

Exploring The Impact of Promotional Strategies on New Product Success in the FMCG Sector

R. Agus Trihatmoko^{1,*}, Roch Mulyani²

¹ *Doctors of Management, Faculty of Economics and Graduate Program, Universitas Surakarta, Indonesia*

² *Doctors of Management, Faculty of Economics and Graduate Program, University of Surakarta, Indonesia*

* *Corresponding author: Agus Trihatmoko Roderikus (agustricentre@gmail.com)*

Abstract

This study explores the impact of promotional strategies on the success of new products in the Fast-Moving Consumer Goods (FMCG) sector, with a particular focus on the dynamics between manufacturers, distributors, and wholesalers. As the FMCG market is characterized by intense competition and rapid product cycles, promotional strategies play a critical role in driving consumer demand, shaping brand image, and influencing market share. Despite extensive research on the broader marketing mix, limited attention has been given to the specific influence of promotional tactics on new product success within this sector. This research bridges that gap by analyzing how different promotional approaches, including Above-The-Line (ATL) and Below-The-Line (BTL) strategies, impact both immediate buyer responses and long-term product performance. The findings suggest that promotion not only directly influences product visibility and consumer loyalty but also shapes market competition and pricing strategies. Additionally, the study highlights the interplay between promotional strategies and the competitive environment, providing valuable insights into how marketers can optimize promotional efforts to foster sustainable market growth. By applying a relationship marketing theory framework, this research provides actionable recommendations for FMCG companies to refine their promotional strategies, ensuring both short-term sales success and long-term brand recognition.

Keywords

Promotional strategies, FMCG sector, New product success, Brand image, Consumer behavior

1. Introduction

The marketing mix, commonly known as the 4Ps—Product, Price, Place, and Promotion—has been a cornerstone of marketing management theory and practice for decades. While all four elements are essential for product success, this study focuses specifically on the promotion mix within the Fast Moving Consumer Goods (FMCG) sector. The FMCG market is recognized for its rapid pace and competitive nature, which demands a sophisticated application of all four Ps. However, it is the promotional strategies for new products in this sector that often require the most strategic attention and exploration (Trihatmoko, 2016; Trihatmoko & Mulyani, 2018).

Research in the field has demonstrated that promotion plays a pivotal role in influencing both business buyer behavior and consumer purchasing decisions. While past studies have focused on the other Ps, such as place (Trihatmoko & Mulyani, 2018) and pricing strategies (Trihatmoko et al., 2016), the specific influence of promotion on new product success remains less explored. The literature reveals that while promotional strategies significantly affect market positioning, brand image, and consumer perception, there is still a gap in understanding the direct and long-term impact of these strategies on FMCG product performance (Pauwels, 2007).

Promotion in the FMCG sector is particularly complex because of the interplay between manufacturers (principals), distributors (agents), and wholesalers. The dynamic between these entities impacts promotional strategy and its effectiveness. Previous studies have examined the effectiveness of promotion through different lenses, such as the response from retailers and competitors, but have not fully addressed the direct influence promotional strategies have on product success and competitive outcomes (Trihatmoko, 2016). This research seeks to provide a deeper understanding of how promotional strategies, specifically designed for new FMCG products, influence both the immediate market response and the long-term success of the product in terms of consumer loyalty, market share, and brand reputation.

One notable contribution of this study is its examination of the promotion mix from a buyer's perspective, offering a fresh perspective on how promotional tactics resonate within the larger marketing environment. Previous works by Kotler et al. (2015) and others have set the foundation for understanding the marketing mix, but this research aims to clarify the intricate relationship between promotion, price, and market competition. It explores the theoretical and practical implications of promotion as a driver of product demand, which in turn can directly influence sales figures and market share in an intensely competitive environment.

This research aims to bridge the gap in the existing literature by offering a comprehensive analysis of promotional strategies and their impact on the FMCG sector. By focusing on the role of promotion in shaping business-to-business (B2B) and business-to-consumer (B2C) relationships, the study intends to provide actionable insights for marketers seeking to optimize their promotional efforts. These insights will help manufacturers and distributors create effective strategies that not only attract consumer attention but also foster long-term brand loyalty and market growth in the competitive FMCG landscape.

2. Literature Review

This business buyer behavior study was based on agency theory and applied a relationship marketing theory approach, characterized by direct competitive relationship marketing (Trihatmoko & Mulyani, 2018; Trihatmoko et al, 2018; Tihatmoko et al., 2016; Trihatmoko, 2016; Bergen et al., 1992). The channel management structure illustrates that manufacturing companies as principals, distribution companies as the main agents, and wholesalers as sub agents (Trihatmoko et al., 2018).

Trihatmoko's research (2016) has reported that the promotion policy by suppliers is a buyer's consideration in decision making. These findings contribute to explaining in detail about promotions in buying behavior from previous literature, by Kotler et al. (2015), Dwyer and Welsh (1985). The study of the purchasing behavior literature provides an opportunity for this paper to reiterate how the conception of the marketing environment - p: promotion in FMCG buying behavior in the business market.

The results of Trihatmoko's research (2018) show that 4P's strategy planning in new product innovation is an effort to create product demand in the market. However, in terms of what the strategic role of P: promotion impacts on product demand has not been specifically constructed and measured, so this paper will detect it. Regarding this, it inspires to do a deepening of the Trihatmoko (2016) research report specifically on promotional strategies based on analysis of buyers.

Theorization and conception of P: promotion is complex and applicable in marketing management as well as P: place and price, or maybe against p: product (Trihatmoko & Mulyani, 2018). The following is a study of Trihatmoko (2016) in order to identify some previous literature on promotion. The results of the Pauwels (2007) study show that promotion of large categories has stronger responses from competitors and the concentration of categories results in stronger responses from competitors, and results in higher benefits for competitors. Czinkota et al. (2021) explain that if there is a sales promotion program, wholesalers aggressively use it and channel it to their customer relations network. The results of the Nijssen (2010) study show that the high addition of advertising expenditures for extensions has a more positive effect on the success of line extensions. Verbeke et al. (2006) concluded that trust failed to significantly influence promotion allocation and extension spacing.

The theoretical promotion perspective above has not explained how the promotional strategies impact on product performance. Non-media advertising is a "BTL" promotional mix that plays a key and effective role at a low cost (Siddiqi et al., 2015). Retailers can reduce the monetary sacrifice of products offered by proposing a reduction in prices on products, assuming that price reductions do not affect product quality, so price promos are expected to increase the perceived value of a product (Chen et al., 1998).

A review of promotions in this section is a reminder of how the marketers expected the promotion strategies they set. However, the review of the literature above still has many open questions to be explored and discussed again. So, promotion strategy from the "point of view" of the interests or intentions of the manufacturing companies (principals) adds to the values of the marketing field in this paper.

3. Results

3.1 The Impact of Promotional Strategies on Buyer Responses and Product Success in the FMCG Market: Minor and Major Propositions

The results of the study in the Appendix show that advertising (ATL: above the line & BTL: below the line), sales promotions, and consumer promotions are aspects that are analyzed by buyers in response to new product offerings by suppliers. Promotion is a policy set by the supplier in the launch of the product as a stimulus to the buyer. Processing and analysis of data identifies and describes various promotional themes, so that they are presented in three parts, namely: (1) Evaluation of promotions by buyers in the process of purchasing decisions; (2) promotion strategies and product performance; and (3) the success of a product based on a promotion strategy. The description of the findings is arranged to produce constructs according to the focus of this research.

The structural description of related aspects of promotion is still in the form of minor propositions, and each aspect has been positioned on the environmental factor. Results refer these data can be implicated to form a major proposition in this research. The external economic environment and competition are market competition situations faced by buyers, so that they are classified as both competitive environments.

The results of the study identified that buyers evaluate the marketing environment about promotions and prices, as well as the market competition environment. The market competition environment is identified as two types of competition namely market competition resulting from promotion strategies, and competition for promotional activities. Product brand image & reliability, product demand is the impact or result of promotion policy, while product display is a competitive activity from promotion policy.

“The phenomenon of top-tier companies aggressively promotes new products. Advertising is the first promotional strategy that for cigarette products often conducts product advertisements a few months before the product is launched into the market. Advertisements of FMCG product advertisements at the television station “above the line” reached an average of more than 60% of the total advertisement presented at the intervals of the event. At the bottom rate, “below the line” advertising in the form of stickers, posters, banners for decorating product displays, and shops. For a new product, double promotion is an attractive program for wholesalers, namely: Promotion of discounts and bonus items for wholesalers, and consumers. Wholesalers tend to be interested in promotional programs: (1) discounts and bonuses (trade promotion), they have the opportunity to earn more profits, because the value of a discount or bonus is converted to price (price structure): and (2) promotional programs for consumers (consumers promotion) will facilitate the sale of products purchased by them. Promotional programs as above, expected by the buyer will provide opportunities for new products to be able to compete with established products in the market” (field notes of observation).

The descriptions lead to the formulation of minor propositions into major as follow. Furthermore, the conception of the marketing environment about promotion can be constructed in this paper (Figure 3).

P1: The marketing environment about policy promotion strategies by suppliers has an impact on the marketing environment about product pricing strategies in the market.

P2: The marketing environment for pricing strategy policies by suppliers has an impact on the general market competition situation (promotion outcomes).

P3: The marketing environment about the promotion strategy policy by the supplier determines the product purchase decision by the buyer.

P4: The marketing environment about promotion strategy policies by suppliers has an impact on the general market competition situation (promotion outcomes).

P5: The marketing environment about promotion strategy policies by suppliers has an impact on the competitive environment of promotional activities.

P6: Competitive environment for product promotion activities has an impact on the general market competition situation (promotion outcomes).

“New products that have been advertised, and supported by sales promotion and consumer promotion programs are the first attraction for prospective buyers. The salespersons in offering new products offer product samples and descriptions, as well as information on bonus, discount, and other programs that are attached to a new product. Various explanations about the promotion of new products become the provision of the salesperson (distribution company), after they get direction from marketers (manufacturing companies). The purpose of marketers is the salesperson in order to convince customers about the prospect of the new product. New product promotion strategies are contained in official letters from manufacturing companies to distribution companies” (field notes of observations).

“The launch of a new product, we also provide information before, we launch it to wholesaler-wholesaler, we bring the sample first then price list. We have media, billboards, brochures, after that we have advertisements on television, advertisements on the radio are very supportive and are awaited by wholesalers. If there are advertisements on the radio - on TV, then we have brochures, there is a direct promo wholesale, there is a billboard that will be very supportive, the wholesaler is immediately welcome this, Sir” (IM.1).

“For example in terms of promotion by selling this product, the store will get this. Is that so ...? Compared to this competitor ... for example a product, for example, we have advantages in all kinds of tests. This is only an introduction, there is a knowledge product that is started by a sales distributor team, as well as related officials who take care of the sales team, usually the supervisor or head of the branch” (IM2).

“It is, usually the head office team comes from the marketing team to explain what the new product is, what advantages, how to sell it. In general, the first strategy is that the launching stage must be carried out according to the time line since the guideline are detailed. Secondly, we must carry out the execution in accordance with the schedule. However, sometimes the problem/difficulty is that there are many terms that should be studied by the salesmen in order to explain about the product” (IM.3).

Thematic or variable variable promotional strategies are explained by the following marketers.

“Initially an additional promo discount for customers. Yes, the discount starts from 5 to 10 percent for new products. Consumers ... we have a practice promo there, therefore, it is a practical events, once there are consumers, we will come to sampling, we will give some short knowledge about the product briefly, and then usually they will buy” (IM1).

“For example, posters and all kinds of things like that, if we talk to the media, there are advertisements on TV as well as those for hours that are really what the traffic is watching by the public. The goal, more quickly introducing our new products. Everyone doesn't always watch TV, sir, but when talking to the merchant, he must go to the market every day, ... to shop for products to sell, and we display posters for shops. ... have lots of customers, automatically even though he has seen oh it turns out that this product appears a new variant. Yes, we have a promotion in the form of sampling, which is definitely a promotion that will directly provide benefits to the seller in the form of a cut price. Usually buying so many can be additional, so many bonuses” (IM2).

“Trade promos since our new products benefit the wholesaler of special discounts/ launch discounts that are usually after a month period to introduce new products at discounted prices. Then to our consumers there are also consumer promotions which are usually in the form of bandage/ gemage, souvenirs” (IM.3)

“Generally, it is the same to go to wholesale, then at our place we are wholesale with retailers. The difference is only in strata dicount, only there. If it is wholesaler, 3%, if it costs 0% or 2%. This promotion, sir, conditional means that depending on the product, for example it can be 2 + 1, it can be 10 + 1, it can be 12 + 1 or 10 + 2. It is true, depending on the product category. No promo wholesalers at wholesalers, we prefer if we are wholesale to trade promos” (IM.4)

“In my opinion, advertising is not only done on commercial TV but can be done using posters, then, such market sampling is also important” (IM.5).

3.2 Implication: Business Buyer Behavior in Marketing Mix (P: Promotion)

The results of the study revealed that the marketing environment - P: promotion was valued by buyers related to the marketing environment - P: price and market competition. Findings about the competitive environment are identified in the promotion results and promotional activities. For this reason the contribution of the findings is to explain the specifications of the competitive environment against the conception of Trihatmoko (2016). The findings of the P: promotion environment while complementing the marketing environment analysis by buyers, but have differences with the marketing environment analysis - P's: place related to the competitive environment (Trihatmoko & Mulyani, 2018).

The relationship between P - based environmental variables: promotion in the behavior of this purchase is the latest conception that has not been constructed or different structures with previous literatures, for example by Peter et al. (2012), Kotler et al. (2015), Webster, Jr. and Wind (1972), Dwyer and Welsh (1985). Practical implications of the marketing environment - P: promotion related to P: price and market competition, namely the diversity of promotional programs in implementing new product launches related to price strategies. That is, every determination of new product promotion programs and activities has implications for opportunities for business benefits for customers that need to be calculated by marketers.

Theoretical intensity of promotion strategies from two buyers and suppliers' perspectives in this paper is considered as a generalization of promotion mix. The relationship between environmental factors and aspects affected by the marketing environment p: promotion describes a process of working a strategic marketing mix between companies in market competition. The process ultimately provides parameters that measure the success of a product based on a

promotional strategy. The research findings identify the center of the work of the promotional program, namely the creation of product demand, before producing a round of sales. This finding is in line with Trihatmoko et al., (2018) that 4P's: promotion strategy planning in marketing new products is expected to create product demand.

The intensity of the promotion strategy is directly and indirectly on product competition. This finding is in line with Pauwels (2007) that promotion of large product categories results in stronger responses from competitors. Promotion strategy first enters the business market competition environment. This conclusion confirms Chen et al., (1998) that sales promotion programs or price discounts are aggressively used by wholesalers and retailers, because there is a savings in the cost of purchase. The results of the study identified that promotional programs have consequences for the amount of marketing costs and provide opportunities for product sales rounds. That is, new products from brand strategies have a correlation with the financing of these promotions. This finding is in line with Nijssen (2010), namely the amount of advertising expenses / costs for expanding "new product innovations" that have a positive effect on the success of line extensions. Determination of BTL promotion strategies is a variation of advertising which is assumed to be more cost efficient compared to ATL advertising, so this finding is in line with Siddiqi et al. (2015).

The research findings explain that the results of the promotion strategy have an impact on the brand's image and reliability that are assessed by market perceptions. This description is as stated by Gwinner and Eaton (1999) that brand image is defined as a perception of a brand that is in the memory of customers and "market" consumers. The brand will have a general dilution effect on brand image and brand image of the product itself, so that this become the essence of brand strategy (Martínez & de Chernatony, 2004). Discussion between findings and theoretical reviews of brand image and conformity in this exposure; as an affirmation that promotion strategies are not solely for increased sales in the short term. The results of promotional strategies are very smooth in long and dynamic duration, because of its intention to create a brand image of a product among its competitors, before later the brand becomes an attraction for its market.

4. Conclusion

The results of the research identified the performance of a product as determined by business market competition and the consumer market. This finding is similar to the conception of product performance based on distribution strategy initiatives and pricing strategies, but the impact of these two strategies on other 4P's environments is different from the promotion strategy. The conception of product performance, product performance parameters, and the success of the product based on promotional strategies were proposed as a refresher of knowledge about the marketing mix, especially promotion mix. These concepts have implications for the implementation of corporate strategies in terms of marketing costs budgeting, brand strategy planning, new product launches "to what extent" can be measured the effectiveness and efficiency of the performance of a product. Furthermore, the evaluation of the effectiveness and efficiency of the promotion strategy also has implications for organizational performance in the marketing department, especially the promotion section. For example, the evaluation parameter of one of the promotion parts performance, namely: (1) the comparison between how much the promotional cost budget is for a certain period compared to the achievement of sales value; for each unit of

product or group of product categories; (2) variance between promotional budgets and their realization, or realization of promotional costs for profit margins in units or product categories.

Thus, it is recommended to marketers in product launches to establish programs and promotional activities to attract interest to wholesalers or retailers. Next, the ATL advertising program is indeed important to be implemented to support the presence of products in a tight competitive environment such as the current market situation in Indonesia. Ideally the completeness of such promotion strategies can be carried out by medium-large FMCG companies. The second conclusion, the performance of product success is very dependent on the effectiveness of promotional strategy initiatives in entering the business competition environment and the consumer market in general. Effective promotional strategies, namely: (1) advertising communication message activities are felt to touch the target market or the business and consumer market environment; (2) trade promotion programs provide profit benefits for merchants, and consumer promotions provide value for product efficiency for users of goods; "If" compared to competing products that are already in the market competition environment. However, it should be noted that promotion strategies have consequences for the costs of marketing "expenditure", as well as the influence on product price stability on the market.

References

- Bergen, M., Dutta, S., & Walker Jr, O. C. (1992). Agency relationships in marketing: A review of the implications and applications of agency and related theories. *Journal of marketing*, 56(3), 1-24.
- Chen, C. C., Greene, P. G., & Crick, A. (1998). Does entrepreneurial self-efficacy distinguish entrepreneurs from managers?. *Journal of business venturing*, 13(4), 295-316.
- Czinkota, M. R., Kotabe, M., Vrontis, D., Shams, S. R., Czinkota, M. R., Kotabe, M., ... & Shams, S. R. (2021). Direct marketing, sales promotion, and public relations. *Marketing Management: Past, Present and Future*, 607-647.
- Donnelly, P. S., Liddell, J. R., Lim, S., Paterson, B. M., Cater, M. A., Savva, M. S., ... & Crouch, P. J. (2012). An impaired mitochondrial electron transport chain increases retention of the hypoxia imaging agent diacetylbis (4-methylthiosemicarbazonato) copperII. *Proceedings of the National Academy of Sciences*, 109(1), 47-52.
- Dwyer, F. R., & Welsh, M. A. (1985). Environmental relationships of the internal political economy of marketing channels. *Journal of Marketing Research*, 22(4), 397-414.
- Gwinner, K. P., & Eaton, J. (1999). Building brand image through event sponsorship: The role of image transfer. *Journal of advertising*, 28(4), 47-57.
- Kotler, P., Burton, S., Deans, K., Brown, L., & Armstrong, G. (2015). *Marketing*. Pearson Higher Education AU.
- Martinez, E., & De Chernatony, L. (2004). The effect of brand extension strategies upon brand image. *Journal of consumer marketing*, 21(1), 39-50.
- Nijssen, S., & Fromont, E. (2010). Optimal constraint-based decision tree induction from itemset lattices. *Data Mining and Knowledge Discovery*, 21, 9-51.
- Pauwels, K. (2007). How retailer and competitor decisions drive the long-term effectiveness of manufacturer promotions for fast moving consumer goods. *Journal of Retailing*, 83(3), 297-308.

- Siddiqi, K., Shah, S., Abbas, S. M., Vidyasagaran, A., Jawad, M., Dogar, O., & Sheikh, A. (2015). Global burden of disease due to smokeless tobacco consumption in adults: analysis of data from 113 countries. *BMC medicine*, 13, 1-22.
- Trihatmoko, R. A. (2016). *Proses keputusan pembelian produk baru oleh grosir industri fast moving consumer goods (FMCG) di pasar tradisional* (Doctoral dissertation, UNS (Sebelas Maret University)).
- Trihatmoko, R. A., & Mulyani, R. (2018). Distribution strategy for new product marketing success: Fast moving consumer goods (FMCG) business. *Management and Human Resource Research Journal*, 7(12), 19-32.
- Trihatmoko, R. A., Harsono, M., Wahyuni, S., & Haryono, T. (2016). The confine of efficient contract between principals and distributors perfectly control of marketing mix strategies: channel management perspective of fast moving consumer goods (FMCG) industries in Indonesian. *International Journal of Research in Commerce, Economics & Management*, 6(9), 31-36.
- Trihatmoko, R. A., Mulyani, R., & Lukviarman, N. (2018). Product placement strategy in the business market competition: studies of fast moving consumer goods. *Business and Management Horizon*, 6(1), 150-161.
- Verbeke, W., Bagozzi, R. P., & Farris, P. (2006). The role of key account programs, trust, and brand strength on resource allocation in the channel of distribution. *European Journal of Marketing*, 40(5/6), 502-532.
- Webster Jr, F. E., & Wind, Y. (1972). A general model for understanding organizational buying behavior. *Journal of marketing*, 36(2), 12-19.