

Strengthening Sales Performance and Consumer loyalty through Sales Promotion: An Empirical Investigation

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Abstract

The continuing economic crises have placed heavy burdens on Nigerian managers in finding strategies for improved organizational performance. The decreasing revenue from oil, the unbaiting rise in unemployment, the depreciating value of the naira in foreign exchange market, weak purchasing power, among others have dampened the demand for goods and services in the country. In order to survive and beat competition in short term and perhaps prosper in the long run, Nigerian managers are falling on sales promotion as a viable strategic alternative. The study was carried out to determine the effect of sales promotion on customer loyalty and sales volume. The study made use of both primary and secondary data. The primary was collected through the use of structured questionnaires administered to 117 respondents who were customers of three manufacturing firms in Lagos. The secondary data was sourced from the sales department of one of the firms due to inability to get data from the other two firms. A quantitative research method was used to determine the extent to which sales promotion influenced sale volume in the short run. A six month Sales figures (6months pre and post promotion of a manufacturing company with head office in Lagos Nigeria) were collected and used for the study. The paired sample T-test of difference of means was used to determine if there were significant differences in mean sales figures within the corresponding periods. The results of the tests reveal that sales promotion increased sales volume and figure significantly from its pre promotion period, and increased customer loyalty. The study recommends that organizations should strategically and systematically take advantage of sales promotion in getting the best out of the present economic woes.

Keywords: Sales promotion, Sales volume, Consumer loyalty, Strategy.

1.0 Introduction

Sales promotion has been taunted as one of the strategies that is capable of enabling an organization achieve improved growth in sales there beating competition in the short run as well as prospering in the long run. The growth in sales promotion efforts could be attributed to many factors. These include; increased impulse purchase, the rising cost of advertising clutter, shortening time horizons, increased competition, and price conscious customer searching for deals among others (Smith and Zook, 2011; Peattie and Peattie, 1993). Kotler and Keller (2009) the Sales Promotional budget of most organization has increased to over 75% of the total communication budget over the last twenty years. The acceptance of Sales Promotion as a basic tool for increases can be attributed to increase in the number of brands, increase in the frequency of competitor use of Sales Promotion, perception of similarity between brands, increase in consumer price orientation, decrease in advertising efficiency and the demand for more deals from manufacturers.

1.1 Background to the Study

The Nigerian economy has witnessed a melt down due to the dwindling revenue from oil. This has resulted in weak consumer demand, increased cost of doing business arising from the high exchange weak of naira, inability to access foreign exchange forcing some firms to close shops and fierce competition among the surviving ones. The Nigerian manger is therefore faced with challenge of finding innovative ways of surviving the organization in the short run and prospering it in the long run.

Doyle (2002) sales promotion has overtaken advertising a main source of persuasion due to the fact that sales promotion produces quicker results than advertising. Thus manager use them to relieve the pressure

to increase performance, the increased retailer power to attract more inducements from manufacturers to distribute and trade push their products, the diminishing efficacy of advertisement in the event of rising cost. Adaramola, (2010) posits that the continuing economic crises has further strengthened the move of the Nigerians market from being a seller's market to a buyer's market in which the consumer have to be motivated into making a purchase, and more importantly be induced to become loyal to the brand using promotional tools.

The problem is that, the mixed result of empirical studies on the effect of sales promotion on sales growth and long term consumer loyalty calls to question its efficacy as a strategic tool for organizational survival especially in crises. Therefore there is a knowledge gap on how best to strategically deploy sales promotion in improving sales performance and consumer loyalty. The primary objective of the study is to provide information on the extent to which sales promotions would be relied upon by Nigerian managers as a short-term survival strategy in improving performance. Specifically, the study hopes to find out whether sales promotion will result in significant changes in sales across product categories, significant increase in overall sales volume as well as impact positively on consumer loyalty. The pertinent questions are: Will sales promotion result in significant increase in sales across product categories? Will it result in significant overall sales increase in total monthly sales and will it strengthen consumer loyalty in the long run? The result will fill the knowledge gap through the provision of information required for an objective decision making on sales promotion strategy. Specifically, the study will provide information on which brands and customers will benefit most from sales promotion.

2.0 Review of Relevant Literature

Concept of Sales Promotion and Brand Loyalty

Aruleba (2016) posits that Sales Promotion includes all marketing activities other Personal Selling and Advertising and Public Relations, primarily designed to entice a customer to take specific action in forms of either making or requesting for further information. Kotler and Amstrong (2010) see sales promotion as a variety of incentives tools, mostly short-term, which are used to stimulate consumer and/or dealers to accelerate the purchasing process or to increase quantities of sales. According to Jobber and Falling (2009) Sales promotions are incentives to customers or the trade that are designed to stimulate purchase. Its main objective is to boost sales over a short period. Sales promotions are incentives to customer or trade (middlemen) with the primary objective of boosting sales over a short period of time. Lamb, Hair and McDaniel (2004) sales promotion is marketing communication activities, other than advertising, personal selling and public relations, in which a short-term incentive motivates consumers or members of the distribution channel to purchase a good or service immediately, either by lowering price or by adding value. Brassington and Pettitt (2000) sales promotion consists of a range of marketing techniques designed within 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, this value may be a short, tactical in nature or it may be part of a longer-term franchise building programme.

According to Lehman and Winer (2002) sales promotion are special offers with the primary aim of stimulating demand for the products. The objectives of sales promotion depends on the targeted buyer, for loyal customers, the objective is to reinforce behaviour, increase consumption as well as change purchase timing, for the competitors customers, the objective is to break loyalty, encourage (persuade) switching to own brand. On the part of brand switchers, the objective is to increase the frequency of own brand purchase, for price buyers the objective is to appeal with prices of supply added value that make price less important (Lamb et al 2004). The objective of sales promotion is to attract new customers, maintain existing customers who are contemplating switching brands and give incentives to customers who are about to use competing products(Famlimaleki, Aghighi and Hamidi, 2015).

According to Jobber and Faling (2009), short term sales increases in sales may be require for a number of reasons, including the need to reduce inventories or meet budget prior to the end of the financial year moving stocks of an old model prior to a replacement, and to increase stockholding by consumer's and distributors in advance of the launch of a competitor's product. Fill (2006) offered the following reasons for the use of sales promotion: reaching new consumers, reduction in distribution risk, rewarding

behavior, customer retention, and value adding. Others are to induce action, preserve cash flow, improve efficiency, and integrate the elements of the promotional mix and assistance in market segmentation. Pealtie and Peattie (1994) posit sales promotion may be values increasing or value-adding. Value increasing promotion increase the value of the offering through changes to the product quantity /quality or by lowering the price. These include discount pricing, money-off coupons, quantity increases, buy back among others. On the other; value adding promotions add value to the offering through the augmentation of the fundamental product/price offering. These include, samples valued packaging, product trial, in-pack gift.

Jacoby and Chestnut (1978) define brand loyalty as the biased behavioural response expressed over the time by some decision making unit with respect to one or more alternative brands out of a set of such brands and is a function of a psychological decision making process. For Oliver (1997) brand loyalty is a behavioural commitment, that influences a consumer to continue to purchase a brand over time despite situational influences and/or other marketing efforts attempt to get consumer to engage in switching behavior. Lin, Wu and Wang (2000) see brand loyalty is a characteristic of customers who will only products of that brand rather than switching to alternative brand. Three conditions are required for the existence of brand loyalty (Oliver, 1999). These are: brand information that is held by the customer (ie the consumer's belief) must point to the focal brand as being superior to what is known of competitive offerings; the consumer's degree of liking must be higher than that for other offerings, to ensure that a clear effective preference exists for the focal brand and the customer must intend to buy the focal brand amongst competing brands when a purchase decision arises.

The marketing literature recognizes both the behavioural and attitudinal aspects of brand loyalty. The behavioural aspect is concerned with the observable actions of customer loyalty (repurchase behaviour). While the attitudinal aspect focuses on commitment and rebuying willingness of customer loyalty (Ehrenberg and Goodhardt, 2000 and Dorsch, Grove and Darden, 2000). The benefits of consumer loyalty include; reduced cost of attracting new customers, reduction in customers' sensitivity to price to price changes, increased customer lifetime value, improved product performance and barriers to entry of new competitors (Gee, Coates and Nicholson, 2008).

In a study of the impact of sales promotional techniques on consumers' impulse buying behavior towards apparels, Nagadeepa (2015) found significant relationships between rebates, discount offer, loyalty programmes and consumer impulse buying behavior. Equally, Li-xin and Shu-Lian (2010) found that sales promotion affect brand loyalty through customer satisfaction resulting in indirect effect on brand loyalty. In a study of the impact of sales promotion on performance of the Auto- Mobile industries in Ghana, Tandoh and Sarpong (2015) found a positive correlation between sales promotion and organizational performance. This was because sales promotion provided extra incentives for purchase which resulted in the stimulation of resellers' demand and effectiveness. Similarly, in a study of the impact of sales promotional tools on consumer behavior, Mughal, Mehmod., Mohi-ud-heen and Ahmed (2014) reported a positive significant relationship between buy-one and get one -free , and buying behavior.

Salvi (2013) reported that discounts and price off schemes resulted in increased rates of customers' visit to stores as well as influenced their purchase decisions. Neha and Manij (2013) in the study of the impact of sales promotion tools on consumer purchase decision, found that offer premium and rebate play significant roles in consumer purchase decision. Rizvi and Malik (2011) found a positive relationship between sales promotion and organizational profitability. Jefa(2006) reported that there is the tendency for some promotion to damage core values, the image and positioning of the brand. Although price promotion boost sales in the short-term, often times they result in lost in brand values as the product is forced to compete only on price. In a study of two manufacturing companies, Rizvi and Malik (2011) found that discounts lead to varying degrees of increase in sales for the respective organizations. Lefa (2006) in his study concluded that price discount may change consumers' attitudes and purchase intentions regarding a particular brand by moving it from consumer hold set to consideration set. In a three large scale field experiments to determine the effect of the depth of current price promotion on future and established customers of durable goods sold through a direct mail catalogue, Alvarez and

Casielles (2005) in their study of the effects of sales promotion on sales and brand choice found that sales promotion results in brand switching as well as encouraging consumers to sample or try a product resulting in possible price sensitivity.

Anderson and Simester (1999) found that deeper price discounts in the current period increased future purchases by first time consumers indicating a long-run effect. This was in contrast to a reduced future purchases by established customers indicating a negative long-run effect. Blattberg and Neslim (1990) found that while 32% of coffee purchase occasions without promotions involved brand switch, the range was 40-60% when the purchase involved various types of promotion. Neslim, Hemderson and Quelch (1985) found that feature price cut increased purchase quantities and decreased inter purchase times. They found that loyal customers were at least as likely to stock-up as were non loyal customers.

3.0 Research Methodology

The setting for the study is Lagos State and the researcher adopted the casual and survey research designs. The population consisted of customers of organisations in food and beverages manufacturing quoted on the Nigerian stock exchange that have implemented a sales promotion programmes within the past three years in Lagos state as reported in business dailies. However, the accessible population consisted of all customers of three organizations that have implemented various sales promotion programmes (free samples, coupons, raffles draws and buy two get one free) in the past three years. The stratified random sampling method was employed to draw a sample of 205 respondents on the basis of age. However, 117 questionnaires were successfully filled and returned.

The researchers made use of a questionnaire adapted from Ahmad et al. (2015) Sales promotion and consumer behaviour Survey Questionnaire, The content validity was determined by two experts in the department of Business Administration. Their comments and suggestions informed the development of a modified version adapted for this study. The instrument was pre-tested in a pilot study involving selected students in the faculty of Management Sciences. Internal validity was established when the factor analysis reported 0.87 Kaiser-Meyer measure of sampling adequacy. The Cronbach's alpha reliability coefficient estimate was used to determine the reliability of the instrument and it yielded a co-efficient of 0.725 indicating a high reliability (Klime, 1999). On the hand, the casual study used a six months pre and post sales promotions periods of one of the companies (Spadaem Nig plc, in disguise). The data collected from the respondents through the questionnaires and sales figures were entered into the Statistical Package for Social Sciences (SPSS) Software version 14 after codification. Thereafter the data were analysed using simple percentages while the hypotheses were tested using simple regression and t-test.

4.0 Findings and Recommendations

Hypothesis One: Sales promotion does not result in significant increase in sales across product categories.

Table 1 Paired Samples t-Test

	Paired Differences					T	Sig. (2-tailed)	
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Brand								
categ	A	172.584	32.257	1.875	176.274	168.895	92.049	.003
	B	159.797	114.067	6.630	172.845	146.749	24.102	.000
	C	230.611	80.546	4.682	239.825	221.398	49.259	.000
	D	27.125	86.920	5.052	37.068	17.182	5.369	.061
	E	4.743	6.664	.387	5.506	3.981	12.245	.300

Table 1 presents results of a Paired Sample T-test of difference of means of the sales before and after sales promotional programme for five product categories. For products in category A, $t = 92.049$, $p =$

0.003<0.05. This implies that the means of the values for the two periods differ significantly. Hence, it is concluded that the sales promotional offers on products in category A have significant influence on its sales. For products in category t=24.102, p=0.000< 0.05. It can therefore be inferred that promotions significantly increased their sales. In the same vein, the values for products in category C reveal a t-value of 49.259 and a p value of 0.000 indicating a significant increase in sales between the pre and post sales promotion periods. However, the t and p values of 0.061, 5.369 and 12.245 and 0.3 respectively indicated that despite promotional offers on products categories D and E do not significantly differ from those of pre-promotion period. From the above analysis, hypothesis one is partially fulfilled.

Hypothesis two: Sales promotion does not result in significant increase in overall sales volume.

Table2 Paired Samples t- Test

	Paired Differences					T	Df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Total Sales	594.861	144.672	8.409	611.411	578.312	70.742	295	.007

Results as presented in table 2 show the Paired Samples Test of difference of means of monthly sales (in Naira) for a period of 6 months when there was no sales promotional offer and another 6 months after sales promotional offers were given. The significant p-value of the Paired Samples is 0.007 at T =70.742. This p-value is less than the 0.05 level of significance. The hypothesis: Sales promotion does not result in significant increase in overall sales is hereby rejected. It is therefore concluded that sales promotions significantly increased sales volume.

Hypothesis three: There is no significant relationship between sales promotion and consumer loyalty

Table 3 Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.544(a)	.296	.287	.84429556

a Predictors: (Constant), FAC_SALES PROMOTION

b Dependent Variable: FAC_ BRAND LOYALTY

A simple linear regression is fitted as exhibited in table 3 above. The R (0.654) is positive indicating a significant relationship between sales promotion and consumer loyalty. To this end sales promotion has the potential for improving consumer loyalty. Thus hypothesis three is rejected.

The findings of hypothesis one showed that the impact of sales promotion on monthly sales was mixed. From the sales figures in the pre-and post- promotions periods it can be inferred that the large sales figures and volume associated with product categories A, B and C were as a result of strong consumer loyalties. While reverse is the case for product categories D and E. The inability of sales promotion to generate significant difference in sales figures could be attributable to the varying degrees of consumer loyalties associated with various product categories. This is in accordance with the findings of Smith and Look 2011 that most promotion ended up attracting only promiscuous consumers who switch back to another brand as soon as the promotion is over. On the other hand, the findings of hypothesis two revealed that sales promotions have significant effect on overall sales revenue. This confirmed the findings of Tandoh and Sarpong (2015) that a positive correlation exists between sales promotion and organizational performance. While the findings in hypothesis three also revealed that sales promotion has positive impact on consumer loyalty. This is in line with Li-xin and Shu-Lian (2010) findings that sales promotion affect brand loyalty through customer satisfaction resulting in indirect effect on brand loyalty. The implication is that managers should carefully plan and be specific on the objectives of sales promotion for identified consumers in different loyalty categories. The customers of brands with high loyalty will react favourably to promotional efforts seen primarily as a means of appreciating and rewarding them. The incentives are welcomed as a way of the organization saying ‘‘ a Big Thank You’’ for your patronage. The customers in turn will reciprocate by increasing their frequencies of purchase

during and after the promotion exercise as a ‘‘payback’’ for organization’s appreciation. Although, non-loyal consumers and competitors’ customer could be attracted, the findings of this does not suggest that they will be become long – term loyalists of the products in question.

It is therefore recommended that sales promotion should be primarily directed at strengthening the loyalties of customers through valuable rewards. Management should effectively determine those brands with established consumers’ loyalties. Other brand specific methods of rewards should be sought and used for customers of brands with lesser loyalty. Since profit is the primary objective of all business organizations, further studies should be conducted to empirically determine the impact of sales promotion on organizational profitability. However, the unwillingness of most organizations to release promotional expenses and corresponding revenues will pose a big challenge.

5.0 References

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