

# The Impact of Sales Promotion on Consumer Good (A Case Study of Unilever Ghana Limited)

**Justice Amoako – Prempeh**

Breyer State University, USA

**Pross Akanyijuku**

Breyer State University, USA

---

## Keywords

Sales promotion, benefits, types of promotion, intrinsic and extrinsic effects.

## Abstract

*Sales promotion is a key ingredient in marketing campaigns, with designed short term incentive tools aimed at consumers to influence quicker or greater purchase of particular products or services [Kotler]. Several advantages have been identified as a result of sales promotional activities sides increased sales and revenue. The objective is to find out the reaction of customers of consumer goods to sales promotion using Unilever Uganda as case study. The result reveals that while sales revenue has increased customers perception about products due to sales promotions has not changed much and that loyal customers may not be affected by the price change*

---

## Introduction

Sales promotion could be identified as an essential aspect of the marketing mix though other elements play unique roles in ensuring the survival of businesses. It usually ensures a rise in company's share of the total market in the face of competition. The promotional strategy of manufacturer is a blend of the elements of advertising, personal selling and sale promotions etc, aimed at ensuring and attaining a specific marketing objective. Advertising and personal selling often work closely with sales promotion.

For the past few years, sales promotion has achieved recognition just as other promotional elements. This is due to the fact that the management has realised the differences in effects of sales promotion and its impacts on products that are run under it and those promoted through a different element of the promotional mix. According to Kotler, whereas advertising and personal selling offer reasons to buy a product or service, sales promotion offers reason to buy now. Thus, the incentives added to the product or service easily motivates the customer to take a purchase action. The paper therefore devotes attention to verifying the impact of sales promotion on consumers.

## Definition

"Sales promotion a key ingredient in marketing campaigns, consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade" (Blattberg C. Robert and Neslin a Scott cited in Kotler). According to Kotler, whereas advertising offers the reason to buy, sales promotion offers the incentive to buy. Blattberg [1990] asserted that sales promotions are effective demand boosters that are not associated with any risks unlike new product launch. Sales promotion activities have been on the increase. Kotler believes this has increased company budgets to between 65 and 70 percent. Two aspects of benefits from sales promotion have been identified by marketers and academicians alike. These are monetary and non monetary gains. [Kwok,2005] the significant difference of the two is borne by the fact that monetary sales are transactional and gives the opportunity for reward to the customer, through coupons, discounts, rebates, trade shows, displays, demonstrations and price packs. According to Srinivasan et al [2004] sales promotion improves sales revenue although this is short-lived and their profit impact is often negative. [Magid M Abraham and Lodish 1990].most marketers and academicians believe that monetary promotion is the least that could be employed by management due to its sub-optimal effect as an effective tool for price competition. [Buzzell, Quelch and Salmon, 1990] they argue that in the short- run, no "rent" is added to the market share of the company and this explains why it is unprofitable. [Magid M. Abraham and Lodish 1990] these critics have argue that in the long run sales promotions could trigger price sensitivity which could destroy brand equity both for the retailers and the

consumers. [Mela, Gupta and Lehman 1997] on the other hand, non monetary rewards carry with it a rather delayed long-term gain through sweepstakes, gifts, loyalty and such other programmes. Sales promotion is costly. As a result, the promotion marketing association of America [1994] reported the call for promotion that is cost effective and can rake in both short and long term effect to both companies and customers. According to Lal and Rao[1997] sales promotion should be a day to day policy rather than the occasional situations.

### **Reasons for sales promotion**

Substantial increase in purchase during sales promotion period has been recognised by many writers. Kotler recorded that the ratio of advertising- sales promotion a decade ago has increased dramatically from 60:40 to 65 to 75 percent of the combined budget. This rapid growth has been attributed to many factors. Some of the reasons for increased sale promotion activities have been cited in the literature and are important for the study: sales promotion has been accepted as an effective tool. Sales promotion is able to encourage panic buying and also attract first time buyers. The incentives attached to the product easily move customers to purchase the item, there is also availability of great expertise in planning, implementing and controlling sales promotional programmes. More brand and marketing managers are qualified and have the experience of using the sales promotion effectively to achieve the desired results. There is high cost of media advertising in recent times. Therefore to achieve a cost-effective form of promotion, sales promotion is employed. It stimulates immediate sales to satisfy the retailers and to maintain output from high level production unit.

The high inflation rate has reduced the purchasing power of many households and has rendered them price conscious. Therefore, their ratings on cost-benefit analysis for a given product are always high. This calls for additional incentives to the original product to make them more appealing to the customers.

The goodwill aspect of sales promotion tends to bring the manufacturers closer to the retailers whose direct cooperation is essential to the success of sales promotion schemes thus the introduction of some fun and excitement into promotion which customers can enjoy as participants (friends struggling for corks at a drinking bar).

### **Some Benefits of Sales Promotion**

Cited in Kotler, Farris and Quelch outlines some of the benefits derived from sales promotion to manufacturers and customers. For the manufacturer, it increases purchase as it rakes in occasional users as these new customers try new products instead of never straying from accustomed ones. Also as opined by Brown it helps manufacturers in their demand and supply decisions. Sales promotion enable manufacturers to test their pricing decisions on the product as it can always be discounted. Manufacturers adopt new methods to suit different consumer segments as they become aware of customers several needs and this deepens their loyalty. Above all there is kind of satisfaction derived as customers queue to take advantage of these special prices. For the customer, sales promotion increases attraction. It is also a form of reward to those loyal. It serves as an incentive to visit different places. Customers also get information about product quality, its features and uses of the product and also those that are different. With money back offers customers gain much confidence about the product on offer.

### **Types of Promotion**

There are objectives for applying specific sales-promotional tools (Kotler). The choice of tool applied has its implication on the consumer. The two identified implications are intrinsic as well as extrinsic promotion depending on the perceived attraction of the product. According to Alvarez (2005) customers' may also be lured to buy the product because of attraction the promotion carries. Sales promotions perceived to improve product of the company's business are often centralised on the product itself. Intrinsic are rather direct and economically rewarding and effective approach which often rake in large market share. (Free sampling, sweepstakes, value added training, gifts etc.). Extrinsic promotion is rather applied mostly these days and entails the price offers etc. Some of these available tools are highlighted below:

Free sampling: consumers are offered regular or trial sizes of the product either free or at normal price. In other words, samples are presentations of free products for trials in an attempt to obtain future sales. Thus once the customers are satisfied with the product, there is the belief that they will switch to them. (Kempf & Smith, 1998)

Coupons: coupons are cent-off or value added incentives. Coupons are certificates or slips that enable the customer to have the stated saving on purchasing the product at a particular time or in a particular shop. Coupons may be in package boxes, or mails, newspapers or magazine. They are useful in trial and also in stimulating demand for mature brands.

Price offers/Price packs/Deals: these are special price reductions from the original price of the product, which will be displayed on the package or label. They may take the form of reduced price or double pack such as a single package sold at a reduced price or two for the price one. These stimulate short-term demand even more effectively than coupons. In the view of Inman, McAlister and Hoyer (1990) products with lower prices easily influence customers to buy.

Point of purchase display: point of purchase and demonstrations are carried out at the shop to make the products more conspicuous. This can take the form of special shelves on which the products have been displayed prominently and colours are used to increase prominence which are located near sites of the actual buying activity. Such events provide opportunity for customers with hands on experiences. (Close et al)

Premiums: a premium a reward or gift that comes from purchasing a product. Premiums can also be an item given free or at a reduced cost with the purchase of another item/ product.

Trading stamps: these are trading sales promotion techniques similar to premiums. Customers received trading stamps with their purchase in various retail establishments. The stamps are saved and exchanged for gifts usually at special redemption centres operated by the organisation. The degree to which the consumer benefits by trading stamps depend on the relative values of the goods offered. It must be noted that their usage depend sometimes on relative price levels, location of redemption centres and legal restrictions. Example of this strategy is "Azar Scratch and Win promotions".

Contests: these call for customers to submit entries to be examined by the panel of judges who will select the best entries for an award. For example "Anapuna go places award". Firms often sponsor contests to introduce new products to attract additional customers.

Raffles and sweepstakes: these require consumers to submit their names or raffle tickets and the winner determined by a draw. Here luck is the most important factor. Fairness must be emphasised because once people get to know that draws are not fairly made participation may be reduced. A typical example of a raffle run worldwide is one by Coca Cola during the 2002 world cup in Japan and Korea.

## **The role of sales promotion in marketing:**

The current trend in marketing requires that an effective promotional campaign be instituted in order to achieve a desired market share. Sales promotion plays the following roles; (Bobby Anderson and Aman Hailemariam 'Sales Promotion in B 2 B Setting' Bachelor thesis, Lulea Univ. of Tech)

Invitation: sales promotional programmes induce the customer and extend invitation to the target audience to encourage in transaction now (impulse buying).

Communication: sales promotion as compared to other promotional mix elements easily gains attention and normally provides information that leads the consumer directly to the product. According to Heerden Van (2001) it promotes the interests of the organisation and that of the brand. Behrer & Larson (1998) added that it provides the platform for shared view and this creates a positive image towards the company brand and value.

Adding value: sales promotional schemes incorporate some concessions, inducements or considerations that give value to the consumer, dealer or salesman. (Nufer, 2002)

## **Research Methodology**

This research included both qualitative and quantitative methods of investigation. A combination of self-reporting questionnaire and key informal interviews were also employed by the use of structured questionnaire in collecting data. The research is about sales promotion impact on consumers and needed to assess the views of customers. Sampling techniques was therefore used in selecting the respondents.

## **Data collection**

The researcher made use of observations, questionnaires, and interviews were conducted. As the researcher need to find out more on customer perception about the products on promotional sale and as a result customer sampling was made. A total of 30 customers were sampled out and interviewed. The researcher performed customer interviews on some key individuals at three scattered locations of the store in Kampala, Mukono and Mpigi. The idea was to generate more ideas and opinions on the consumer market.

It was also aimed at finding out the authenticity or validity or otherwise of the respondents that were provided in the questionnaire. Here, it was observed that the interview sessions created a learning environment in which the respondents and the researcher were involved in a detailed discussion. These interviews were structured.

## Sample Technique

The simple random technique was used to select respondents. This technique assumed that it provided each individual /case with an equal chance of being selected. Respondents were selected to reflect age, education and gender of the people within the selected areas. Purposive technique was used to select different Unilever management for the study.

## Data Processing

Instruments were edited to make sure they are well completed. All data was then coded. Qualitative data was written and words edited at the end of each working day to ensure accuracy and consistency of the information given by respondents. The quantitative data was collected using questionnaires with pre-coded answers the data was then coded and reviewed to have the required quality, accuracy and completeness.

## Data Analysis and Result

### Sex distribution of respondents

| Sex    | No. Of respondents | Percentage |
|--------|--------------------|------------|
| Male   | 17                 | 56         |
| Female | 13                 | 43.3       |
| Total  | 30                 | 100        |

**Table 4.1.0** shows that 56% of the respondents were males whilst about 44(43.3%) were females this implies sales promotion affects both genders almost equally, but men are slightly ahead.

### Age distribution of respondents

| Age          | Number of respondents | Percentage |
|--------------|-----------------------|------------|
| 20-29        | 23                    | 76.7       |
| 30-39        | 3                     | 10         |
| 40 and above | 4                     | 13.3       |
| Total        | 30                    | 100        |

**Table 4.1.1** shows that majority of the respondents were between the age of 20-29 (76.6%) this is because the youth respond quickly and are easily influenced by sales promotional incentives followed by those aged 40 and above (13.3% and then 30-39 years (10%).

## Awareness of sales promotion ran by companies

| Awareness of sales promotion/response | Number of respondents | Percentage |
|---------------------------------------|-----------------------|------------|
| Yes                                   | 24                    | 92.2       |
| No                                    | 6                     | 7.5        |
| Total                                 | 30                    | 100        |

From the above, it is clear that majority of the respondents are aware of the sales promotional activities run by various companies.

## Occupational distribution of respondents

| Occupation       | No. of respondents | Percentage |
|------------------|--------------------|------------|
| Students         | 8                  | 26.6       |
| Teacher trainee  | 3                  | 10         |
| Business persons | 3                  | 10         |
| Civil servants   | 4                  | 13.3       |
| Accountant       | 1                  | 3.3        |
| Engineer         | 3                  | 10         |
| Secretary        | 2                  | 6.6        |

|                 |    |     |
|-----------------|----|-----|
| Sales executive | 3  | 10  |
| Sales manager   | 3  | 10  |
| Total           | 30 | 100 |

In The above table (4.3.0), majority of the respondents, were students, this presupposes shows clearly that students are the sector that takes interest in sale promotional programmes. Sine the amount earned from their work or from their parents are small, their ratings on “cost-benefit-analysis” is always great.

### The attitude of consumers after sales promotional campaign

|            |                  |                 |                |       |
|------------|------------------|-----------------|----------------|-------|
|            | General attitude |                 |                | Total |
| Condition  | Remains Static   | Change slightly | Change greatly |       |
| Frequency  | 5                | 10              | 15             | 30    |
| Percentage | 16.6             | 33.3            | 50%            | 100%  |
|            |                  |                 |                |       |

### Degree of response to sales promotional programmes

|                     |                       |            |
|---------------------|-----------------------|------------|
| Response rate       | Number of respondents | Percentage |
| Quick               | 17                    | 56.67      |
| Slow                | 11                    | 36.67      |
| Static (not at all) | 2                     | 6.66       |
| Total               | 30                    | 100        |

**Table 4.4.1** was designed basically for a group of thirty respondents, with the view of finding out how customers respond to sales promotional programmes. The 17% out of the thirty respondents who answered quickly implies that most customers buy a brand of consumer goods based on prices at stake, meaning that most customers are price sensitive. It can be seen that it is only two people who are loyal to their old brands and are not prepared to move irrespective of the incentives attached to other brands.

### Consumers’ perception on goods marketed under sales promotion

|                |                       |            |
|----------------|-----------------------|------------|
| Perception     | Number of respondents | Percentage |
| Good           | 21                    | 70         |
| Normal/average | 4                     | 13.3       |
| Weak           | 5                     | 16.67      |
| Total          | 30                    | 100        |

Based on the information above (4.4.2) it can be seen clearly that most consumers see products run under sales promotion as good and better brands than those that are just marketed through other promotional elements out of the 30 respondents 4 see such products as normal like other brands while 5 see such products as weak and that the company wants to add incentives to make them appealing to customers.

### Reasons for choice of brand a consumer good by respondents:

|   |           |            |
|---|-----------|------------|
| Reasons for choice of brand             | Frequency | Percentage |
| Needs                                   | 43        | 53.8       |
| Price at stake (raffles/sales promotion | 25        | 31.3       |
| Friends recommendation                  | 3         | 3.8        |
| Advertising                             | 3         | 3.8        |
| Others                                  | 5         | 7.6        |
| Total                                   | 80        | 100        |

Though majority of buyers of consumer goods buy based on needs (about 53.8%) from the table, 4.5.0 most (31.3%) also buy through sales promotional influences. This shows a greater impact on the demand of consumers by sales promotion.

Influence of price at stake on demand patterns

| Influence of price responses | Frequency | Percentage |
|------------------------------|-----------|------------|
| Yes                          | 22        | 27.5       |
| No                           | 53        | 66.3       |
| Total                        | 75        | 93.8       |

The table above shows that around 6.2% respondents remain neutral. The table also shows that majority of the consumers (66.3%) are not influenced by the prices at stake during these sales promotional activities and as such it does not affect their habit. only 27.5% of the consumers indicated that the prices at stake influenced them during the campaign, which subsequently affected their purchasing patterns.

### Brand switching as a result of sales promotion devices/activities

| Brand switching/response | Frequency | Percentage |
|--------------------------|-----------|------------|
| Yes                      | 17        | 21.3       |
| No                       | 61        | 76.3       |
| Total                    | 78        | 97.6       |

**Table 4.5.2** shows that 2.4 % of the consumers switch brands dues to Sales promotion whilst majority (76.3%) respondents will not switch due to their loyalty with other brands.

### Price reductions and their influences on subsequent purchases

| Response | No. of responses | Percentage |
|----------|------------------|------------|
| Yes      | 16               | 20.0       |
| No       | 59               | 73.8       |
| Total    | 75               | 93.8       |

Approximately 6.2% of the respondents were reluctant to give their comments. From the table only 20% of the respondents said they would not buy a particular brand if the promotional period expires whilst the majority of them (73.8) would be loyal to that brand despite the cancellation of the prices at stake provided the product meets their needs.

### Discussion of Findings

This section aims at analysing and presenting the findings based on the data from the respondents and the researcher’s own observation.

From table 4.1.1, it is clear that most of the respondents were between the ages of 20-29 and 40 and over. They included students and public servants. Most of them were aware of sales promotion programmes to boosting consumers as used by manufacturers in the country. Also a greater number of them were not affected by the prices at stake during the promotional period, and were of the view that cancellation of prices would not affect their consumption of a particular brand of a consumer good. The implication therefore is that they would be loyal to their favourite brand despite promotional devices, as such there would be no brand switching, though some hold contradictory views.

From the table 4.1.2, it is clear that students who are basically the unemployed respondents had a different attitude towards the raffles and other incentives attached to a product than others. Taking occupational distribution, about 60% who were students held that view that they were aware of the various sales promotional programmes by producers and /or distributors. Majority of them (60%) showed that prices at stake influenced them

to purchase an item with the view of entering and winning a prize this affected their demand at least during the promotion period. Also 20% of the respondents said the cancellation of the prize at stake would affect their consumption. 21.3% said they would switch brand due to promotional activities. This may be so for the unemployed because of their meagre or no earnings at all and they are likely to be deal-prone consumers who switch brands as deals become available.

The main aim of this study was to determine the effectiveness of sales promotion activities on sales and its effects on consumers. The objectives therefore seek to cover the following: To determine the extent to which sales promotion activities influences consumer purchasing patterns. To determine whether sales promotion activities encourage brand loyalty and or brand switching. It was established that sales promotion activities has increased the number of unit sales significantly for the past few years.

It shows that since the introduction of raffles, coupons, premiums, trading stamps and contests by Unilever Uganda, sales have increased significantly. It was revealed that averagely 15% Increases in sales have been recorded. This finding is backed by the result from the consumers' questionnaire that sales promotion really increased the consumption of some brands, which subsequently led to increased sales.

Table 4.5.0, 4.4.0 and 4.5.1 show that about 79% of the consumers are of the view that sales promotion activities increase consumption of particular brands.

Again, the results showed that the primary impact of sales promotion that was to create brand awareness and to increase sales to present customers was achieved (table 4.2.0). The result showed that almost all the consumers (92.2%) were aware of the sales promotion activities carried out by various producers and distributors of consumer goods in the country and a significant number bought more during these sales promotion periods. These current promotional activities resulted in a 15% increase in the company's overall sales volume. This finding supports Brown's (1974) claim that sales promotion fields faster sales.

The increase in sales may be attributed to the fact that many of the consumers who increase their consumption pattern during sales promotion period buy more in order to win a prize or to make up for the entry requirement in the raffles, for example, the Go back to school run recently. In addition, taking into consideration the unfavourable economic situation, the prizes at stake, which included some millions of cash, and free samples, air tickets and other consolation prizes may have contributed to the immense participation of consumers resulting in increased sales.

Thus, it could be said that the various incentives have made most consumers aware of the existence of products of various producers and distributors and have made some consumers switch brand as a result of the sales promotional activities. A good example is table 4.5.2 where such activities caused sales of Unilever various consumer goods to increase at least by 15%.

The general implication of this study confirms that sales promotion activities are effective for increasing sales volume of Unilever. It was further established that majority of the consumers would be loyal to their favourite brands due to a special attribute of the product for example the taste or quality in spite of the prize at stake for the other brands or companies. This therefore supports Brown (1974) in his study that loyal buyers tend not to change their buying patterns as a result of competitor promotions.

The implications of these findings are that sales promotion activities, for example the raffle technique is not an effective tool in making customers who are loyal to a particular brand switch to another brand. Price cuts tend to influence purchasing behaviour especially to price sensitive customers.

## Conclusion

The objective of this study was to determine the impact of sales promotion on consumer goods and its marketing. Due to the competitive nature of the consumer market as a result of trade liberalisation policies and different brands of consumer goods on the market, there has been a marked increase in the use of sales promotion devices by the producers of most consumer goods in order to survive in this competitive environment.

It was further discovered that some (consumers) might switch brands due to sales promotional activities majority would not be influenced by these incentives. This move producers to put emphasis on meeting the needs of the consumers and satisfying them by improving the taste, quality, colour, and other special attributes about the products as well as designing sales promotion techniques to boost up sales. These sales promotional activities add tangible rewards to the product and also the desire to win something for free that is in most consumers is called into play.

An attempt was made to find out the effectiveness of sales promotion activities for increasing sales volume consumer purchasing patterns and finally to determine whether sales promotion activities encourage brand loyalty or brand switching.

The questionnaire was designed for the consumers aimed at questions concerning consumer's awareness of sales promotion by companies, whether the prize at stake affect their demand patterns and companies do something to sustain the demand for their products in the longer run.

It can be concluded that sales promotions directed towards both consumers and distributors are effective in increasing the sale of company products.

It also clear that most consumers will be loyal to particular brand despite sales promotion offers for other brands. Thus sales promotion activities affect only marginal consumers who are "deal prone".

## References

- Alvarez, A.B. & Casielles R. V (2005). Consumer evaluations of sales promotion: the effect on brand choice, *European Journal of Marketing*, Vol.39 No. 1, pp. 54-70
- Behrer, Mattias & Larson, Asa. (1998) Event Marketing – att använda evenemang som strategisk resurs i marknadsforingen, Gotborg. IHM Forlag AB.
- Blattberg, R.C. & Neslin, S (1990), Sales Promotion: Concepts Methods, and Strategies, Englewood Cliffs, N.J, Prentice Hall.
- Bobby Anderson and Aman Hailemariam "Sales Promotion in B 2 B Setting" Bachelor thesis, Lulea University of Technology.
- Brown G. Robert (1974), "Sales Response to Promotion and Advertising, *Journal of Advertising Research*, August 1974
- Buzzel Robert, Quelch John and Salmon Water (1990), "The Costly Bargain of Trade Promotion", *Harvard Business Review*, 68 (2), 141-49
- Calf F. Mela, Sunil Gupta and Donald R. Lehman, "The Long-Term Impact of Promotion and Advertising on Consumer Brand Choice," *Journal of Marketing Research* (May 1997): 248-61
- Close A.G., Finney, R.Z & Sneath, J.Z (2006). Engaging the consumer through event marketing, *Journal of Advertising Research*, Vol.46 Issue 4, pp. 420-433
- Faris W. Paul and Quelch A. John, "In Defence of Price Promotion", *Sloan Management Review* (Fall 1987): 63-69
- Heerden, Van C. H. (2001). Factors Affecting Decision-Making in South African Sport Sponsorships, *Unpublished Doctoral Dissertation*, University of Pretoria
- Inman, J.J., McAlister, L & Hoyer, W.D. (1990). Promotion signal-proxy for a price cut?, *Journal of Consumer Research*, Vol. 17 No. 6, pp. 74-81
- Kempf, D. S., & Smith, R. E. (1998). Consumer Processing of Product Trial and the influence of Prior Advertising: A Journal of Marketing Research, Vol.35 No. 8, pp. 325-338
- Kotler Philip Marketing Management, 11<sup>th</sup> Edition, Pearson Education Inc Upper Saddle River, New Jersey.
- Kwok, S., & Uncles, M (2005) Sales Promotion Effectiveness: the impact of consumer differences at an ethnic-group level, *Journal of product & brand management*, vol.9 no.6, pp. 389-414
- Law, Rajiv and Ram Rao (1997), "Supermarket Competition: The Case of Every Day Low Pricing", *Marketing Science*, 16 (1), 60-80
- Magid M Abraham and Leonard M. Lodish (1990) "Getting the Most out of Advertising and Promotion", *Harvard Business Review*, 68 (3) (May-June), 50-63
- Nufer, G (2002) Wirkungen Von Event Marketing. Deutscher Univesitats – Verlag Wiesbaden
- Promotion Marketing Association of America Inc. (1994), *Winning the Promotion: The Reggie Award Winners*. Ravenswood, IL: Dartnell Corporation.
- Srinivasan, Shuba, Koen Pauwels, Dominique M Hanseens and Mnik Dekimpe (2004) "Do Promotions Benefit Retailers, Manufacturers or Both" *Management Science* 50 (5) 617-29.