

RE-EXAMINATION OF SALES PROMOTION EFFECTIVENESS: A DESCRIPTIVE APPROACH

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Abstract

The research focuses on sales promotion effectiveness in Coca-Cola and 7UP Soft Drink Companies in Lagos, Nigeria. The study is important because of the observable huge budget on sales promotion in the industry. The study adopted survey research design using structured questionnaire. The mean and percentage value of the respondents were used to analyze data. Findings showed sales promotion enhanced sales growth, differentiates products from competitors and advertising efficiency decline did not increase sales promotion usage. The study concluded that sales promotion is a veritable tool to achieve marketing promotion objectives. The study contributed to the wholesomeness of sales promotion theory with right track assurance to marketing practitioners. To have competitive edge, managers by implication must appreciate sales promotion potency.

Keywords: Promotion, Sales Promotion, Marketing

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1 Introduction

According to Jobber and Lancaster (2006), all Businesses need to communicate to the customer what they have to offer. Promotion as an element of the marketing mix is the marketing activity employed to communicate with the target market. Indeed, it is the platform organization adopts to achieve the dissemination of information about their products to the customers. It therefore plays a vital role in the achievement of organizational goals. The elements of marketing promotions mix include advertising, personal selling, sales promotion, publicity and public relations. In their various ways, these elements are involved in communicating information to customers, clients, or potential users about goods or services on offer. Their fundamental aim is to prompt customers, clients or potential users to take positive action by placing orders, making enquiries and purchasing on a continuous basis. At each step in any purchase decision, the probability that a purchase will result is enhanced through the use of efficient and effective marketing promotions, ending ultimately in the purchase of the goods and services being promoted. Sales promotion as one of the promotional mix elements used by the marketer to promote goods and services is the focus of this study. According to Low & Mohr (2000) manufacturers continue to spend a large amount from their communication budget on sales promotion. They allocate 75% of their marketing communication budgets to sales promotion (Hellman, 2005). It is therefore the aim of this study to evaluate the effectiveness of sales promotion in some selected soft drink companies in terms of being a short run

sales tools and weapon to differentiate product offering.

Marketing literature to date has focused on sales or profit response of marketing actions. (Amit and Dominique, 2010). This is sequel to marketing decision makers increasing awareness of the shareholder's value maximization, the need to strategically relate to its environment as well as to have sustained competitive edge in the market. However, the effectiveness of sales promotion in achieving its theoretical objectives and the ultimate impact on top/bottom line response are not examined in the focused industry and it is this gap that this study intends to fill. It is therefore the focus of this study to examine the extent sales promotion serves as a short run sales tool, establish the effectiveness of sales promotion program in differentiating product offering and to find out the extent to which sales promotion program usage increases as a result of advertising efficiency decline. Following this introduction and problem definition, section two of the paper considered the review of Literature, section three discussed the methodology of the paper, and section four presented the analysis, results and discussion while the last section dwelled on the conclusion and recommendations.

2 Literature review

2.1 Conceptual review

According to Chaharsoughi & Yasory (2012), the concept of promotion is one of the key factors in the marketing mix and has a key role in market success. It

is used to ensure that consumers are aware of the products that the organization is offering. The promotional elements can be used to inform prospective consumers about the benefit of the product, persuade them to try it, and remind them later about the benefit they enjoyed by using the product. The objectives of promotion activities according to Adetayo (2006) are from overall perspective to inform remind and persuade target consumers about the organization and its products.

Sales promotion as an element of promotion represents an eclectic collection of various promotional incentives designed to stimulate volume or speed of purchase. Blattberg & Neslin (1990) Sales promotion differs from advertising because it gives not a cause but an inducement to buy so it is an immediate incentive and it is not responsible for long term impressing. It is intended to encourage buyers to act "now" rather than later (Józsa, Piskóti, Rekettye, & Veres, 2005), Fill (2005). Sales Promotion strategy is an activity that contributes to the increase of sales. This can be achieved by different ways due to the wide range of applied sales promotion methods. The choice of Sales Promotion tools depend on the type and competitive position of the product. It is important for companies to choose incentives that will help them to achieve their goals. For a successful sales promotion campaign, employees should know their task and inform customers about the program, managers should monitor sales and responses to deals. The properties of sales promotion can be defined as techniques and devices commonly used on a temporary basis, to make goods and services more attractive to distributors or final customers by providing them with some additional benefit or inducement (incentive) or the expectations of such a benefit, whether in cash, in kind (nature) and/or services, whether immediately or at a later time, whether freely or conditionally. The following sales promotional types: reduced prices and free offers, premium offers of all kind, vouchers and samples, the supply of trading samples, promotions which are linked with charity, and furthermore promotions related to prizes of different kinds, including some other incentive programmes. All these are employed by companies to increase profitability through motivating consumers to make an immediate purchase.

In the view of Chaharsoughi & Yasory (2012), sales promotion are highly effective in exposing customers to products for the first time and can serve as key promotional components in the early stages of new product presentation. According to them sales promotion is action focused marketing events whose purpose is to have a direct impact on the behavior of the firm's consumers. There are three major types of sales promotion: consumer promotion, retailer promotion and trade promotion. Consumer promotions are promotions offered by manufacturer directly to consumers. (Blattberg & Nelsin, 1990).

Brassington & Pettitt (2000) provides a revised definition for sales promotion as a range marketing

techniques designed with a strategic marketing framework to add extra value to a product or service over and above the normal offering in order to achieve specific sales and marketing objectives. Huff & Alden (1998) and Chandon & Laurent (2000) claimed that throughout the world, sales promotion offered to consumers are an integral part of the marketing mix for many consumer products. Sales promotions cannot be the sole basis for a campaign because gains are often temporary and sales drop off when the deal ends (Berkowitz et al., 2000).

Adetayo (2006) viewed sales promotion as any activity that offers an incentive for a limited period to induce a desired response from target customers, sales people or intermediaries. It is all activities aimed at stimulating consumers to buy a product. It employs short term motivational offers directed to consumers, intermediaries and Sales Representatives. It is directed to achieve immediate sales or increase sales. Kotler (2000) regards sales promotion as consisting of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services of consumers or the trade.

Olayinka and Aminu (2006) contended that "incentivisation" which means, "buy me for this special reason" has been used to describe sales promotion. According to Smith and Taylor (2002), the growth of sales promotion has been fuelled by several factors including: (a) the movements towards relationship marketing (b) rewarding loyal customers (c) the growth of incentives (d) the emergence of promotion, literate customers who expect promotion with certain product types (e) during recession, price conscious customers search for value for money (f) powerful retailers favour suppliers whose products sell quickly because of heavy advertising and exciting promotions (g) high television advertising costs force marketing manager to look for more cost effective, below the line tools such as sales promotion. Basically, there are three main categories: Consumer promotions, Trade promotions and Sales force promotions.

2.2 Theoretical review

Sales promotions strategies are based on specific theories of marketplace behavior and psychology. Understanding the theories of sales promotions can be useful for both business owners and consumers. The following theories will be discussed because of their relevance for this study.

2.2.1 Push demand theory

One objective of sales promotions is to create what is termed "push demand." The theory behind it is that if a company can convince its suppliers to stock up on a particular product by offering a promotion, the supplier will then push the product onto its own customers with its own promotional offers. Consider a manufacturer of canned soup. The manufacturer may

offer grocery distributors free samples of a new soup and offer deep discounts for buying in bulk. When the distributor buys the new soup, it will be overstocked on the item, and will then offer the soup at a discount to grocery store chains, which will in turn offer a special price discount to move it off their shelves.

2.2.2 Pull demand theory

The pull demand theory operates from the consumer side of the equation. Creating pull demand involves offering a special promotion to customers for a product that is not yet stocked in a wide range of outlets. Consumers seeking the promotion will ask their local stores for the product, and the stores will then purchase and stock the product in response.

2.2.3 Planned behaviour theory

According to this theory, behaviour may be modified by sales promotion stimuli, which change beliefs, attitudes and eventually intentions and behaviour. If the intervention influences customers, it changes intentions and eventually changes the behaviour. The relevance of the theory is that a worthwhile promotional incentives from the organization influences the behavior of the consumers to buy.

2.2.4 Price sensitivity theory

A major contributing theory to sales promotions strategies is that consumers tend to be highly price sensitive for certain product categories. Offering a temporary reduction in price or increase in services for the same price can allow companies to gain market share from their competitors for a short time.

2.2.5 Adaptation level theory

This theory proposes that consumers carry with them an adaptation level price or 'internal reference price' for a given product. The internal reference price represents the price a consumer expects to pay for a product and is formed on the basis of past prices paid or observed either for the same product or similar products. The internal reference price is a standard against which market prices are compared and judged as high, low or medium. Consumers respond to a price promotion based on the comparison between the internal reference price and the promotional price. Frequent price promotion can lead consumers to lower the reference price for the promoted product. Consumers with lowered reference prices will be unwilling to pay the full price of a product once the promotion is over. The relevance of this theory is that any promotional price above the internal reference price will not attract the customers.

The different theories above clearly indicates that promotional incentives intervention in the form of price cut, rebates and sample products from the marketers affects the behaviors, beliefs, intentions and

attitudes of the consumers and middlemen in favorably responding to product offers.

2.3 Empirical review

Studies have shown that sales promotions is one of the major communication mix tools being used by almost all of the companies to positively impact either its short run or long run profitability, Syeda et al (2012). Many researches prove the positive impact of this tool on a company's short run profitability, while some also discuss its possible potential or the lack of it as a long run weapon for the company. Another major conclusion for marketers is that sales promotions being offered by the company will only have a longer lasting impact if they are successful in gaining a place in the consumer's top of the mind recall. Sales promotion activities that cannot be recalled by the consumer cannot cause repeat purchase and loyalty among the consumers.

It was observed by Pauwels et al.(2002) that when a consumer is exposed to a sales promotion offer majority of the time, the impact of learning from the purchase is minimal and is easily balanced by a simultaneous and similar competitive offering. Therefore the immediate effects of sales promotion are small. In addition, the research revealed that because of price promotion, consumers are forced to make purchases but this impact on sales cannot only be explained by accelerated rate of purchase due to price reductions.

Some researches prove that sales promotions do not have a constant or continued effect on volume of sales of a firm which tend to diminish and come at the initial level at which it was before the sales promotion is being offered (Dekimpe, Hanssens and Silva-Risso 1999; Pauwels et al. 2002; Srinivasan et al. 2000). However the usefulness of sales promotion, that whether it promote, the long term growth and profitability among brands for which it is projected is not compulsory. (Kopalle, Mela and Marsh, 1999). Research conducted by Ailawadi and Neslin (1998) revealed that sales promotions motivate the consumers to make immediate purchases and also positively impacts the consumption volume.

A research conducted by Dekimpe et al.(1999) on four different product categories to find out the permanent and temporary effects of sales promotions on sales volume revealed that there are rarely any permanent effect of sales promotions on the volume of sales. Thus showing that sales promotion does not change the structure of sales over the long run, this implication is analyzed through our research also. Dekimpe et al. (1999) also revealed in the research that the diminishing impact of sales promotion may also be because of choice of brand, quantity which is purchased and category incidence. This dimension is also covered in our research through the analysis of extraneous variables. In another research conducted by (Pauwels, Hanssens and Siddarth 2002) examined the permanent impact of sales promotion on accumulative annual sales for the two product categories. It was

found that perishable and storable product categories lack permanent effects of sales promotion. Furthermore, it is revealed that the effects of sales promotion are short lived and persist only on average 2 weeks and last eight weeks for both product categories. The research's results showed that sales promotion makes only benefits which are temporary for the established brands.

Chalarsoughi and Yasory (2012) in the study on effect of sales promotion as a tool on customer attention to purchase concluded that introducing khodro's products through sales promotion attracts customer's attention to purchase. The result of the significance level test indicate that out of all the seven factors- music, expressing the feature techniques used, stimulating effect, providing information about the new product and the advertising slogans, five factors have significance impact on the viewers' attention to purchase.

3 Methodology

To re-examine the extent to which sales promotion was effective in the selected organization, a survey research was designed. Primary data were collected from Nigerian Bottling Company (NBC) and Seven-Up (7UP) Bottling Company, Lagos, Nigeria. The population of study were the people in marketing positions in the selected companies totaling 220.(NBC- 120, 7UP- 100).The two dominant players were selected because of their active and intensive use of sales promotion as a strategic tool to gain competitive edge. A sample size of 172 (NBC-90, 7UP-82) determined by Yamane formula was selected using stratified sampling technique to accommodate different levels of positions occupied by the commercial staff of the organization. The questionnaire was pretested with selected marketing staff to ensure clarity and comprehension, and to gauge average completion time. Minor revisions were made in question wording and order as a result of the

pretest. Because of careful monitoring, the total of 172 questionnaires were returned representing 100% response rate. To assess the internal consistency of the instrument, Cronbach's alpha was run and a reliability coefficient of 0.836 resulted. The instrument was validated through content validity. The instrument was structured and multi-chotomous in design using the Likert scale type of responses ranging from Not at all, to very slight extent, to a moderate extent, to a great extent and to an extreme extent. The Yamane formula adopted in the determination of the sample size is stated below:

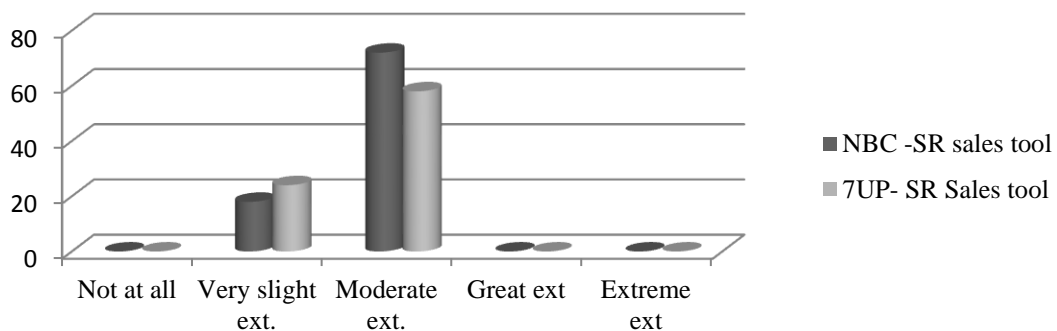
$$n = \frac{N}{1 + Ne^2}$$

Where n is the sample size, N is the population size and e is the error margin calculated at 0.05%. A descriptive analysis was used to determine the underlying extent of the effectiveness of sales promotion in the operations of the selected companies. The weighted means as well as the response of the respondents in percentages to the various variables on the questionnaires were used to make definitive decisions as to the extent of influence of sales promotion in the selected firms.

4 Analysis, results and discussion

The results provide support for the research objectives and questions that were raised in the study. The mean value of respondents in NBC and 7UP are above average point in all the questions raised and answered. This is indicative of the above average extent of the influence of sales promotion in the selected firms. The outcome of the survey conducted is therefore presented in this aspect of the study. The perception of the respondents on the effectiveness of sales promotion on the various subscale measured are analyzed and discussed below:

Figure 1: Extent to which sales promotion serves as a short run sales tool



Source: Field survey result, 2013

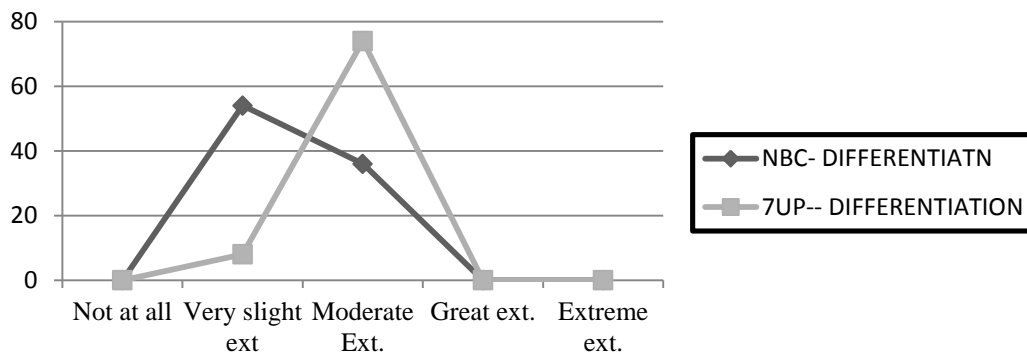
Analysis of respondents' perception of the extent to which sales promotion program serves as a short run sales tool in the organisation is presented. In NBC,

72(80%) respondents opined that sales promotion program serves a short run sales tool in the organisation to a moderate extent while 58(71%)

respondents in 7UP equally opined that sales promotion program to a moderate extent serves as a short run sales tool. About the same numbers of respondents in NBC 18(20%) and 7UP, 24(29%) agreed that sales promotion program influenced sales in the short run to a slight extent. In the two companies, no respondents denied the influence of sales promotion program as a short run sales tool. In the same manner, great and extreme influence of sales promotion program on short run sales increase in the two companies cannot be determined in the midst of

other promotional programs. To test the reliability of the scale, alpha cronbach was computed and the value was found to be acceptable at 83% for both NBC and 7UP. The mean value of respondents in NBC was 2.80 and 7up was 2.71 indicating a relative moderate influence of sales promotion program as a short run sales tool in the organisation. This also implies that sales promotion program have above average influence in creating short run sales increase in the two companies.

Figure 2: Extent to which sales promotion differentiate product offers

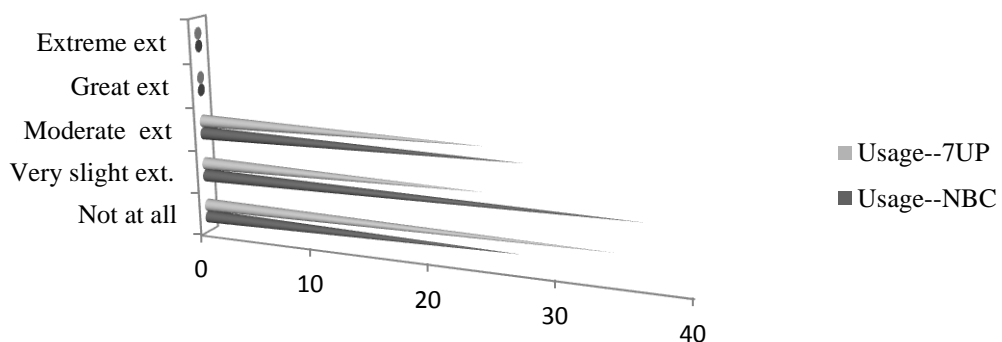


Source: Field survey result, 2013

Analysis of respondents' perception of the extent to which sales promotion program differentiates offers in the market is presented. In NBC, 54(60%) respondents opined that sales promotion program differentiates product offers in the market to a slight extent while 74(90%) respondents in 7UP opined that sales promotion program to a moderate extent differentiates product offerings in the market. 36(40%) of the respondents in NBC agreed that sales promotion program in the moderately help to differentiates products from that of the competitors. In 7UP, only 8(10%) of the respondents viewed sales promotion program to have capacity to differentiates products in the market. In the two companies, no respondents denied the influence of sales promotion program as an instrument for differentiating product offers in the

market. In the same manner, great and extreme influence of sales promotion program on differentiating products in the two companies cannot be determined in the midst of other promotional programs. To test the reliability of the scale, alpha cronbach was computed and the value was found to be acceptable at 83% for both NBC and 7UP. The mean value of respondents in NBC was 2.40 and 7up was 2.90 indicating a relative moderate influence of sales promotion program to differentiates products in 7UP while in NBC the relative influence was to a slight extent. The perception impact in the two firms differs. This also implies that sales promotion program have above average influence on one hand and below average in the other firm

Figure 3: Extent to which sales promotion usage increases due to advertising efficiency decline

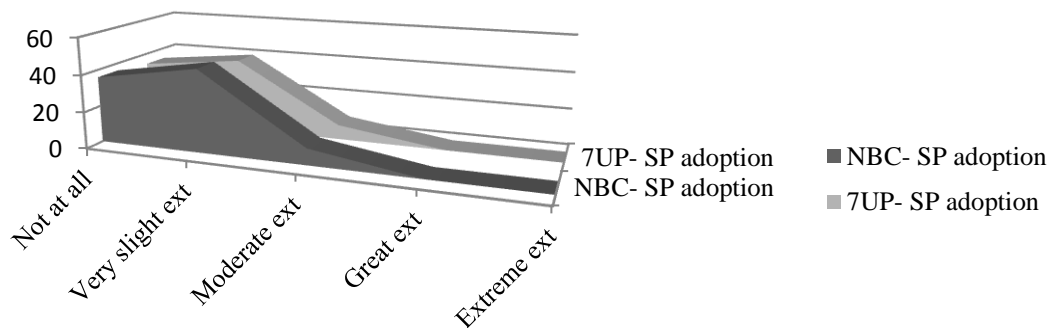


Source: Field survey result, 2013

Analysis of respondents' perception of the extent to which sales promotion program usage increases because of advertising efficiency decline is presented. In NBC, 36(40%) and 27(30%) respondents opined that sales promotion program usage increased due to advertising efficiency decline in the market to a slight and moderate extent respectively while 24(29%) respondents in 7UP opined that sales promotion program usage increased because of advertising efficiency decline to a moderate and slight extent respectively. In 7UP, 34(42%) of the respondents denied that sales promotion program usage in the organisation was due to advertising efficiency decline while 27(30%) in NBC equally denied connection

between sales program usage and advertising efficiency decline. The great and extreme influence of sales promotion program usage due to advertising fortunes decline in the two companies cannot be determined. To test the reliability of the scale, alpha cronbach was computed and the value was found to be acceptable at 84% for both NBC and 7UP. The mean value of respondents in NBC was 2.00 and 7up was 1.88 indicating a relative slight influence of sales promotion program usage as a result of advertising efficiency decline. This also implies that sales promotion program usage have below average connection.

Figure 4 : Extent to which firms adopts sales promotion program



Source: Field survey result, 2013

Analysis of respondents' perception of the extent to which sales promotion program is adopted in the organisation is presented. In NBC, 45(50%) and 9(10%) respondents opined that sales promotion program adoption in the firm is to a slight and moderate extent respectively while 40(49%) and 8(10%) respondents in 7UP opined that sales promotion program to a slight and moderate extent respectively is adopted by the firm. In 7UP, 34(42%) of the respondents denied the adoption of sales promotion program by the firm while 36(40%) in NBC equally denied the adoption of sales promotion program by the firm. The great and extreme extent of sales promotion program adoption by the firm in the two companies cannot be ascertained. To test the reliability of the scale, alpha cronbach was computed and the value was found to be acceptable at 83% for both NBC and 7UP. The mean value of respondents in NBC was 1.70 and 7up was 1.68 indicating a relative slight extent of adoption of sales promotion program as an intervention tool to beef up sales during the lull period. This also implies that sales promotion adoption by the two firms are below average.

5 Conclusion and recommendations

Based on the analysis and the findings thereof, this paper concludes that sales promotion program is a

veritable tool to command short run sales increase in organization as well as differentiates products offerings from that of other organizational products. In addition the organizational usage of sales promotion did not necessarily depend on organizational advertising efficiency decline but on the organizational marketing decision. The findings are supported by the outcomes of the research conducted by Syeda et al 2012, Pauwells et al 2002, Kopalle, Mela and Marsh 1999 and Ailawadi and Neslin 1998. They all concluded on the impacts of sales promotion on top line and bottom line at the different times. It was also concluded that organization adopts sales promotion to improve sales performance in the short run and not because consumers are deal oriented. Sales promotion is a critical success factor for achieving sales growth and glowingly differentiates an organization's products. The implications of the study for management, industry and theory cannot be overemphasized. Managers of businesses should realize that organizations will be able to maintain competitive edge in the market by using sales promotion. Equally the decline in the fortune of advertising did not account for the use of sales promotion indicating that sales promotion has potentials as marketing action in boosting sales. In addition, the various theory emphasized in the study till to date are relevant to sales promotion while the

industry should further note that sales promotion is creditable tool to strategically communicate with their customers.

While this study makes some progress in this area of focus, its exploratory suggests a number of limitations. The focus on NBC and 7UP poses a potential limitation on the generalizability of the results to companies in general. The approach to the method adopted in the study can further be modified through the use of inferential statistics. Despite all these limitations the results of the study provide some direction to the usefulness of sales promotion.

Consequently, the paper recommends that each organization should identify the best sales promotion program that is suitable to its operations in order to command sales growth and effectively differentiates her products from the others in the market. From the literature, the study recommends that organizations, especially the soft drinks companies should increase and monitor their sales promotion program because of its capability to influence sales and usage of specific products within the time period of the promotion.

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