

**Incremental Sale Attributed to POSM Elements  
at Hindustan Coca-Cola Beverages Pvt. Ltd.**

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## **Comment by the Faculty**

In marketing of retail products such as cool beverages, the point of sale impact has great significance. In many cases clinching of sales would happen based on how well this is planned. Kushal Swain has been able to get good exposure on this aspect of marketing in his internship with Hindustan Coca-Cola Beverages. While admittedly, the correlation analysis that he has carried out would need to be tested in a larger sample, the managerial process has been well laid out. Although, statistical analysis cannot be a comprehensive guide, his attempts at using mean analysis and regression appear to be well suited to the situation. Lastly, the specific experience he has had in respect of marketing Coca-Cola in the IPL event in Cuttack is an interesting managerial input. In the process Coca-Cola was bearding the lion in its den, since the rival Pepsi brand was the key sponsor for IPL and had monopoly over the coverage in the arena.

Studies such as this throw insights into possible aspects considered by customers in the final analysis. While the scope of the exposure here is limited and the time frame was short, extension of similar enquires to other centres will help the company to formalize a general strategy.

**N.R. Parasuraman**

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### **Introduction**

Hindustan Coca-Cola Beverages Pvt. Ltd. is the Bottling Investment Group (BIG) in India of The Coca-Cola Company. It is a part of The Coca-Cola System in India and is responsible for the manufacture, package, sale & distribution of all beverages under the trademark of The Coca-Cola Company. During the course of my Internship I was exposed to various facets of the organization and how business is run in the FMCG sector. After discussion with my mentor, my internship objectives and requirements for the project were stated.

### **POSM Elements**

Point of Sale Material (POSM) elements are company provided materials that are activated at the retail outlets to increase the visibility of the product and to aid in increase of sales. They are the psychological aids to sale. POSM elements are many and some of them include Posters, Banners, Price Stickers, Brand Strips, Glow Sign Board (GSB), Flex and Menu Board. In this project the POSM elements considered are, GSB, Flex, Price Sticker, Flange and Menu Board.

### **Objective of the Project**

The objective of the project was to understand the Point of Sale Material Elements used by HCCBPL in inducing sales and to find, the relation between and the effect of, the POSM elements and corresponding increase in volume sales, in the area of Cuttack, Odisha. Primary business in Cuttack comes from the unorganized sector because of domination of traditional outlets.

### **Methodology**

#### ***Market Visit***

- Visit market in order to understand the strategic positioning of POSM elements with the aid of Market Developers (Sales Executives) of HCCBPL
- Understand how the POSM elements influence the sale on the field

#### ***Data Collection***

- Initial data collection of 140 outlets out of which 39 were later rejected in the final stages due to ambiguity
- Data collection comprized of the various POSM elements activated in these outlets for the years 2013 and 2014 in the months February, March & April
- Data collection also included data of the sales in volume of the 140 outlets for the years 2013 and 2014 in the months of February, March & April

## Sources of Data

- Data regarding POSM elements and their points of activation were provide by Market Developers of HCCBPL
- Data regarding which POSM elements remained activated and which were pulled down by retailers were collected from observations during market visits and retailers
- Sales volume data of the outlets for the given period was collected from the Distributors

## Analysis

In the analysis we consider all of the POSM elements as the independent variables that determine or contribute to the sales volume (dependent variable). Three analyses were done:

- Correlation Analysis
- Regression Analysis
- Simple Average Analysis

### *Correlation Analysis*

Correlation Analysis is necessary to find the correlation between the independent variables and dependent variable. The objective here is to determine the strength of the relationship between the POSM elements with sale, on a one-one basis.

The summary table of the analysis is given below

<b>Correlation</b>	<b>Feb-13</b>	<b>Feb-14</b>	<b>Mar-13</b>	<b>Mar-14</b>	<b>Apr-13</b>	<b>Apr-14</b>
<b>GSB</b>	0.525	0.338	0.454	0.374	0.418	0.439
<b>Flex</b>	0.041	0.079	0.073	0.049	0.080	0.105
<b>Price Sticker</b>	0.214	0.151	0.144	0.219	0.255	0.184
<b>Flange</b>	0.005	-0.077	-0.105	-0.080	-0.037	-0.098
<b>Menu Board</b>	0.385	0.399	0.390	0.373	0.417	0.426

The above table gives the correlation value of each POSM elements with sales volume for each of the three months of both the years. The values in the table lead to the following findings:

- GSB shows a consistently positive correlation value for all the months and years and also has the highest correlation when compared to the rest of the POSM elements(except in February 2014)

- Flex shows all through a close to zero value indicating very weak correlation
- Price Sticker shows a decent correlation with sales volume
- Flange values of correlation oscillate between negative and positive but are always close to zero again showing weak or no correlation with sales volume
- Menu Board is the second strongest POSM elements showing significant positive correlation with sales volume

### **Regression Analysis**

The objective of Regression Analysis is to find the consistency of independent variables in their appearance in the equations. There will be 6 equations obtained from 3 months of each year. Each of the POSM elements is allotted a score as given below:

<b>POSM Elements</b>	<b>Score( Out of 10)</b>
GSB	8
Flex	4
Price Sticker	2
Flange	2
Menu Board	4

The scoring is allotted by company depending on its durability, lifespan and purpose among many other factors. Snapshot how scoring is done on various outlets is as follows:

<b>Sl. No.</b>	<b>GCC</b>	<b>Name of Outlet</b>	<b>Channel Type</b>	<b>GSB</b>	<b>Flex</b>	<b>Price Sticker</b>	<b>Flange</b>	<b>Menu Board</b>	<b>Sales Quantity (PC)</b>
1	G001564765	Kusha Beetle Shops	Convenience	8	0	2	0	0	32.6
2	G000431443	Maa Vaishno Devi Store	Convenience	0	4	2	0	0	12.2
3	G000422382	Sri Ganesh Sweets	E & D 2	8	0	0	0	0	19.1

In the analysis alpha value assumed is 10%. In this analysis Backward Stepwise Elimination is used after regular Regression for the purpose of eliminating the independent variables that have p-value greater than the alpha value. The reason being if the p-value is greater than the alpha value it indicates that the independent variable is insignificant. The summary output of the Regression Analysis after Backward Elimination is as follows:

<b>Feb-13</b>	
Regression Statistics	
Multiple R	0.65
R Square	0.42
Adjusted R Square	0.40
Standard Error	10.04
Observations	101
Anova	Coefficients
Intercept	1.18
GSB	2.08
Flex	1.86
Flange	3.51
Menu Board	4.09

<b>Feb 14</b>	
Regression Statistics	
Multiple R	0.52
R Square	0.27
Adjusted R Square	0.25
Standard Error	16.26
Observations	101.00
Anova	Coefficients
Intercept	12.55
GSB	1.33
Price Sticker	5.50
Menu Board	8.00

<b>Mar-13</b>	
Regression Statistics	
Multiple R	0.57
R Square	0.33
Adjusted R Square	0.31
Standard Error	30.97
Observations	101
Anova	Coefficients
Intercept	7.93
GSB	4.47
Flex	4.09
Menu Board	12.68

<b>Mar-14</b>	
Regression Statistics	
Multiple R	0.56
R Square	0.31
Adjusted R Square	0.29
Standard Error	28.29
Observations	101
Anova	Coefficients
Intercept	10.86
GSB	2.77
Price Sticker	12.80
Menu Board	13.25

<b>Apr-13</b>	
<i>Regression Statistics</i>	
Multiple R	0.61
R Square	0.37
Adjusted R Square	0.34
Standard Error	28.76
Observations	101
<i>Anova</i>	<i>Coefficients</i>
Intercept	-0.51
GSB	4.67
Flex	5.95
Flange	9.54
Menu Board	15.15

<b>Apr-14</b>	
<i>Regression Statistics</i>	
Multiple R	0.62
R Square	0.38
Adjusted R Square	0.36
Standard Error	47.34
Observations	101.00
<i>Anova</i>	<i>Coefficients</i>
Intercept	-5.38
GSB	5.78
Price Sticker	23.70
Menu Board	26.75

Findings from the above table are as follows:

- GSB appears in each of the equation (Table). The coefficient may not be high but it appears in all equations, showing that it plays a role in the determination of Sale.
- Flex remains an insignificant variable in 3 of the 6 equations and in occasions where it has been present, the coefficient strength is not very high.
- Price Sticker has also appeared in only 3 equations but its coefficient has been second highest whenever it has appeared thus showing that it contributes to the sales.
- Flange appears as a significant variable only in two models. In all others it results out to be an insignificant independent variable to Sales.
- Menu Board has appeared in all the models and has had the highest coefficient thus contributing maximum to sales.

### ***Average Analysis***

The Average Analysis is done in the following manner. First the incremental (or detrimental) sale in volume for each outlet is calculated for the years 2014, 2013 for the months February, March & April. Following which, the average incremental sale due to each POSM elements individually is calculated on the following four conditions:

1. Average for where new POSM elements were activated
2. Average for where POSM elements were deactivated
3. Average for where now new activation was made
4. Average for where no new deactivation was made

Now we look at each of the final results and look at how each of the POSM elements have shown their contribution in each of the months.

<b>February</b>	<b>New Activation</b>	<b>New Deactivation</b>	<b>No Activation</b>	<b>No Deactivation</b>
<b>GSB</b>	2.05	NA	4.24	-12.37
<b>Flex</b>	17.06	19.79	14.12	18.25
<b>Price Sticker</b>	26.16	4.87	14.71	14.88
<b>Flange</b>	14.86	13.6	18.36	12.64
<b>Menu Board</b>	NA	NA	23.16	27.32

<b>March</b>	<b>New Activation</b>	<b>New Deactivation</b>	<b>No Activation</b>	<b>No Deactivation</b>
<b>GSB</b>	38.69	NA	15.27	8.96
<b>Flex</b>	16.7	13.53	15.54	14.76
<b>Price Sticker</b>	37.08	9.92	8.28	12.57
<b>Flange</b>	23.36	17.05	13.44	14.83
<b>Menu Board</b>	NA	NA	6.46	14.94

<b>April</b>	<b>New Activation</b>	<b>New Deactivation</b>	<b>No Activation</b>	<b>No Deactivation</b>
<b>GSB</b>	55.30	NA	17.65	40.52
<b>Flex</b>	40.96	18.54	25.08	24.3
<b>Price Sticker</b>	52.11	3.64	25.14	25.16
<b>Flange</b>	24.12	26.75	29.03	22.12
<b>Menu Board</b>	NA	NA	50.38	72.28



From the above analysis following were the respective findings for each of the POSM elements:

- Except in the month of February in all other months the incremental sale due to activation of GSB has been highest.
- Flex has not shown much variation in its contribution in any month except in April. Even in April variation is not seen in 2 states (continuing states).
- Price Sticker has shown huge variations in places where it has been activated from those where it has been deactivated.
- Flange has not appeared to show much variation in the incremental sale.
- Menu Board has been ignored for this analysis because for both the years there has been no new activation or deactivation and thus does not yield any defining output.

## Conclusion

The conclusion that yields from the three analyses above are as follows:

- *GSB* is an important POSM element that contributes significantly to the increase of Sales for Coke.
- *Flex* does not make any strong contribution in the increment in sale. Although we cannot say that it absolutely makes no contribution but the contribution is not as high as it is expected to have. Its contributions are irregular and inconsistent.
- *Price Stickers* have huge influence over the increase in Sales. It may not always have effect but that could be for reasons like its durability and positioning of the Price Stickers in the outlet.
- *Flange* makes no contribution to the Sales increase as seen from the results of the available data.
- Based on the above findings it would be wrong to conclude Menu Board is very influential in incremental sale. Menu Board activation takes place only after looking at the volume sales of a particular outlet. In such a case, Menu Board though seemingly an important sales contributor isn't actually so.

## Recommendations

- **GSB**- Because of cost factors it is not possible to activate it in all outlets. But those outlets with Flex and showing good sales should be activated with GSB to increase sales.
- **Flex**- Market Visit showed that majority of the outlets (having Flex) were activated with only roof top flex. It is not visible in the evening and night. So side flexes should also be allocated for better visibility. Also Visual elements (Warm Display, Crate Display, etc.) should be activated to aid Flex.

- **Price Sticker-** Life span is very low. Often torn out or removed by customers and retail owners themselves. Fortnightly visits by Market Developers recommended, to check continuous presence of Price Stickers and reactivation of those deactivated. Important to keep Price Stickers activated as they influence sale to a great degree.
- **Flange-** Most ineffective POSM elements. Size too small so should be increased to improve visibility. Placement of Flange odd and wrong. Market Developers need to visit periodically to check on these errors. Presence of Coca-Cola Logo on both sides discourages consumers to visit the outlets. So it is recommended that one side carry Logo of any of the other popular beverage brand of The Coca-Cola Company
- **Menu Board-** Activation of Menu Board is biased. Only those outlets showing great sales are activated with Menu Board. So to reap better fruits from this POSM element it needs to be activated in more outlets based on location and size of shop in addition to sales of the shop.

## Epilogue

During my internship at HCCBPL I had the good fortune of being a member of the IPL promotion team, during the IPL matches in Cuttack's Barabati Stadium. This experience was as holistic as any intern could expect it to be. I was exposed to all major principles of management. The IPL was sponsored by Pepsi and thus Pepsi had all resources at dispense to promote their brand in the event. Coca-Cola thus, had to utilize its minimum resources available to maximize its impact.

Notable among the strategies Coca-Cola used were providing consumers with variety of products to choose from in contrast to Pepsi's offering. While Pepsi was offering only Mountain Dew its most profitable brand, Coca-Cola was offering three products Coca-Cola, Maaza and Kinley Water. Because of the scorching heat of 43 degrees, consumers preferred to carry water along with soft-drinks which was an advantage for Coke. Another important strategy was to have moving salesmen carrying backpack of Coca-Cola and delivering the products to consumer while they stood in their queue thus providing them with convenience. This was in contrast to Pepsi's stalls to which consumers had to come to buy if they wished to buy their products thus leaving the queue. Another important and effective strategy was inventory management. Coca-Cola moved its stocks from outlets showing low sale to outlets selling more. This was done so that, at no point of time an outlet had excess or deficit stock and there was a balanced stock management.

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