

FIGHT FOR CUSTOMERS – CORRELATIONS OF TRADE  
ORGANIZATIONS AND SALES PROMOTION  
ON THE HUNGARIAN FMCG MARKET



HARC A VEVŐKÉRT – KERESKEDELEMSZERVEZÉS ÉS VÁSÁRLÁSÖSZTÖNZÉS  
ÖSSZEFÜGGÉSEI A MAGYAR FMCG PIACON



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**A** Tract of time after the millennial brought well definable changes in retailers' trade organizations and marketing activity in the Hungarian three-pole FMCG market. Operation conditions of enterprises became more complicated which is also reflected in the variability of the number and intensity of relevant influencing factors as well as in the difficulties of forecasting them. Out of these the change of consumer/purchase behaviour, the growth of competition intensity, the swell of procurement marketing, changes in channel position, the innovation of informatics and info communication tools, the dominant change of economic environment, the stiffening legislation and the unexpected influence of ecological environment can be highlighted. An important starting point for exploring the impact of the changes focusing on market competition is that the number and activity of chain stores operating in Hungary has stabilized, which has shifted the direction of research to explore the relationship between trade organization and marketing, improving competitive advantages and management efficiency.

KULCSSZAVAK: működési feltételek, kereskedelem szervezés, vásárlásosztönzés, fogyasztói vélemény

KEYWORDS: operation conditions, trade organization, sales promotion, consumer opinion

JEL-KÓD (JEL CODE): M31

DOI: <https://doi.org/10.20494/TM/10/2/3>



## 1. INTRODUCTION

### 1.1. The Role and Forms of Sales Promotion Activities

After the millennium, the commercial marketing tools of retail chains continued to evolve along with the service level (PÓLYA and PÉNZES, 2019). Together, ownership expectations, the pressure of urgent success, shortened brand life cycles and accelerating innovation are forcing corporate leaders to think about their brand management decisions in a shorter time period. Among many other things, this is the reason why sales promotion, which focuses primarily on increasing traffic, is getting more emphasis and role within the marketing communication tools, the long-term cognitive and emotional influence of consumers is only secondary. The sales promotion impact on consumers can be financial, but in many cases even emotional. Sales promotion therefore we can talk about utilitarian and hedonistic effects. Savings, better quality at the same price and convenience of shopping can be considered an utilitarian advantage. Sales promotion the possibility of discovery, entertainment, but even higher self-esteem can be a hedonistic advantage (HORVÁTH and BAUER, 2013).

The system of sales promotion tools is rich. It also includes the presentation and placement of goods through price and consumer information tools. Among the tools, the literatures we investigated highlight the role of point-of-sale advertising and merchandising, which are closely related to the research topic. Point of Sale (POS) and Point of Purchase (POP) tools affect customers in the stores and are part of on-line communications (PÉNZES, 2005). The tools of sales promotion are varied in the store chain practice. It largely depends on the degree to which the given tool fits the goals of the examined store chain, to what extent it provides a competitive advantage and how economical its application is. Customer loyalty systems and regularly organized rebates, which are primarily aimed at increasing revenue, generating needs and maintaining loyalty, are now standard tools in retail chains. The database of loyal customer systems can provide

the basis for direct customer access and online communication (PÉNZES, 2010; PÉNZES and PÓLYA, 2019).

Sales promotion have many effects, but its mean different things to the retailers and different things to the consumers. It is most favorable for the retailers if, in addition to the increase in turnover, the number of customers also increases, while producers want to achieve a category change primarily in favor of their own products and at the expense of others. Sales promotion can bring a change in behavior, but we should not forget about mental reactions either. Among other things, a lower reference price may develop in consumers' mind, so they may insist on a lower price level in the future and wait for another promotion (HORVÁTH and BAUER, 2013).

### 1.2. Interrelation Between Procurement and Sales Promotion

Goods turnover of retailing companies especially procurement must be investigated for reaching the goals of our paper. First of all the point of view of discounts, reductions and subsidies of procurement. Procurement was mentioned as a retailing function (McGOLDRICK, 1990; TONNDORF, 1997), and micro-economic function (PÉNZES and GYENGE, 2010). The procurement of retailing company task is buying goods for satisfying the customer's needs (DUDÁS, 2012), for reaching competitive and economic advantage (PÉNZES and GYENGE, 2010), value (VÖRÖSMARTY, 2001). Economic conditions of procurement criteria contain discounts and advertisement subsidy (NILSSON and HOST, 1987; KOPPELMANN, 1997), rabat (SCHENK, 2007).

Buying syndicates/Purchasing groups often organize two-level rebates (country and regional) (AGÁRDI, 2010). The types of supplier's discount: commercial, volume, promotional, seasonal and paying (JUHÁSZ et al., 2006). The types of commercial promotion discount from the total sum of invoice, returns invoice, free goods, discount of cooperation advertisement, discount of placement, turnover promotions, conditions of financing stock, shelf fee, street fee (BLATTBERG and NESLIN,

1993; AGÁRDI, 2010; HORVÁTH and BAUER, 2013; SZAKÁLY 2017) promotion of invoice-return invoice (AGÁRDI, 2010; HORVÁTH and BAUER, 2013). We are focusing such types of discounts which contribute to the organization of sales promotion. These discounts named commercial promotion (AGÁRDI, 2010; HORVÁTH and BAUER, 2013; SZAKÁLY, 2017.), incentive discount (KOTTLER and KELLER, 2012) promotional discount (REKETTYE, 2011). Classic promotional discounts are granted by the producer to retailers for the purpose of carrying out local sales promotion tasks (REKETTYE, 2011). Willingness to buy of consumers and food supply chain may be supported by different discounts (PANYOR et al., 2019).

We concluded that different authors found interrelation between retailer's promotion activities and efficient procurement, which can be characterized by a complex system of actors and elements of activity.

## 2. MATERIAL AND METHOD

The investigation of the topic was based on secondary and primary information, which made it possible to compare the results of our regional primary research with national research results and to compare the value judgments of people living in settlements with different purchasing power and store chain network.

- During our secondary research, we relied on the CSO database, market research results and publications of the relationship between store chains and consumer behaviour.

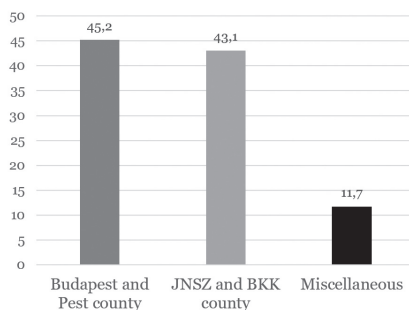
- The primary research was taken in the form of in-depth interviews, observations and interviews, in the latter the students of the Wekerle Business School and the John von Neumann University participated as interviewers. During the analysis, 650 evaluable questionnaires were processed.

- The objectives of the structured interviews were: understanding the role of procurement discounts, rebates and support in organization of promotions in general and product-specific in Hungarian and multinational retail chains. The interviews were conducted face-to-face in February 2021, after preliminary telephone appointment, with the procurement director and marketing manager of a member company at a Hungarian store chain, and with a store manager at a multinational store chain.

### 2.1. Size and Composition of the Sample

36% of the respondents were men and 64% were women, which corresponds to the composition of domestic food buyers. Examining the composition by age, it can be stated that the questionnaire was filled in the largest proportion by those in the 41-51 age category, followed by those under 20 (18%) and then by the thirties (16.7%).

80.6% of the respondents declared themselves to be in an average financial situation, 6.2% cent to be below average, and 13.2% to be in a higher income category. In our opinion, the place of residence and its size is an important grouping criterion due to the differences in purchasing power and the differences in the store network characteristic of the types of settlements.



**Fig. 1**

**Composition of Respondents by Location, % (N=650)**

Source: Authors' own compilation (2022)

The residents of Budapest and Pest counties were grouped due to the close proximity of the capital and the regular commuting of the residents, while Jász-Nagykun-Szolnok county and Bács-Kiskun county were due to their geographical location (Eastern Hungary), the counties have approximately the same nature and purchasing power (*figure 1*).

86% of respondents live in settlements with a resident population of more than 5 000, a fact that provides a good basis for meeting and experiencing the promotional activities of retail chains. It should be noted that Hungarian owned chains are present in

settlements with a population of less than 5 000, which make up 14% of the respondents, and their sales promotion activity has also a special feature.

### 3. RESULTS AND DISCUSSION

#### 3.1. The Results of In-depth Interviews

Due to scope limit, we only cover the role of purchasing discounts, rebates and subsidies. Summarized in *Table 1*.

**TABLE 1**  
**The Role of Purchasing Rebates, Discounts and Subsidies**

| Interview question topic                       | Hungarian store chain  | Multinational store chain  |
|--|--|--|
| most typical                                   | -quantitative rebate<br>-appear in feature<br>-tasting articles<br>-delivery charge<br>- bonus refund<br>-contribution to the sweepstake<br>-business promotion<br>-POS materials<br>-ancillary goods<br>-free goods | no information   |
| current number                                 | 10-15  | no information   |
| available (after 2009 restrictive legislation) | -number decreased, they remained the most important<br>-no service content cannot be enforced<br>-everything can be included in the price discount   | -number decreased<br>- remained for consideration                                  |
| supplier identities and differences            | - identity: fulfill expectation procurement's negotiation<br>- differences: articles for tasting, consumer's gifts, POS materials, special discount in monthly differentiation                                       | -differences: transport to logistics center (centralized) or store (decentralized) |

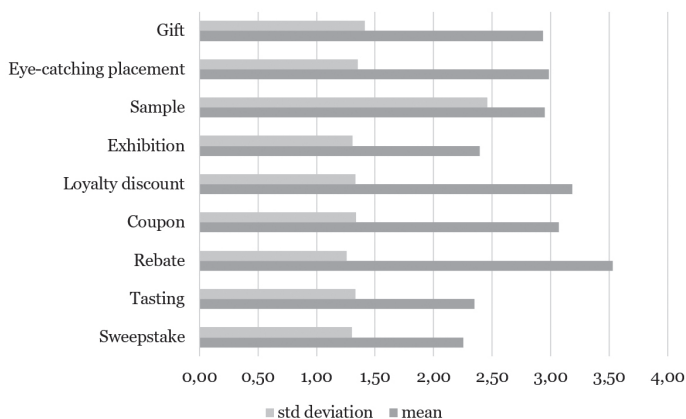
Source: Authors' own compilation (2022)

#### 3.2. The Results of the Survey

##### 3.2.1. The Influencing Power of Sales Promotional Tools

The effectiveness of businesses' activities towards consumers can be interpreted in a complex way, one component of which is the result of the influence on consumer behaviour. In this study, we investigated the effectiveness of sales promotion tools based on consumer

value judgment. The research studied a scale of 1-5, how consumers consider the various instruments of the retail chains sales promotion and their impact on the purchase decision. The used range of sales promotion activities is various on FMCG market, and their impact on customers is different. Investigating the highlighted instruments, it can be seen that their influencing effect and the standard deviation of consumer value judgment are also different (*figure 2*).



**FIG. 2**  
**The Influencing Power of Sales Promotional Tools (N=650)**

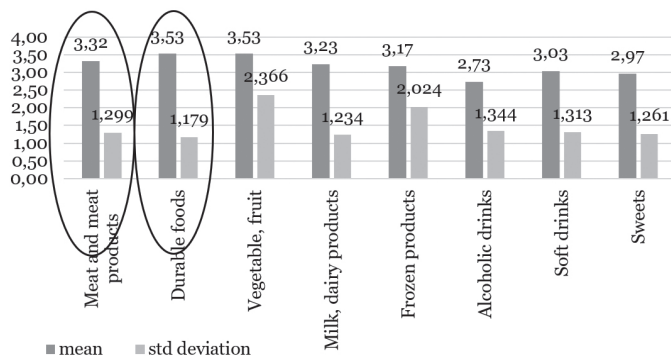
Source: Authors' own compilation (2022)

Among the tools used, weekly promotions are the most effective, with an average score of slightly above 3.5 and a relatively low standard deviation of responses (1.256). Customers rated the discounts to loyal customers to a similar extent (3.18), which in the current practice is visible in the post-purchase bonus points and the discount related to goods. Based on the responses, the least popular solution is the sweepstakes, which can be mainly explained by the low chance of winning and the relatively

modest amount of winnings. Comparing the valuation of the tools, it can be seen that the immediately available, certain price advantage is more favorable than the longer-term tools.

### 3.2.2. Impact of Rebates in Different Commodity Groups

During the research, we examined the extent to which regular rebate promotions affect purchases in different food groups (figure 3).



**FIG. 3**  
**The Impact of Regular Promotions (N=650)**

Source: Authors' own compilation (2022)

By the respondents, regular actions increase the demand for durable food and fruit and vegetable products the most, in both cases it was estimated at 3.53. However, if we also examine the homogeneity of the responses, it can be seen that the standard deviation is smaller for durable foods, so consumers' value judgments are more solid for this commodity group. The rebates have the least effect on alcoholic beverages (2.73) and sweets (2.97). Favorable data for the fruit and vegetable group also highlights that chain stores can achieve increasing profits for fresh goods through effective promotional communication and selection, however the value of standard deviation highlights the importance of examining products in this commodity separately.

### 3.2.3. Differences in the Influencing Effect of Actions, Rebates

The socio-demographic characteristics of consumers influence the impact of actions, of which age, place of residence and income can be highlighted.

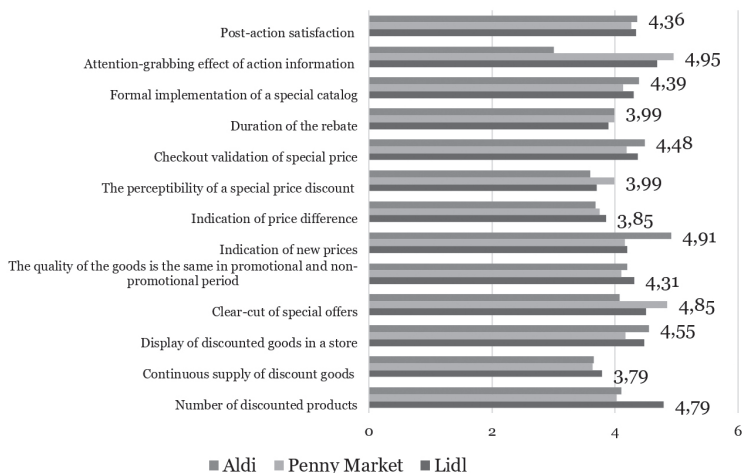
Examining the age categories, it can be stated that with the exception of one group (20-30 years), it is typical everywhere that more than 60 percent of the respondents are strongly or decisively influenced by the actions. The value of the correlation coefficient is low (+0.112), which shows that in this sample, age does not decisively influence the overall effect of sales promotions on buyers. However, if we examine the average evaluation of consumers belonging to each category, it can be seen that as the age increases, the influencing effect of the actions increases, which is an indicator for determining further directions of research. Based on the analysis of the impact of the actions on consumers, it can be stated that while in Budapest only 50.1 percent of the population feels that the actions influence them very much or at least decisively, in Pest County this proportion is already 61%. In Jász-

Nagykun-Szolnok and Bács-Kiskun counties, 69 percent of the respondents opined the same. Regarding the average results of the influencing effect of the actions, it can be seen that while in Budapest and Pest counties the effect of the actions has a medium influence, in the other two counties it can be characterized by the term "very influencing". This originates in several factors, of which purchasing power and the income situation of consumers seems to be important, but other factors must of course be taken into account when developing a store chain strategy.

### 3.2.4. Evaluation of the Organization and Implementation of Regular Weekly Actions

The research revealed that among the residents of Budapest and Pest counties, in addition to Tesco and Auchan, the popularity of discounts is typical, while in Jász-Nagykun-Szolnok county, in addition to discounts, the Coop chain is decisive in purchasing goods (*figure 4*).

The evaluation of hypermarket promotions from different perspectives shows results above 4 with two exceptions. From the evaluation, a positive opinion can be highlighted regarding the quality of the discount goods, their display in the store and the formal implementation of the action catalogue (4.27-4.28). They are less satisfied with the amount of the discount (3.75) and the indication of the discount that facilitates the decision. Comparing the results achieved in each category, respondents are most satisfied with Interspar, followed by Auchan and Tesco. It is also important to take into account that Tesco Global Áruházak Zrt. and Spar Magyarország Kft. also operate supermarkets in addition to hypermarkets. Consumer perceptions of supermarket promotions show a differentiated picture. While in the case of Tesco, supermarkets were rated better than hypermarkets with two exceptions, this shows a mixed assessment in the case of Spar.



**FIG. 4**

**The Evaluation of Discount Chain Promotions (N=650)**

Source: Authors' own compilation (2022)

The study of the promotional activity of discounts, which play a prominent role in the attendance and popularity of business forms, was an important area of research. They are characterized by the fact that in addition to the cost-focused approach in the organization of sales within the chain, they also strive for significant standardization in the infrastructure of stores, in the conditions of sales and in the organization of promotions. Knowing these, we explored the consumer perception of the action organizing activities of discount chains operating in Hungary (Lidl, Penny Market, Aldi).

The promotional activity of the discounts was mostly rated as good by the respondents. In the case of Penny Market, the attention-grabbing effect of the information and the transparency of the selection of promotions were rated exceptionally high, as well as the number of goods involved in the promotion at Lidl. Comparing the store chains, the

respondents ranked Aldi stores in the first place according to 6 criteria, Penny markets 3, and Lidl stores 4.

**4. CONCLUSION**

The aim of the paper was to explore the similarities and differences of the sales promotion of Hungarian and multinational retail chains, which also function as a means of competition, and to highlight the correlations between trade organization and regularly organized promotional activity, separately investigating it from the aspect of company and private labels. We confirmed our hypotheses with our research results. We plan as a further direction of our research: detailed research on other means of promotion and conduct in-depth interviews in all types of stores in the FMCG market.

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**JEGYZETEK ✦ NOTES**

