

# **LAPAI JOURNAL**

## **OF MANAGEMENT SCIENCE**

[L A J O M A S]

Volume 5, Nos. 1 & 2

December, 2014



**ISSN: 2315-9243**

**PUBLISHED BY THE DEPARTMENT OF BUSINESS ADMINISTRATION, IBRAHIM  
BADAMASI BABANGIDA UNIVERSITY, LAPAI, NIGER STATE -NIGERIA**

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**Ibrahim Badamasi Babangida University, Lapai, Niger State**

ISSN: 2315-9243

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## EFFECT OF SALES PROMOTION STRATEGY ON CUSTOMERS' RESPONSE AND COMPANY PROFITABILITY: EVIDENCE FROM MR. BIGGS FOODS

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### ABSTRACT

Promotion is one of the marketing tools employed by organizations to influence consumers' response and increase company sales and profitability. Service oriented companies like Mr. Biggs Foods use sales promotion as a strategy for attracting and retaining consumers' profitability. Thus, this study seek to determine whether sales promotion influences customers response, increased sales and profit of Mr. Biggs Foods located in Taiwo Road, Tanke Junction and Muritala Road in Ilorin, Metropolis. Three hundred and fifty questionnaires were administered to customers but only two hundred and eighty were returned by the respondents to the researcher. The data collected were analyzed using simple percentage and Z- Test statistical Techniques. The results revealed that sales promotion strategy of the company influence consumers response and increase company sales and profitability. . Based on the findings, it was recommended that sales promotion strategy of Mr. Biggs should be improved to increase customer's patronage and boost organizations sales and profit.

**Key Words:** Marketing, Profitability, Sales Promotion, Foods

### 1.0 INTRODUCTION

The term 'consumer' is very important when it comes to the production of any product or services. There are many manufacturers of different products targeting customers in the same market and only the manufacturers with the most appealing marketing strategies to the customers stay on top of competition. In order to cover cost and make some profits in a turbulent economy like Nigeria, company have to embark on sales promotion. Williams (2010) posited that sales promotion has been one of the most heavily used weapon of the producer such that it is considered as the most effective ways of boosting their sales.

Recently, increase in competition and perhaps decline in sales volume due to increase in product varieties in Nigeria have forced manufacturers who are producers of products to effectively adopt sales promotion in marketing their products and services

In fact, it is observed that many companies now have to embark on full time sales promotion as their marketing policy. Marketing policies involve marketing efforts that stimulate or persuade the consumers to buy a given product. So, the process of sales promotion as one of the promotional mix is very fundamental and important.

In recent times, studies have shown that many companies especially service oriented companies are involved in all form of aggressive sales promotion as their survival depends largely on it (Belch & Belch, 2004). Promotion is the coordination of all sellers initiated efforts to set up channel of information and persuasion in order to sell goods and services or promote an idea.

The questions that really comes to mind are:

- i. What are the factors responsible for market-alliance among sellers in sales promotion? How realistic is the sales promotion as a whole?
- ii. Does the success of the sales promotion programme really justify the company's efforts in terms of profits, time and labour?
- iii. What are the consumers' level of awareness and response to sales campaigns by Mr. Biggs?

### 1.1 Objectives of the Study

The main objective of the study is to determine customer's response and company profitability in a service oriented company, while the specific objectives include:

- i. To investigate the factors responsible for market alliance among sellers in sales promotion and how realistic is the sales promotion as a whole.
- ii. To examine the consumers level of awareness and response to sales campaigns by Mr. Biggs.
- iii. To assess the success of the sales promotion programme and justify the company efforts in terms of profits, time and labour?

### 1.2 Research Hypotheses

The hypothesis used in this research was tested based on the data drawn from the research question. Based on that, the research hypothesis is formulated

H<sub>01</sub>: Sales promotion has no significant effect on customer's response of Mr. Biggs

H<sub>02</sub>: Sales Promotion has no significant effect on Mr. Biggs profitability.

## 2.0 THE CONCEPT OF SALES PROMOTION

Promotion is one of the key factors in the marketing mix and has a key role in market success. Promotion is used to ensure that consumers are aware of the products that the organization is offering. The promotional mix is the combination of the different channels that can be used to communicate the promotional message to the consumers namely; advertising, direct marketing, public relations and publicity, personal selling, sponsorship and sales promotion (Rowley, 1998).

One of the most important of channels is sales promotion. 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 manufacturers directly to consumers (Blattberg and Neslin, 1990). Throughout the world, sales promotion offered to consumers are an integral part of the marketing mix for many consumer products (Huff and Alden, 1998; Chandon et al, 2000) studies that strive to understand the impact of sales promotion on consumers are very important. Thus, sales promotion tools are amply employed by retailers and manufacturer to achieve their commercial objectives in terms of sales volume, market share, category penetration, and so forth.

Brassington and Pefit (2000) provide a revised definitions for sales promotion as "a range of marketing techniques designed within a strategic marketing frame work 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 extra value maybe a short-term tactical nature or it may be part of a longer term franchise building program. William (2010) points that sales promotion has been one of the most heavily used weapon of the producer that is counted amongst of their most effective ways of boosting their sales. According to Low and Mohr (2000), manufacturers continue to spend a large amount from their communication budget on sales promotion. They allocate around 75 percent of their marketing communication budget to sales promotion (Hellman, 2005). In order to develop a successful sales promotion strategy a clear definition of the targeted market must be included. It is important to note that the character of sales promotion has been changing slightly overtime, with the arising of relationship marketing. Sales promotion, like other traditional forms of marketing activities has been mass offer (Mitchell, 2000).

Our major concern is solely on an indigenous company Mr. Biggs Foods in which sales promotion is more widely adopted in order to create substantial awareness and varying degree of response on the consumer. Mr. Biggs Foods has engaged in trade off, in which exercise books were given to the consumers along with product bought. Mr. Biggs Foods has carried out the introduction of trade offers (e.g. souvenir) type of sales promotion to wholesalers and retailers, to encourage them to take on more than their usual stock level, and created awareness in the life of consumers, as well as increase sales volume of their products.

## 2.1 Objectives of Sales Promotion

According to John (1994), the various objectives derived from sales promotion are:

- i. Stimulation of impulse purchasing: one of the objectives of sales promotional tools is to induce the consumer to buy a particular product.
- ii. Attracting customer to the firm: this process of sales promotion makes it easy to attract the customer to the point of purchase and the product needed
- iii. Penetrating into new market: if a new market is created, it is easy to penetrate through sales promotion.
- iv. Increasing the rate of purchasing: sales promotion encourage customer to demand for more product.

*Others include:*

- a. To identify and attract customers
- b. To increase the total numbers of users for a established brand; and
- c. To educate customers regarding product improvement.

### **2.1.1 Benefits of Sales Promotion**

According to Farris (1989), sales promotion provides benefits that are important to manufactures as well as consumers. They are:

- i. Sales promotions can provide consumers with an array of hedonic benefits and fewer utilitarian benefits than beyond monetary saving. Hedonic benefits include value expressions entertainment, and exploration along with simple monetary savings, utilitarian benefits also includes product quality and shopping convenience
- ii. Non- monetary promotions provides more hedonic benefits and fewer utilitarian benefits, except quality, contribute to the overall evaluation of monetary promotions. However, each types of promotion is preliminary evaluated based on the dominant benefits it provides.
- iii. For high-quality brands, sales promotions are more effective when they provide benefits that are congruent with these provided by the product being promoted.

Specifically, monetary promotions are more effective for utilitarian products than for hedonic products. Conversely, non-monetary promotions are relatively more effective for hedonic than for utilitarian products.

### **2.1.2 Concept of Customer Response**

The consumer is faced with infinite number of choices in his buying behavior. He makes a decision whether to spend his money or save it. If he chooses to spend it he has a wide range of product choices available to him. The consumer bestows his favor on those who give him what he wants in products, prices, promotion, and convenience. The penalty to disobey his mandates is almost certain failure. Obviously, the consumer seldom directly commands a manufacturer to make a certain item. A more accurate view is to consider him a judge who passes sentence on the life or death of a product. In any event, it is he whom to the manufacturer must look for guidance in determining what will be made and how it will be distributed. The all-powerful position of the consumer is only logical because the end of all marketing activities must be to satisfy the desires of the people. Any other goal would be illogical, and society would not long tolerate it. Since the desires of the consumer are all- important in determining marketing efforts, it becomes axiomatic that if marketing manager desires to be successful he must comprehend them. Although this undertaken may seem easy to accomplish, actually, it is difficult, because the consumer does not always make his desires readily known. A tremendous amount of research and insight is required to determine just exactly what the consumer wants.

### **2.1.3 Concept of Profitability**

Many misconceptions exist concerning the impact of promotional expenditures on profits. Many executives look on them as just another expense to be minimized. However, a well formulated promotional program, when it is effective, should result in more gross margin than its costs. One should thus not look on promotional expenditures and other expenses in the same light.

The goal of promotion should be to minimize the total costs incurred by the organization in achieving its objectives promotion should be used only when it is economically justified. The choice of promotional methods should be dictated by a consideration of the cost compared with the results to be obtained.

#### 2.1.4 Theoretical Framework

All businesses need to communicate to the consumer what they have to offer. Jobber & Lancaster (2006) and Divyer and Tanner (2006) state that business consumers are longer than individual consumers; meaning that each business consumer is more important to the economic situation of the company; unhappy consumers can affect the marketers business in negative ways. Shultz, et al, (1998) say that sales promotion generally works on a direct behavior basis rather than affecting amenities or attitude. It is continuously said that most types of sales promotion affect the decision making and processing stages of the buying process directly that is affective in the long run, since it leads to increased sales and profit (Knok and Uncles, 2005)

Marketing today is fiercely competitive and products despite having quality need support from promotional team of the organization. AIDA model however is an acronym to sales promotion that is necessary to learn in marketing. Using a system like this allows a general understanding of how to target a market effectively. Moving step by step, AIDA model aims to affectively influence the consumers. It proposes combination of promotional tools that help drawing consumer interest and generate interest.

This includes the four major stages of sales promotion:

- i. **Attention:** where the consumer becomes aware of the product.
- ii. **Interest:** Where an interest in the product develops
- iii. **Desire:** Where the consumer has developed a sense of wanting the product.
- iv. **Action:** Where a purchase is made (Strong 1925).

#### 2.1.5 Summary Review of Literature

From the reviewed literature, it could be clearly seen that the effect of sales promotion strategy cannot be undermine in the scheme of successful business. Every organization must therefore give adequate attention to sales promotion strategy. It is in the light of this that the research advocates for a well planned sales promotion strategy for organizations who wish to remain in business. The need for sales promotion strategy cannot be de-emphasized. [www.unilorin.edu.ng](http://www.unilorin.edu.ng)

### 3.0 METHODOLOGY

The study is a survey research in which two sets of questionnaires were designed. The first section which is section A is designed to get information on the personal data of the respondents while section B of the questionnaire contains structural questions aimed at gathering data to achieve the stated research objectives. The population of the study consists of consumers of Mr. Biggs product located in Taiwo Road, Tanke Junction and Muritala Road in Ilorin.

A sample size of 350 customers is presumed to be adequate for the study. The analytical techniques adopted and used in this study were drawn from both descriptive and influential statistic, particularly percentage and Z – test statistical method.

#### 4.0 ANALYSIS

This section analyses the sex distribution, age distribution, marital status, and educational qualification of the respondents.

##### 4.1 Bio Data of Respondents

**Table 1: Sex Distribution**

| Attribute | Frequency | Percentage (%) |
|-----------|-----------|----------------|
| Male      | 160       | 57.1           |
| Female    | 120       | 42.9           |
| Total     | 280       | 100            |

Source: Research Administered Questionnaire, 2007

The above table shows that out of 280 consumers, 160 (57.1%) were males and 120 (42.9%) were females. This indicates that male dominates the number of respondents. This may enhance continual patronage of customers to selected Mr. Biggs Foods.

**Table 2: Age Distribution**

| Attribute    | Frequency | Percentage (%) |
|--------------|-----------|----------------|
| Under 20     | 20        | 7.1            |
| 21-30        | 40        | 14.3           |
| 31-40        | 100       | 35.7           |
| 41-50        | 80        | 28.6           |
| 51 and above | 40        | 14.3           |
| Total        | 280       | 100            |

Source: Research Administered Questionnaire, 2007

Table 2 shows that 40 (14.3%) were within the age of 21-30 years, for customers 100 (35.7%) were within the ages of 31-40 years, 80 (28.6%) were 41-50 years, 20 (7.1%) were between 20 years while 40 (14.3%) are 51 years and above. The above analysis indicates that majority of the respondents were matured which implies that their decision can be considered valid and reliable.

**Table 3: Marital Status Distribution**

| Attribute | Frequency | Percentage (%) |
|-----------|-----------|----------------|
| Single    | 80        | 28.6           |
| Widow     | 60        | 21.4           |
| Married   | 120       | 42.9           |
| Divorce   | 20        | 7.14           |
| Total     | 280       | 100            |

Source: Research Administered Questionnaire, 2007

The above table revealed that out of 280 customers, 80 (28.6%) was single, 60 (21.4%) were widowed while 20 (7.14%) were divorce. For the customers, married respondents also have the highest number of 120 (42.9%). Hence, most of the customers were matured and married which enable the information gathered considered reliable.

**Table 4: Educational Qualification Distribution**

| Attribute           | Frequency  | Percentage (%) |
|---------------------|------------|----------------|
| No formal education | 40         | 14.3           |
| Primary education   | 40         | 14.3           |
| Secondary education | 80         | 28.6           |
| Higher education    | 120        | 42.9           |
| <b>Total</b>        | <b>280</b> | <b>100</b>     |

**Source:** Research Administered Questionnaire, 2007

The above revealed that out of 280 customers 40(14.3%) no formal education, 40(14.3%) were primary education, 80(28.6%) were secondary school leavers while 120(42.9%) B.A./HND and postgraduate. This is an indication that majority of the respondents (customers) were well educated and which enable the information gathered valid and reliable.

**Table 5: Occupational Distribution**

| Attribute     | Frequency  | Percentage |
|---------------|------------|------------|
| Civil servant | 100        | 35         |
| Students      | 80         | 28.6       |
| House wife    | 60         | 21.4       |
| Self employed | 40         | 14.3       |
| <b>Total</b>  | <b>280</b> | <b>100</b> |

**Source:** Research Administered Questionnaire, 2007

The above shows that out of 280 respondents, 100(35%) were civil servants, 80(28.6%) were students, 60(21.4%) were house wife while 40(14.3%) were self employed. This implies that majority of respondents (customers) were civil servants which assisted in information gathering.

#### 4.1 TEST OF HYPOTHESIS

##### HYPOTHESIS I

**Table 6: Respondents view \about Sales Promotion Campaign of Mr Biggs Products as a Whole**

| Attribute            | Frequency  | Percentage |
|----------------------|------------|------------|
| Attractive           | 92         | 32.9       |
| Rewarding            | 80         | 28.6       |
| Commendable          | 60         | 21.4       |
| Need for improvement | 48         | 17.1       |
| <b>Total</b>         | <b>280</b> | <b>100</b> |

**Source:** Research Administered Questionnaire, 2007

**Table 7:**

| Responses            | X | F          | FX           | X-X   | (X-X) <sup>2</sup> | F(X-X) <sup>2</sup> |
|----------------------|---|------------|--------------|-------|--------------------|---------------------|
| Attractive           | 5 | 92         | 460          | 1.23  | 1.52               | 139.8               |
| Rewarding            | 4 | 80         | 320          | 0.23  | 0.05               | 4.0                 |
| Commendable          | 3 | 60         | 180          | -0.11 | 0.59               | 35.4                |
| Need for improvement | 2 | 40         | 96           | -1.77 | 3.13               | 150.2               |
| Uncertainty          | 1 | -          | 0            | -2.77 | 7.67               | 0                   |
| <b>Total</b>         |   | <b>280</b> | <b>1.056</b> |       |                    | <b>329.4</b>        |

**Source:** Research Administered Questionnaire, 2007

$$\bar{X} = \frac{fx}{f} = \frac{1.056}{280}$$

$$= 3.77$$

$$\delta = \frac{\sqrt{f(x - \bar{x})^2}}{f} = \frac{\sqrt{329.4}}{280}$$

$$= 1.084$$

$$SD = \sqrt{329.4} = 18.1493$$

$$SE = \frac{18.14393}{280}$$

$$= 0.06$$

$$\text{Population mean} = \{N\} = X = 1.966/\sqrt{N}$$

$$= 3.77 \pm 1.966(0.1084)$$

$$= 3.77 \pm 2.12$$

$$= 3.77 + 2.12 = 5.89$$

$$\text{Or } = 3.77 - 2.12 = 1.65$$

$$Z = \frac{X - Y}{\text{Standard Error Mean}}$$

$$= \frac{3.77 - 5.89}{0.06} = -35.33$$

Or

$$= \frac{3.77 - 1.65}{0.06} = +35.33$$

The above analysis shows that the results obtained falls outside the acceptable region, which indicates that the calculated value of Z (35) is higher than the tabulated value of Z (1.96). Therefore the null hypothesis (Ho) is hereby rejected while the alternative which says sales promotion strategy has significant effect on customers' response of Mr. Biggs is hereby accepted. The implication of this is that there is significant relationship between the sales promotion campaign by Mr. Biggs and the customers' response.

However, the management of Mr. Biggs must not disregard the position of the consumers who are of the opinion that there is need for improvement in the promotion campaign. These customers represent 17.1% of the respondents. It therefore means that management of Mr Biggs should improve on the current promotional campaign being embarked upon in order to satisfy the yearning and aspiration of the remaining customers.

## HYPOTHESIS TWO

**Table 8: Respondents view on Company Sales and Profitability**

| Responses         | Frequency | Percentage (%) |
|-------------------|-----------|----------------|
| Strongly Agree    | 90        | 32.1           |
| Agree             | 60        | 21.4           |
| Undecided         | 50        | 17.9           |
| Disagree          | 40        | 14.3           |
| Strongly Disagree | 40        | 14.3           |
| Total             | 280       | 100            |

Source: researchers Administered Questionnaire (2007)

**Table 9:**

| Responses         | X | F   | FX   | X-X   | (X-X) <sup>2</sup> | F(X-X) <sup>2</sup> |
|-------------------|---|-----|------|-------|--------------------|---------------------|
| Strongly Agree    | 5 | 90  | 450  | 1.43  | 2.04               | 183.6               |
| Agree             | 4 | 60  | 240  | 0.43  | 0.18               | 10.8                |
| Undecided         | 3 | 50  | 150  | -0.57 | 0.32               | 16                  |
| Disagree          | 2 | 40  | 80   | -1.57 | 2.46               | 98.4                |
| Strongly Disagree | 1 | 40  | 80   | -2.57 | 6.60               | 264                 |
| Total             |   | 280 | 1000 |       |                    | 572.8               |

$$\bar{X} = \frac{fx}{f} = \frac{1.000}{280}$$

$$= 3.57$$

$$\delta = \frac{\sqrt{f(x-x)^2}}{f} = \frac{\sqrt{572.8}}{280}$$

$$= 1.430$$

$$SD = \sqrt{572.8} = 28.9332$$

$$SE = \frac{28.9332}{280}$$

$$= 0.09$$

$$\text{Population mean} = \{N\} = X = 1.966/\sqrt{N}$$

$$= 3.57 \pm 1.966(0.1430)$$

$$= 3.57 \pm 2.81$$

$$= 3.57 + 2.81 = 6.38$$

$$\text{Or } = 3.57 - 2.81 = 0.76$$

$$Z = \frac{X - Y}{\text{Standard Error Mean}}$$

$$= \frac{3.57 - 6.38}{0.09} = -31.22$$

Or

$$= \frac{3.57 - 0.76}{0.09} = +31.22$$

In the statistical test carried out and as shown in the table (9) above, the calculated Z value (31) is higher than that of the tabulated value of Z (1.96). Therefore the null hypothesis which states that sales promotion strategy have no effect on sales and profitability of Mr. Biggs is rejected meaning that sales promotion strategy have effect on the sales and profit of Mr. Biggs Foods. This finding is in positive relationship with the findings of Agbo (2000) that state that promotional strategies are the combination of promotional elements that the company uses to realize its objectives in the target market.

#### 4.2 Discussion of Findings

Based on the analysis of the data and the review of related literature, the data gathered are discussed below:

- i. The management of Mr. Biggs spent millions of naira in promoting their products yet the awareness campaign is still inadequate.
- ii. Sales promotions policy such as samples, coupons, price off, premiums, trade deal, demonstration, display, money refunds offers, point for purchase and product warranties in promotion were mainly used to capture the attention of the customers. These promotional tools enhance greater participation towards the effectiveness of Mr. Biggs. It encourages productivity, increased sales, profitability growth and the overall development of Mr. Biggs image practically in Ilorin metropolis.
- iii. The day – to – day activities of Mr. Biggs were relished with the process of sales promotion but in view of this, sales promotion cannot be segregated from advertisement. The potential customer continues to buy the product while sales promotion deals with building favourable image towards the company.

#### 5.0 CONCLUSIONS

Mr. Biggs has various types of products which they produce as rendering services to consumers, whichever way the organization is planning to achieve its sales promotion objectives. The core value of the strategy must be to identify the needs of the targeted customers and position Mr. Biggs products in such a way that product will satisfy the needs of the consumers. The conclusion can then be that the degree and kind of response consumers give to a new product, is dependent on the test of strategy applied, which is sales promotion. Although, the business environment is dynamic with entrance of new manufacturers and new products or brands, competing with existing ones, if sales promotion is effectively utilized and proficiency oriented forms their marketing problem will be alleviated.

#### 5.1 RECOMMENDATIONS

From the foregoing research finding, the following were recommended for upward improvement of Mr. Biggs product in Taiwo road, Tanke Junction and Muritala Road in Ilorin:

- i. Sales promotion should be well designed to suit marketing and should be based on the type of problem facing the product, if it is an existing one.
- ii. Irrespective of the promotional efforts used, the extent to which a marketing communication achieve its desired efforts on final consumers, largely depend on the attitude they have towards the source of message, the way in which it is encoded or translated to them, and the confidence that they have in the source of the message.
- iii. Finally, the producers are also advised to be conscious of sales force enthusiasm. A sales promotional programme can fail if it is not fully supported by the company's own sales men competent and other staff should be employed, trained and assigned to do the task so as to increase the goodness of the company and that of the products.

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