

Effect of Sales Promotion as a Tool on Organizational Performance (A case Study of Sunshine Plastic Company)

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Abstract

In spite of the numerous sales promotion techniques available to many organizations, it is important to note that many organizations have not yet appreciated how to effectively and efficiently utilize these sales promotion techniques in attempting to enhance their organization performance. The objective of this paper is to find out if sales promotion techniques to be adopted at a given time affect the company's sales volume and also to look at the effect of sales promotion on organizational performance.

The method used is survey approach which gives room for primary data-questionnaire while the sampling technique adopted is simple random sampling techniques in which all members of the population has equal probability and independent chance of being selected. The chi-square method is used to test the hypothesis and to examine the effect of sales promotion on organizational performance. During the course of findings, majority of the respondents accepted the fact that sales promotion affects organizational performance and sales volume of the organization. In conclusion, effective implementation of sales promotional tools lead to increase in sales volume and invariably higher profits. It is recommended that during festive period, organizations should take full advantage by developing an effective and efficient sales promotion campaign that can arouse the consumers awareness, thereby leading to greater purchase of their products.

Keywords: effect, sales promotion, tool, organization, performance

INTRODUCTION

Sales promotion is an initiative undertaken by organizations to promote increase in sales, usage or trial of a product or services (i.e initiations that are not covered by other elements of the marketing communication/promotional mix). Sales promotion is an important component of an organizations overall marketing strategy along with advertising, public relations, and personal selling. Sale promotion acts as a competitive weapon by providing an extra incentive for the target audience to purchase or support one brand over another. It is particularly effective in spurring product trial and unplanned purchases (Aderemi, 2003).

Most marketers believe that a given product or service has an established perceived price or value, and they use sales promotion to change this price value relationship by increasing the value and/or lowering the price compared with other components of the marketing mix (advertising, publicity, personal selling). In determining the relative importance to place sales promotion in the overall marketing mix, an organization should consider its marketing budget, the stage of the product in the life cycle, the nature of competition in the market, the target of the promotion, and the nature of the product. For

example, sales promotion is particularly attractive alternative when the budget is limited. In addition, sales promotion can be effective tool in a highly competitive market, when the objective is to convince retailers to carry a new product or influence consumers to select it over those of competitors. More so, sales promotion tends to work best when it is applied to impulse items whose features can be judged at the point of purchase, rather than more complex, expensive items that might require hands on demonstration. Sales promotion includes communication activities that provide extra value or incentives to ultimate consumers, wholesalers, retailers or other organizational customers. It also stimulate sales, product trial (Kotler and Kelvin, 2006). The essence of this paper is to test the effect of sales promotion on organizational performance.

DEFINITIONS OF SALES PROMOTION

According to kotler (2003), Sales Promotion is a key ingredient in marketing campaigns and consists of a diverse collection of incentive tools, mostly short term designed to stimulate quicker or greater purchase particular products or services by consumers. Sales promotions programmes are those activities other than stimulate consumer purchase.

Achumba (2002) defined sales promotion as those marketing activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and expositions, demonstration etc. Sales promotion has been defined as a direct inducement that offers an extra value or incentive for the product to the sales force, distributors or the ultimate consumer with the primary objective of creating an immediate sale (George, 1998). Sales promotion is one of the ways used by firms to communicate with intended target market. Sales promotion is unique in that it offers an extra incentive for action (Adrian Palmer, 2004). Sales promotion refers to those promotion activities other than advertising, publicity and personal selling that stimulate interest, trial or purchase by final customers or others in the channel (Bagavathi Pillai, 2007)

Effect of Sales Promotion on Organizational Performance

The effect that sales promotions have on the organizational performance are:

1. Encouraging purchase of large size unit. Sales promotion consists of diverse collection of incentive tools, mostly short term designed to stimulate quicker or greater purchase of products or service by consumer e.g. The use of premiums, product warranties etc. stimulate consumer purchase in larger quantities. Rotimosho(2003)
2. Generating trials among non-users. Trials among non-users of a product is generated through invitation of prospective purchasers to try the product without cost or little cost with the hope that they will buy the product.
3. Persuading retailers to carry new items and higher level of inventory. Sales promotion encourages retailers to give shelf space to new products. Manufacturers provide retailers with financial incentives to stock new products.
4. Encouraging off season buying. Sales promotion has also encouraged off season buying especially during the festive periods, people tend to buy more of a particular product because of the added value, compared to normal season.
5. Building brand loyalty. Sales promotion helps to build brand loyalty by giving the seller the opportunity to attract a loyal and profitable set of customers which provides sellers some protections from competition and greater control in planning their marketing mix. Shira (2003)

Conclusively, sales promotion has been seen to focus on customer relationship management, free gifts, free sample, price discount, etc. If an organization effectively implement sales promotion techniques, it will not only encourage large purchase but it will also

increase the sales performance of an organization, invariably leading to the achievement of the stated objectives.

DATA COLLECTION AND ANALYSIS

The method of data collection includes a combination of both the primary (questionnaires) and the secondary method (this includes periodicals, journals and other related materials). Survey research approach will be used, using questionnaires, and it will be analysed using percentages which is descriptive while the hypothesis will be tested using chi-square method. The researcher administered questionnaires on 100 employees of Sunshine Plastic company out of these, 82 were dully filled and returned.

Table I: Distribution by Sex

Sex	Frequency	Percentage (%)
Male	31	37.8%
Female	51	62.2%
Total	82	100%

Source: Field survey 2010

Analysis: The table indicates that 37.8% of the respondents were males while 62.2% respondents were female.

Table II: Distribution by Age

Age	Respondent	Percentage (%)
21 – 25	16	19.5%
26 – 30	30	36.6%
31 – 35	28	34%
36 – 40	7	8.5%
41 – 50	1	1.2%
Total	82	100%

Analysis: Experience built over the years on account of age will influence our perception and interpretation of events and developments. It could be seen from the above table that 19.5% of the respondents are between 21 – 25 years, 36.6% were between 26 – 30 years, 34.1% were between 31 – 35 years, 8.5% were between 36 – 40 years while 1.2% were between 41 – 50 years. This implies that most of the respondents are between the ages of 26 – 30, it means that the organization has a vibrant and productive workforce to achieve its objectives.

Table III: Marital Status

Marital Status	Respondent	Percentage (%)
Single	37	45.1%
Married	45	54.9%
Total	82	100%

Analysis: The table indicates that 45.1% of the respondents are single and 54.9% are married. This implies that married people are more than single people in the organization.

Table IV: Rank

Rank	Respondent	Percentage (%)
Top Management	3	36.6%
Middle level Management	58	70.7%
Lower level Management	21	25.6%
Total	82	100%

Analysis: This table indicates that 36.6% of the respondents are in top management, 70.7% are in middle management while 25.6 are in the lower level management.

Table V: Distribution by Educational Qualification

Educational Qualification	Frequency	Percentage (%)
SSCE/WAEC	22	26.8%
OND/NCE	-	-
B.A/B.Sc/HND	60	73.2%
Total	82	100%

Analysis: The table shows that 26.8% has SSCE/WAEC while 73.2% has B.A/B.Sc/HND qualification.

Table VI: Respondents view; Sales Promotion affects company sales volume

	Frequency	%	Valid %	Communi cative percent
Strongly agreed	32	39.0 %	41.0 %	41%
Agreed	42	51.2 %	53.8 %	94.9
Undecided	4	4.9 %	5.1%	100
Total	78	95.1 %	100%	
Missing	4	4.9 %		
Total	82	100 %		

Source: (Field survey, 2010)

Analysis: The table above indicates that 39% of respondent strongly agreed, 51.2% agreed while 4.9% are undecided. This implies that sales promotion affect company's sale volume.

Table VII: Degree of competition determines the sales promotion of the organization.

	Frequency	%	Valid %	Communi cative percent
Strongly agreed	29	35.4%	35.8%	35.8%
Agreed	50	61%	61.7%	97.5%
Undecided	2	2.4%	2.5%	100%
Total	81	98.8%	100%	
Missing	1	1.2%		
Total	82	100%		

Analysis: The table above affirms that 35.4% strongly agreed, 61% agreed while 2.4% were undecided. This indicates that the degree of competition in the market determines the sales promotion of the organization.

Table VIII: Sales Promotion affects company sales volume

	Frequency	Percent	Valid percent	Communi cative percent
Strongly agreed	30	36.6%	36.6%	36.6%
Agreed	45	54.9%	54.9%	91.5%
Undecided	6	7.3%	7.3%	98.8%
Disagree	1	1.2%	1.2%	100%
Total	82	100%	100%	

Source: Field survey 2010

Analysis: The table above reveals that 36.6% of the respondents strongly agreed, 54.9% agreed, 7.3% were undecided while 1.2% disagreed. This is to say that the nature of products determine the type of sales promotion techniques to be used in the organization.

Table IX: Sales promotion helps to increase the profits of the organization

	Frequency	Percent	Valid percent	Communi cative percent
Strongly agreed	34	45.5%	41.5%	41.5%
Agreed	44	53.7%	53.7%	95.1%
Undecided	2	2.4%	2.4%	97.6%
Disagree	2	2.4%	2.4%	100%
Total	82	100%	100%	

Source: Field survey 2010

Analysis: In view of the above, 41.5% of the respondents strongly agreed, 53.7% agreed, 2.4% were undecided while 2.4% disagreed. This implies that sales promotion helps to increase the profitability of the organization.

Table X: Sales promotion enhances the purchase of organizational products by the consumer.

	Frequency	Percent	Valid percent	Communi cative percent
Strongly agreed	24	29.3%	30%	30%
Agreed	48	58.5%	60%	90%
Undecided	6	7.3%	7.5%	97.5%
Disagree	2	2.4%	2.5%	100%
Total	80	97.6%	100%	
Missing system	2	2.4%		
Total	82	100		

Source: Field survey 2010

Analysis: It could be seen from the table above that 29.3% strongly agreed, 58.5% agreed, 7.3% were undecided while 2.4% disagreed. This means that

sales promotion enhances the purchase of organizational products.

Table XI: Sales promotion helps in increasing sales volume and the market share of the company.

	Frequency	%	Valid %	Communicative percent
Strongly agreed	23	28.0%	29.1%	29.1%
Agreed	43	52.4%	54.4%	83.5%
Undecided	13	15.9%	16.5%	100%
Total	79	96.3%	100%	
Missing system	3	3.7%		
Total	82	2.4%		

Source: Field survey, 2010

Analysis: The table reveals that 28% strongly agreed, 52.4% agreed, 15.9% were undecided. This tells us that sales promotion helps in increasing sales volume and the market share of the organization.

Table XII: Sales promotion can enhance the organization relationship with its customers.

	Frequency	Percent	Valid %	Communicative percent
Strongly agreed	16	19.5%	19.8%	19.8%
Agreed	27	32.9%	33.3%	53.1%
Undecided	23	28%	28.4%	81.5%
Disagree	10	12.2%	12.3%	93.8%
Strongly disagreed	5	6.1%	6.2%	100%
Total	81	98.8%	100%	
Missing system	1	1.2%		
Total	82	100%		

Source: Field survey 2010

Analysis: This table shows that 19.5% strongly agreed, 32.9% agreed, 28.0% were undecided, 12.2% disagreed while 6.1% strongly disagreed. This implies that sales promotion can enhance the organizational relationship with its customers.

Testing of Hypothesis

In order to test the hypothesis, the non-parametric test method (chi-square) is used.

Steps required for testing chi-square

1. State the null hypothesis and alternative hypothesis
2. Determine the level of significance
3. Calculate the chi-square test.

$$X^2 = \frac{(O - E)^2}{E}$$

Where O is the observed value

E is the expected value

4. Determine the degree of freedom (df), depending on the number of rows and columns.

$$Df = (r - 1) (c - 1)$$

Where

R = number of rows

C = numbers of columns

5. Result: Having calculated the chi-square value, what is obtained is referred to as calculated value chi-square. This value is then compared against the tabulated value of chi-square.

Where $O = 19$ $\frac{32 \times 31}{82} = 12.09$

Where $O = 13$ $\frac{51 \times 32}{82} = 19.9$

Where $O = 5$ $\frac{41 \times 31}{82} = 15.5$

Where $O = 36$ $\frac{41 \times 51}{82} = 25.5$

Where $O = 4$ $\frac{4 \times 31}{82} = 1.5$

Where $O = 0$ $\frac{4 \times 51}{82} = 2.99$

Where $O = 3$ $\frac{5 \times 31}{82} = 1.89$

Where $O = 2$ $\frac{5 \times 51}{82} = 3.11$

Step III

O	E	O - e	(O - e) ²	$\frac{(O - e)^2}{e}$
19	12.09	6.91	47.75	3.95
13	19.9	- 6.9	47.61	2.39
5	15.5	- 10.5	110.25	7.11
36	25.5	10.5	110.25	4.32
4	1.51	2.49	6.200	4.11
0	2.49	-2.49	6.200	2.49
3	1.89	1.11	1.23	6.50
1	3.11	-2.11	4.45	1.43
				$X^2 = 32.3$

Degree of freedom = $(r - 1) (c - 1)$
 $(2 - 1) (4 - 1)$
 $(1) (3) = 3$

Level of significance is chosen to be 5% i.e. 0.05
 X^2_3 at 0.05 on the chi-square distribution table is 7.815.

Step IV

The result shows that the calculated chi-square value is 32.3 which is greater than the table value 7.815. Therefore, we will reject the null hypothesis (Ho) and accept the alternative hypothesis (Hi). This implies

that there is a significant relationship between sales promotion and company's sales volume.

Hypothesis II

Ho: There is no significant relationship between the degree of competition and sales promotional technique to be adopted.

Hi: There is a significant relationship between the degree of competition and sales promotion technique to be adopted.

CONCLUSION

From the findings, sales promotion is said to have significant effect on organizational performance. Sales promotion is any initiative undertaken by an organization to promote an increase in sales, usage or trial of a product or service (i.e. initiative that are not covered by other elements of the marketing communications or promotional mix.

Majority of the respondents accepted the facts that sales promotion affects company's sales volume. This is found in table VI where 41% strongly agreed, 53.8% agreed, 5.1% undecided while nobody disagreed. Table VI reveals that 35.8% strongly agreed, 61.7% agreed, 2.5% were undecided while nobody disagree that the degree of competition determines the sales promotion of the organization. The degree of competition also determine the sales promotion techniques to be adopted.

The researcher concluded by listing the following:

1. That effective implementation of sales promotion tools lead to increase in sales volume and invariably higher profit.
2. The effectiveness of sales promotion can sustain the life of a failing product sufficiently to enable it recover from its decline.
3. Sales promotion is important at all level of product life cycle but it is more important at the introductory and growth stage.

Lastly, the effects of sales promotion on organizational performance have been positive and have resulted in increased organizations sales volume and profitability interms of purchase of larger size unit of products by consumers which will in turn lead to higher sales and profitability.

RECOMMENDATIONS

Based on the findings, the researcher hereby make the following recommendations.

1. Sunshine Plastic Company should endeavour at all time to have a planned and systematic sales promotion programme in place as this would help to make such promotional implementation effective.
2. Sunshine Plastic Company should set up a more and effective sales promotion department with experienced staff with the view to developing more promotional

strategy in line with the company's objectives.

3. The company should be aware of the fact that there are times when the effective use of sales promotions are needed e.g. during festive periods. Companies should take full advantage of such peak seasons by developing an effective and efficient sales promotion campaign that can arouse consumer's awareness, thereby leading to increase in sales.

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