales Growth rate (%) of HUL	Annual Sales Growth rate (%) of Dabur	Annual Sales Growth rate (%) of Emami
2007-08	18.6	17.56	15.56	12.93
2008-09	13.72	16.57	18.8	28.03
2009-10	12.06	1.98	20.89	36.31
2010-11	11.53	11.33	20.23	22.13
2011-12	15.17	12.39	29.58	15.07

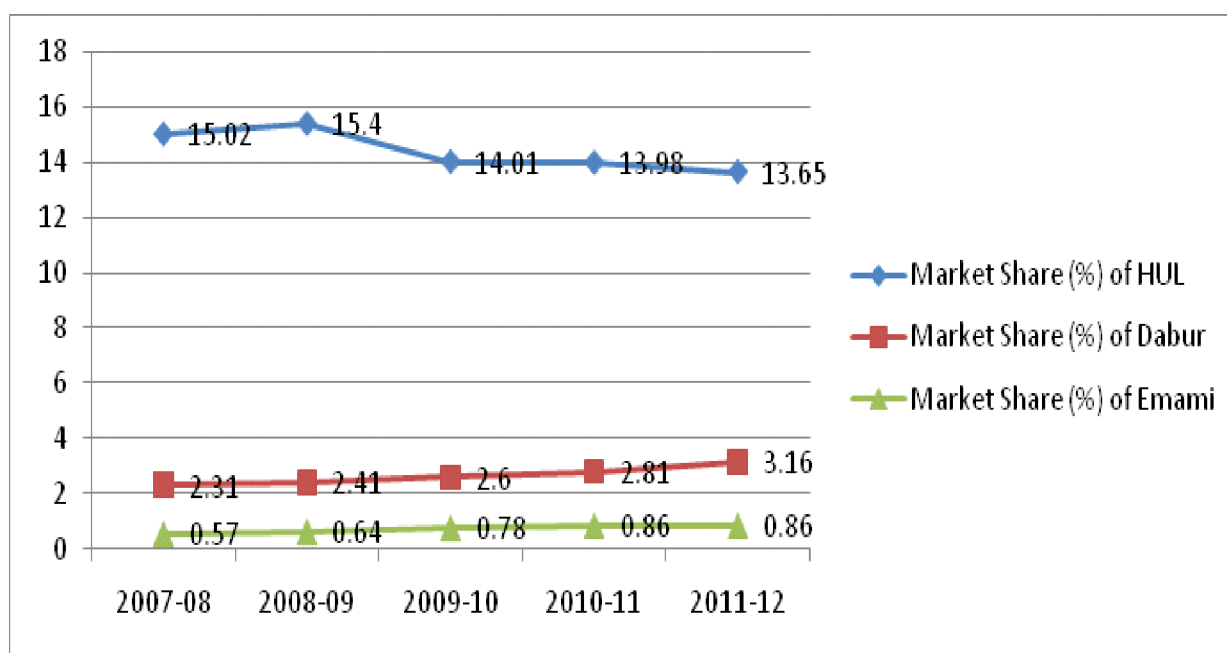
Table 3: Annual Sales Growth rate (%) comparison of FMCG Industry with Selected Companies



3. Market Share

Financial Year	Market Share (%) of HUL	Market Share (%) of Dabur	Market Share (%) of Emami
2007-08	15.02	2.31	0.57
2008-09	15.4	2.41	0.64
2009-10	14.01	2.6	0.78
2010-11	13.98	2.81	0.86
2011-12	13.65	3.16	0.86

Table 4: Market Share of HUL, Dabur, and Emami



4. Profitability

Financial Year	Profit After Tax (PAT) of HUL (Rs. Crore)	Profit After Tax (PAT) of Dabur (Rs. Crore)	Profit After Tax (PAT) of Emami (Rs. Crore)
2007-08	1797	333	90
2008-09	2119	391	92
2009-10	2103	501	170
2010-11	2153	569	229
2011-12	2599	645	259
2012-13	3314	763	315

Table 5: Profit after Tax Comparison of HUL, Dabur, and Emami
5. Profit after Tax/Sales (%)

Financial Year	PAT/Sales (%) of HUL	PAT/Sales (%) of Dabur	PAT/Sales (%) of Emami
2007-08	11.72	14.1	15.38
2008-09	11.86	13.93	12.28
2009-10	11.5	14.77	16.65
2010-11	10.6	13.95	18.36
2011-12	11.4	12.2	18.04
2012-13	12.42	12.41	18.54

Table 6: Profit after Tax/Sales (%) Comparison of HUL, Dabur, and Emami
6. Expenditure on Marketing Communications

Financial Year	Expenditure on Marketing Communications by HUL (Rs. Crore)	Expenditure on Marketing Communications by Dabur (Rs. Crore)	Expenditure on Marketing Communications by Emami (Rs. Crore)
2007-08	1513.1	295.5	104
2008-09	1721.2	343.2	125.1
2009-10	2423	493.4	194.4
2010-11	2796.4	534.5	230.5
2011-12	2697	659.5	229
2012-13	3289.7	837	279

Table 7: Expenditure on Marketing Communications by HUL, Dabur, and Emami
7. Marketing Communications Expenditure/Sales (%)

Financial Year	Marketing Communications Expenditure/Sales (%) of HUL	Marketing Communications Expenditure/Sales (%) of Dabur	Marketing Communications Expenditure/Sales (%) of Emami
2007-08	9.87	12.51	17.77
2008-09	9.63	12.23	16.7
2009-10	13.29	14.55	19.04
2010-11	13.78	13.11	18.48
2011-12	11.82	12.48	15.95
2012-13	12.33	13.61	16.42

Table 8: Marketing Communications Expenditure/Sales (%) of HUL, Dabur, and Emami

ANALYSIS OF MARKET PERFORMANCE OF SELECTED COMPANIES

The market performance figures of selected companies could be interpreted as:

- All the three companies have achieved consistent growth in sales. HUL sales in last six financial years has grown by 74%, Dabur sales has

increased by 160 %, and Emami sales has increased by 190% which is an indicator that these companies are following integrated approach towards marketing communications according to the common literature.

- Emami and Dabur have shown continuous sales growth in double digit for last six years. In case of HUL only in 2009-10 annual sales growth was not in double digit otherwise it was in double digit. In a highly competitive FMCG industry this growth rate is considered as good. In annual sales growth in last few years Emami's growth has been more than double as compared to the Industry growth rate.
- When it comes to market share, HUL which is the biggest player in FMCG industry has been able to almost maintain its market share whereas Emami and Dabur have been able to increase their market share which is an indicator of good market performance when it comes to market share.
- Profit after Tax of HUL has increased by 84% in 2012-13 as compared to 2007-08, Dabur Profit after Tax has increased by 129% in 2012-13 as compared to 2007-08 and Emami Profit after Tax has increased by 250% in 2012-13 as compared to 2007-08. Along with sales all the three companies have achieved consistent growth in profitability also. PAT/ Sales % of all the three companies has consistently been in double digit for last six years. So, overall on profitability issue all the three companies have shown good performance by industry standards.
- Expenditure on marketing communications has increased continuously in last six years. HUL expenditure on marketing communications has increased by 117% in 2012-13 as compared to 2007-08, Dabur has increased their expenditure by 183% in 2012-13 as compared to 2007-08, and Emami has increased their expenditure by 168% in 2012-13 as compared to 2007-08. In comparison to sales HUL sales has increased by 74% in last six years whereas expenditure on marketing communications has increased by 117%. In case of Dabur sales has increased by 160% and expenditure on marketing communications by 183% whereas for Emami sales has increased by 190% and expenditure on marketing communications by 168%. So, figures

indicate that investment in marketing communications is paying dividends for sale with Emami being the most efficient player in this regard. Expenditure on Marketing Communications/Sale (%) is minimum for HUL and maximum for Emami.

CONCLUSION

The study shows that marketing communications of the selected companies is integrated and market performance of all the three companies on all indicators used in the study has been good when compared with the performance of the Indian FMCG Industry as whole. Emami which has the highest level integration in marketing communications as per the findings of this study among the companies selected for the study has been the best performer in sales growth, Growth in market share, and growth in profitability whereas HUL being best performer in overall sales and market share.

It is concluded that implementation of IMC approach in Indian FMCG companies is resulting into good market performance.

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