



# Advertising and Promotion and Its Impact on the Increase in Sales of Private Companies (A Field Study in the Amazon Company)

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## ABSTRACT

*A lot of beverages manufacturing companies are suffering from the piling up of unsold stocks. In recent years, witnessed sales promotions by most beverage industries such as Nigeria Bottling Company Plc, 7up Bottling Company, Breweries and Guinness Nigeria Plc., etc. Beverage industry such as NBC Plc. uses sales promotion for several reasons: to generate quick sales bursts, to build long-term awareness and maintain steady market shares, to gain increase in shelf space and better in-store display, etc. Does the success of sales promotional programme really justify the promoter's efforts in terms of time, cost and benefits? The objective of this study is to examine the effect of sales promotion on the sales volume of the beverage industry and suggest ways sales promotional tools and techniques could enhance sales volume. The data for this study was collected from both primary and secondary sources. Questionnaire administration was the major instrument for primary data collection. Data was collected from wholesales and retail distributors of the product and the ultimate consumers. The data was analyzed using frequency and chi-square statistical method to test the hypotheses raised for this study. The study revealed that effective implementation of sales promotion among other promotional techniques increases the consumption rate of soft drink products as well as the sales volume of the beverage industry.*

## INTRODUCTION

Sales promotion activities are impersonal and usually non-recurring and are directed to ultimate consumers, industrial users and middlemen. The final element of the marketing mix is promotion. Promotion is essentially seen as industry's sales efforts to current and prospective customers. Its primary purpose is to increase profits by increasing sales volume, (Kotler 2001). Sales promotion consists of those seller-initiated activities that supplement both advertising and personal selling and render them into a more effective persuasive force (Olujide, 2002). Sales promotion therefore covers a wide variety of short term incentive tools aimed at stimulating consumers, the chains of distribution and the organisation's sales force. It could take different forms such as giving away free samples of product, reducing the usual price tag, etc. Thus, sales promotion has been an effective tool used by companies in effecting increase hi sales especially hi the face of competition and in an ailing economy. In Nigeria presently, the changing socio-political and economic environment may make products that hitherto had been selling like hot cake to suddenly lose their attraction. Sales promotion is a major force in marketing today. Coupons, rebates, free sample, point of purchase techniques are some of the promotional strategies being employed today. Thus, an analysis of the sales promotion on sales volume would help marketers to prognosticate into the future about the expected returns on this important marketing tool.

## PROBLEM OF THE RESEARCH

Sales promotion, which is a vital aspect of product mix, is widely adopted by beverage drink industries in Nigeria. However, as Nigeria is witnessing a depressed economy, there have been increases in prices of consumer goods that also lead to an increase in beverage drinks cover prices. The importance of excessive promotion in a competitive market environment has generated a lot of interest in marketers and firms to develop numerous comprehensive promotional approaches. To what extent have the various sales promotional strategies affect the sales volume and profitability of the Bottling Plc.? Does the success of sales promotional programme really justify the promoter's efforts in terms of time, cost and benefits?

## OBJECTIVES OF THE STUDY

A well-designed promotion can help to solve certain specific marketing problems and together with the marketing mix help to achieve marketing objectives. The major objective of the study would be to examine the effect of sales promotion on the sales volume of Bottling Plc. beverage industry. The study examines the extent to which sales promotion employed by Bottling Plc. could go to achieve its objectives for creating awareness of the product, increasing consumption rate and enhancing profitability of the company.

## THE REVIEW OF LITERATURE

Organizations promote their goods or services to the market using a variety of promotional strategies. Promotion is used to communicate and persuade potential customers to the advantage of the offer. Therefore the typical goals of promotional strategy are to induce awareness, trial, acceptance and preference. All those activities that directly or indirectly or by other means which help to increase the sales are included in sales promotion. Accordingly, sales promotion are those activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as display, shows, expositions, demonstrations and various non-recurrent selling efforts not in the ordinary routine.

According to Kotler (2000; 597) sales promotion consists of diverse, collection of incentive tools - mostly short term - designed to stimulate a quicker or greater purchase of particular products or services by consumers or the chains of distributors. Lucky and Ziegler (1968;95) defined sales, promotion as an activity or material that acts as a direct inducement, offering added value or incentives for the product to resellers, sales persons or consumer;. Also G. B. Giles (1995; 125) sees sales promotion as a part of the promotion intended to stimulate quick action, a feature of packaged consumer goods' selling tactics directed at consumer or the distribution channels. Therefore, sales promotion is carefully designed and methodically implemented and directed towards a target market. People, whose characteristics have been taken to consideration in the promotion package, such as in the



incentives offered, shall be induced to purchase the product or service.

### NATURE AND GROWTH OF SALES PROMOTION

More often than not, organisation tends to use sales promotion activities in concert with the other promotional efforts in order to facilitate personal selling in advertising or both. For instance, people may need to visit a store before entering a consumer contest as sales promotion activity; thereby facilitating personal selling by drawing people into the establishment.

Kotler (1997; 377) identified sales promotion tools to include coupons, contests, premiums and the likes. All these tools, according to him have many unique characteristics and qualities in that they attract consumers' attention and provide information that may lead to a purchase. Kotler and Armstrong (1996; 325) wrote that advertising and sales promotion are both related in that advertising offers a reason to buy while sales promotion offers an incentive to buy.

Sales promotion has grown rapidly in recent years. Several factors contributed to its rapid growth particularly in consumer market. These are:

- Internal Factor: Promotion is now more accepted by top managers that are qualified to use sales promotion tools, and product managers are under greater pressure to increase their sales.
- External Factor: The number of brands has increased, competitors have become more promotion-minded, inflation and recession have made consumers more dealer-oriented, the trade has demanded more deals from manufacturers, advertising efficiency has declined because of rising costs, media clutter and legal restraints.

### CATEGORIES OF SALES PROMOTION

Sales promotion can be categorized into consumer promotion, trade promotion and business promotion.

**Consumer Promotion:** This includes those efforts aimed at influencing the trial consumer. Such promotions are designed to motivate consumers to immediate (or nearly immediate) action, (Courtland and John 1992; 572). Consumer's promotion techniques can be used to draw people into a particular store, to induce new product or to promote established products. To accomplish this task, markets have developed quite a variety of sales promotion techniques or tools: some of- these include coupons, premiums, samples, contests and sweepstakes, point-of-purchase (POP), frequency marketing, etc.

**Trade Promotion:** Courtland and John (1992; 573) view that most of sales promotion devices used with final customers can also be used with the trade, that is, (marketing intermediaries). However, some additional techniques apply only to the marketing intermediaries, and these include allowances and discounts, factory-sponsored in-store demonstration, trade shows, sales contests, cooperative advertising, etc.

**Business Promotion:** A firm may participate in trade fair and set up a stand to promote its product Samples of the company's products are displayed and some of them, as well as descriptive literature are handed out to enquiring visitors. The firm may sponsor sports contest Many other companies which do not engage in elaborate sales promotion at least give away desk pads and calendars to their customers, (Nwokoye 2000; 232).

### Types of Sides Promotions Activities

#### Sales Promotion to Middlemen

In addition to the basic formula of giving the wholesaler/retailer A special reason to push a certain loaded product, another strategy is to get the dealer loaded up with stock somewhat beyond his normal level because he is attracted by the deal. He now has his capital tied up and feels the pressure to convert it back to cash. This pressure may well lead the retailer to device his own measures by advertising behind the brand, more points of sale and display, getting his sales personnel to push it, and so on. Very likely, the retailer has only so much capital available to put into a given line of goods. The more the manufacturer gets of this limited capital by causing the retailer to stock-up, the less is left to put into competitors' brands of the product Sales promotion is often used to introduce a new product in the line. The extra stimulus will get distribution more quickly. Finally, a promotion may have a favourable effect on manufacturer's personal selling cost A good promotion gives the salesman something new and fresh about which to talk with the customer.

#### Sates Promotion to Customer

With this form of promotion, the manufacturer offers some kind of incentives direct to the consumers, to try to secure a higher level of consumer demand for the particular product or range of products. The basic strategy is to provide some kind of an extra push for the product being sold. The device used should, to the greatest extent possible be:

- Unique; not obtainable elsewhere;
- Wanted; fulfill a want and be interesting to the consumer;
- of recognized value
- tied in with Sales in some way e.g require proof of purchase;
- A stimulator of repeat purchases if possible;
- Related to the product H sent if feasible, or at least appropriate to the product;
- In good supply or potentially so;
- Inexpensive, and if possible subject to decreasing unit costs with volume produced;

**Advertising and merchandisable;** have readily dramatizable values and features that will attract the attention of the buyer and create desire for the object in the mind of the buyer. If it is merchandisable, it looks good to the trade and the intermediaries is willing to cooperate with the plan (Brink and Kelley, 1963).

#### Methods of Consumer Promotion

- a. "Below the Line and Above the Line"
  1. "Below the Line" promotion is the supporting method used in the promotion of a product, such as the use of brochures, calendars and novelty leaflets illustrated with the company's product.
  2. "Above the Line" promotion, denotes the main methods of advertising the product, i.e by television, radio, posters, the press, and so on.

**b. Consumer contests:** Manufacturers sponsor contests or sweepstakes to stimulate the ultimate consumer. Fateful decisions are unavoidable (purpose, nature, length, prizes, judging), but if the sales promotion staff comes up with a winner, the rewards can be great. Prizes in the consumer contests are offers of the chance to win cash, trips or merchandise as a result of purchasing something. A contest calls for consumers to submit an entry to be examined by a panel of judges who will select

the best entries. A sweepstake asks consumers to submit their names in a drawing, and a game presents consumers with something every time they buy, which might help them with a prize.

**c. Consumer Premiums:** The typical consumer likes to get a bonus, a bribe, something extra from a seller and that is what a premium is. Some premiums have been fantastically successful. Others have been flops. Popular premiums are luggage, jewelry, kitchenware, pens, toys, etc.

**d. Sampling:** Many products and some services are promoted with sampling. Samples may be free, or there may be a small charge. Offer of a free amount of a product or service delivered door to door, sent in the mail, picked up in a store, attached to another product or featured in an advertising offer are examples of sampling exercise. However, sampling is quite expensive, since there is the cost of producing the sample and distributing it.

**e. Coupons:** Certificates entitling the bearer to a stated saving on the purchase of a specific product mailed, enclosed in other products 'or attached to them, or inserted in magazine and newspaper advertisement. Redemption rate varies with mode of distribution. Coupons can be effective in stimulating sales of a mature brand and inducing early trial of a new brand. They act as a short-run stimulus to the sale of the product, since they are directly tied in with the purchase of the item. The expenses involved with coupons are often high: they are costly to distribute and dealer redemption costs are high.

**f. Price Offs:** These are items for which you pass the discounted price directly to the consumer by printing right on the package "10k off of "Buy One, get the second

one at half price". Price-offs may be temporary sales stimuli to offset a short sales slump, counter a sudden tactical move by a competitor and encourage new customers to sample the product. Many experts on sales promotion feel that price-offs schemes are among the weaker and less desirable methods of promotion. They point to the danger of trade resentment.

## RESEARCH METHODOLOGY

The collection of data for the research follows the procedure of research designs, design of questionnaire, instrument construction and procedure of administration. The research study focuses on the Nigeria Bottling Plc, Ilorin. The sample size comprises of the wholesale and retail distributors of the, company, particularly, those recognized by the marketing department. A total number of 50 questionnaires were distributed out of which 42 were returned and analysed.

## METHOD OF DATA ANALYSIS

Both descriptive and quantitative methods of analysis were employed in analyzing this study. Simple descriptive statistical tool such as frequency counts and chi-square statistical contingency tables were used. This is to enable us to validate the effects of sales promotion on the sales volume of the beverage soft drink industry of Bottling Plc.

## DATA PRESENTATION AND ANALYSIS

Marketing research is about the collection, recording, collating and analysis of the data collected to aid effective marketing decision making. Presented below are the data collected, collated and tabulated to assist in making decision on the effect (if any) of sales promotion on sales volume.

**Table 1: Product Awareness by Respondents**

Most potential consumers of soft drinks are aware of the product through sales promotion

Option	Number of Respondents Frequency	Percentage
Yes	24	57.14
No	18	42.86
<b>Total</b>	<b>42</b>	<b>100</b>

Source: Field Survey, 2003.

Table 1 shows that 24 (57.14%) of the respondents agree that consumers of soft drink are aware of the product through sales promotion while 18(42.86%) say No. This implies that most of the potential consumers of soft drink know the product through sales promotion.

**Table 2: Rating of the Saks Promotion Activity of Ac Company in the Intermediaries**

Option	Number of Respondents frequency	Percentage
Excellent	22	52.38
Good	16	38.10
Fair	4	9.52
Poor	-	-
<b>Total</b>	<b>42</b>	<b>100</b>

Source: Field Survey, 2003.

In rating the sates promotion activities of the company 22(52.38%) of the respondents rated it as excellent, 16(38.10%) considered it to be good while 4(9.52%) of the respondents rated it to be fair. This is an indication that sales promotion activities of NBC Plc. is extremely high, dependable and more reliable.

**Table 3: Sales Promotion Increases the Consumption Rate of Soft Drink**

Option	Number of Respondents frequency	Percentage
Strongly Agree	14	33.3
Agree	17	40.48

Undecided	8	19.05
Disagree	3	7.14
Strongly Disagree	-	-
<b>Total</b>	<b>41</b>	<b>100</b>

Source: Field Survey, 2003.

Table 3 revealed that 14(33.33%) of the respondents strongly agree that sales promotion increases the consumption rate of soft drinks. 17(40.48) agree to the same view. 8(19.05) of the respondents sit on the fence, that is, they are not decided, while 3(7.14) of the respondents disagree. This indicates that majority of the respondents staff believe that sales promotion increases the consumption rate of soft drinks product.

**Table 4: Impact of Sales Promotion on the Profitability of NBC Plc.**

Option	Number of Respondents Frequency	Percentage
Yes	28	66.67
No	14	33.33
<b>Total</b>	<b>42</b>	<b>100</b>

Source: Field Survey, 2003.

With respect to profitability, Table 4 shows that 28(66.6%) of the respondents supported that sales promotion enhance profitability to NBC Plc., while 14(33.33%) oppose the view. Hence, it can be concluded that high sales promotion lead to high sales and high profit.

**Table 5: Sales Promotion has contributed to the Sales Volume of NBC Product**

Option	Number of Respondents frequency	Percentage
Strongly Agree	15	35.71
Agree	18	42.86
Undecided	6	14.29
Disagree	3	7.14
Strongly Disagree	-	-
<b>Total</b>	<b>42</b>	<b>100</b>

Source: Field Survey, 2003.

Table 5 revealed that 15(35.71%) of the respondents strongly agree that sales promotion contributed significantly to the sales volume of NBC product, 18(42.86%) also agree with the same view, 6(14.29%) were not decided while 3(7.14%) of the respondents disagree. This indicates that about 33(78.57%) of the respondents supported that sales promotion plays a major role on the sales volume of NBC product.

### Testing of the Hypotheses

Data on consumption pattern was collected from sampled wholesale and retail distributors. Computation of the test statistics was based on the sample tested to determine whether null hypothesis should be rejected or accepted.

#### Hypothesis One

Ho: sales promotion has no relationship with the consumption rate of soft drinks.

Hi: sales promotion has relationship with the consumption rate of soft drinks.

#### Hypothesis Two

Ho: sales promotion has no relationship with the sales volume of NBC product.

Hi: sales promotion has relationship with the sales volume of NBC product.

**Note:** Testing of reliability and validity of the hypotheses shall be based on the responses from tables 5 and 6. Formula:  $X^2 = \frac{\sum (o-e)^2}{E}$

E

Where  $X^2$  = chi-square

" o = Observed frequency

" E = expected frequency

"  $\Sigma$  = summation sign

" > = greater than

" < = less than

#### Decision Rules

1. If  $X^2_{cal} > X^2_{tab}$

The null hypothesis (Ho) will be rejected while the alternative hypothesis (Hi) will be accepted.

2. If  $X^2_{cal} < X^2_{tab}$

The null hypothesis (Ho) will be accepted while alternative Hypothesis (Hi) will be rejected.



**Table 6.1: Test Responses on Hypothesis 1**

Responses	0	E	0-E	(0-E)	(0-E)/E
Strongly agree	14	8.4	5.60	31.36	3.73
Agree	17	8.4	8.60	73.96	8.81
Undecided	8	8.4	-0.40	0.16	0.02
Disagree	3	8.4	-5.40	29.16	3.47
Strongly disagree	-	8.4	-8.40	70.56	8.4
Total	42				24.43

Source: Author's calculation.

**Note:**  $X^2_{cal}$  = computed table value and  $X^2_{tab}$  0.05 = statistical table.

Diff = row - 1 = 5-1 = 4

$X^2_{tab}$  = diff. at 5% level of significance. Hence,  $X^2_{tab}$  = 9.49 and  $X^2_{cal}$  = 24.43

Since  $X^2_{cal} > X^2_{tab}$  i.e. 24.43 > 9.49 and based on the above decision rule, therefore  $H_0$  is rejected while  $H_1$  the alternative hypothesis is accepted. The implication of this decision is that the hypothesis tested shows that sales promotion has relationship with the consumption of the soft drinks. Hence, high sales promotion activities lead to high consumption rate of drinks product.

**Table 6.2: Test Responses on Hypothesis Two**

Responses	0	E	0-E	(0-E) <sup>2</sup>	(0-E) <sup>2</sup> /E
Strongly agree	15	8.4	6.6	43.56	5.19
Agree	18	8.4	9.6	92.16	10.97
Undecided	6	8.4	-2.40	5.76	0.69
Disagree	3	8.4	-5.4	29.16	3.47
Strongly disagree	-	8.4	-8.4	70.56	8.4
Total	42				28.71

Source: Author's calculation.

**Decision Rule:** if  $X^2_{cal} > X^2_{tab}$  reject  $H_0$  and accept  $H_1$ .

If  $X^2_{cal} < X^2_{tab}$  accept  $H_0$  and reject  $H_1$ .

Where  $X^2_{cal}$  = computed table while  $X^2_{tab}$  0.05 statistical table. Since  $X^2_{cal}$  is 28.71 greater than the  $X^2_{tab}$  which is 9.49.

The null hypothesis ( $H_0$ ) is therefore rejected while the alternative hypothesis ( $H_1$ ) is accepted.

With the above tested table, it can be concluded that sales promotion has relationship with the sales volume of the NBC product. Hence, sales promotion has significant effects on the company's sales volume.

### Summary of Findings

Sales promotion activities perform the role of informing, reminding and influencing the purchase of certain products for human existence. The analysis of the tables revealed that all respondents comprised of both male and female distributors. Most of the respondents were matured and married with minimal level of education. This is an indication that information gathered from the study would be more reliable and dependable. It is also confirmed from the research study that the company uses sales promotion to create awareness of its product to most potential consumers. It is also discovered that sales promotion helps the company to generate more profit through increase in sales during the promotion. This is in conformity with a senior manager at Ilorin depot, that coca-cola company has been recognized as one of the best companies engaging in sales promotion in Nigeria. And this has helped the company tremendously to increase its sales volume. Another important finding is that sales promotion influences the consumer to increase the consumption rate of soft drinks. Lastly, analysis revealed that sales promotion has contributed immensely to the sales volume; therefore, it has effect on the sales volume of Bottling Plc. product.

### Conclusion

This study has focused on the effects of sales promotion on the sales volume of the soft drinks industry. In carrying out this research study Nigeria Bottling Company (NBC) Plc. Ilorin producer of coca-cola was used as a case study. The researcher made the choice because the company is regarded as second to none in terms of sales promotional activities when compared to other soft drinks industries in

the country. The ongoing coca-cola mega million promotions is a living witness. Sales promotion referred to as a special selling effort employed by different organizations to boost the image of their products in the competitive market and hence achieve high sales, maximizing profit and at the same time gaining competitive advantage over other companies of the same trade. Sales promotion may be directed at consumers in the form of consumer promotion, or middlemen in the form of trade promotion. Even operators of the department store and supermarket use sales promotion periodically to clear their inventories in the form of business promotion. The steps involve planning and implementing a sales promotion, are quite similar to those in advertising campaign. You need to understand the target audience, establish objectives, identify resources constraints, select methods and vehicles, and evaluate the programme after it is launched. In selecting sales promotion tools, careful consideration should be given to the product characteristics, sales promotion objectives and the cost effectiveness of each tool. If these could be given priority consideration sales promotion would surely achieve its objectives. It can be concluded that the primary objective of sales promotion is: To increase the sales volume of a product, especially at those times when normal sales are sluggish. To periodically (e.g. annually and semi-annually) clear goods in a store before inventory taking and restocking. To introduce and bring the awareness of a new product; and To achieve high sales which in turn increase the contribution to profit ratio. Promotion exercise should be more of rewards in order to guarantee customer loyalty since anyone who wins in a particular promotion exercise would feel that he/she has



gained from continuous purchase of NBC Pc. products thereby encourage continuous patronage. Lastly, soft drinks industry in general should consider sales promotion as one of the best promotional mixes for achieving high sales volume and high profit.

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