

STRATEGIC INFLUENCE OF PROMOTIONAL MIX ON ORGANISATION SALE TURNOVER IN THE FACE OF STRONG COMPETITORS

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Abstract

This paper aim at study strategic influence of promotional mix on organisation sale turnover in manufacturing organisation. The research data were gathered through the use of secondary data and primary data, secondary data included 6years annual report comprising the sales turnover (2005-2009) and questionnaire which is an instrument of primary data collection. The questionnaires were administered to the workers of 7up Company and some customers in Solebo Estate in Lagos. The researcher adopted the simple percentage and regression model for the analysis of the collected data.. The result of the findings revealed that strategic promotional mix influences the sale turnover with little 25% while other variable not included in the variable tested takes the larger 75% that will rapidly lead to organisation growth. Since promotional mix constitute few % of variable that can push an organisation to the highest level, therefore other factors of marketing mix such as product development, effective pricing, distribution of right quality and quantity to the consumers should be appropriately considered. **Key words:** Strategic promotional mix, marketing mix, regression model, push and pull strategy.

It is not enough for a business to have good products sold at attractive prices. To generate sales and profits, the benefits of products have to be communicated to customers. In marketing, this is commonly known as “promotion”. Although promotion is not done only for these factors but for other such as to build brand loyalty, to reminds and reassure costumers, to launch a new product and maybe to defend market share by responding to competitors’ campaigns with their own advertising A business’ total marketing communications programme is called the “promotional mix” and consists of a blend of advertising, personal selling, sales promotion, public relation stool sand direct marketing.

The organization has to convey the message about the product on offer to its consumers. This helps in sustaining a perennial demand for the product and in suitably positioning it among the target audience. The process of communicating the message is called promotion. It influences the purchase decision of the consumer. The different channels available

to the organization for communicating the message constitute the promotion mix. It includes advertising, sales promotion, and public relations. The paper examines the different elements of the promotion mix and discusses the issues involved therein. It also delves into the advantages of using the Internet as a selling medium.

It is very important for every product to be promoted, that is to say it needs to be drawn to the attention of the market place and it’s benefit be identified. The aim of an organization promotional strategy is to bring existing and potential customers to a state of relative awareness of the organization’s product and a not just that but also to a state of adoption.

The promotional mixes (sales promotion, publicity, personal selling, advertising, public relation) have a stage at which it will be most effective. Advertising and publicity are suitable for all stages while the remaining mix can be effective from stage three.

Literature review

Cole (1996) defines promotional mix as “the means use in bringing customers from a state of relative unawareness to a state of actively adopting the product”. It means of communicating with individuals, groups, or organizations to directly or indirectly facilitate exchange of informing and persuading one or more audience to accept an organization’s product.

Ross (2001) sees promotional mix as “the total marketing communication programme of a particular product”.

Adebisi (2006) defined promotional mix as “any marketing effort whose function is to inform or persuades actual or potential consumers about the merit a product possess for the purpose of inducing a consumer to either start buying or continue to purchases the firm’s product.”

Elements of Promotional Mix

Every product needs to be drawn to the attention of the target market, and its benefit identified. The principal methods are;

- Advertising
- Personal Selling
- Sales promotion
- Publicity
- Public relation

The aim of an organization’s promotional strategy is to bring existing or potential from a state of relative unawareness of the organization’s product to a state of actively adopting them. Several stages of customer’s behaviours have been identified. This has been described in several ways, but in summary can be stated as follows;

Stages	Behaviours
One	Unawareness of product
Two	Awareness of product
Three	Interest in product
Four	Desire for product
Five	Conviction about value of product
Six	Adoption/purchases of product

Source: Ross (2001) *Stages of Product Awareness*

Advertising

Advertising is the process of communication, persuasive information about a product to the markets by means of the written and spoken word. There are five principal media of advertising as follows; The press, commercial television, direct mail, commercial radio and outdoor.

Objective of Advertising

A company’s objective for embarking on advertisement can therefore be on any of the following objectives enumerated below;

- i. To introduce a new product or service; here advertisement attempt to present to the prospective buyers a new product or service and this usually near a costly and dramatic launching of a new product or service.
- ii. To expand the market to new buyers; advertisement is done to introduce a product to new buyers who might find interest or usefulness of it.
- iii. To announce modification; a product that is already in the market might want to be given a new face, and then there is need for advertisement to highlight to the consumers that modifications had been done.
- iv. To announce a price change; advertisement can be done if the organization’s product or service price is increased or decreased so that the consumer might be informed.
- v. To introduce a new packaging; packaging identification at the point of sales is always important and is a reason why packages are shown in advertisement.
- vi. To stimulate sales promotion; advertising maybe make special offer when business environment is static. It could be a gift of cup or biro etc at the purchase of such product.
- vii. To educate consumers; the educational advertisement is necessary when a commodity, service or an offer needs careful explanation.
- viii. To maintain sales; customers product which had been in the market use advertisement to maintain sales.
- ix. To challenge competition; the purpose of some advertisement are to challenge the competitors in the presence of buyers.

Personal Selling

This is the process by which the seller sells to the consumer face to face. The personal selling consists of a selling process, which is illustrated below. Personal selling is the most expensive form of promotion. Company that use more of personal selling are said to be adopting push strategy while that of advertising are using pull strategy.

Sales Promotion

Sales promotion activities are a form of indirect advertisement, designed to stimulate sales mainly by the use of incentives; Free sample, Twin-pack bargain, Temporary price reduction, Special discount bonus.

Publicity

Publicity differs from other promotional mix in that it is costless most of the time. Publicity according to Cole (1996)

is “news about the organization or its products reported in the press”. Publicity sometimes cost but its cost is always related with advertisement. Publicity is a very necessary tool because it creates the good will of an organization.

Use of publicity

Publicity when properly managed by the Public Relation Officer of an organization can serve the following purposes; it can be used to attract public attention, it can also be used to maintain public visibility and used for the provision of information to the public. Publicity often takes the form of news released or press conferences, appearance or event sponsorship.

Public Relation

Public relation is another form of promotion. It is the means by which the organization related or communicates with the environment. Public relation is aimed at better customer relations and immediate feedback.

	Personal Selling	Advertisement	Sales Promotion	Direct Marketing	Public Relation
Advantages	Permit measurement of effectiveness. Elicit an immediate response. Tailors the message to fit the customer. Personal contact	Reaches a large group of potential buyers for a relative low price. Allows strict control over the final message. Can be adapted to either mass audience or specific audience segment.	Produces an immediate consumer response. Attracts attention and creates product awareness. Allows easy measurement of result. Provides short time sales increase.	Generates an immediate response. Covers a wide audience with targeted advertising. Allows complete, customized, personal message. Produces measurable results.	Creates a positive attitude towards a product or company. Enhances credibility of a product or company.
Disadvantages	Relies almost exclusively upon the ability of the sales person. Involve high cost per contact.	Does not permit total accurate measurement of result. Usually cannot close sales	Is non-personal in nature. Is difficult to differentiate from efforts.	Suffers from image problem. Involves a high cost per reader. Depends on quality and accuracy of mailing lists.	May not permit accurate measurement of effect on sales. Involves much effort directed towards non-marketing oriented goals.

Promotional Mix Strategy

Marketing managers may choose between two alternative strategies to use when promoting their product, which are; Push strategy and Pull strategy.

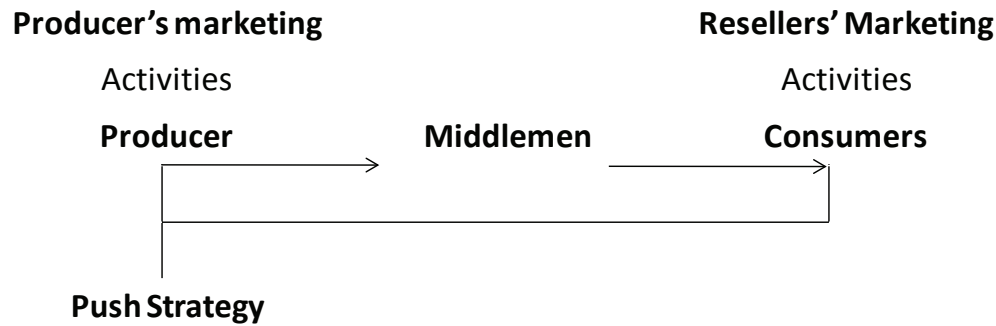
- a. Push strategy: When a market uses the pull promotion, it means that the product involves “pushing” through distribution channel till it gets to the final consumers. The strategy involves the producer directing his marketing activities towards channels members to induce them to bring the product or promote the product to the final consumers. One major promotional mix use in this strategy is advertising and sales promotion.

- b. Pull strategy: In this strategy the produce the final consumers to induce them to buy the product. If the strategy is effective, the consumers demand for the product from channel members (middlemen). This is the most used strategy.

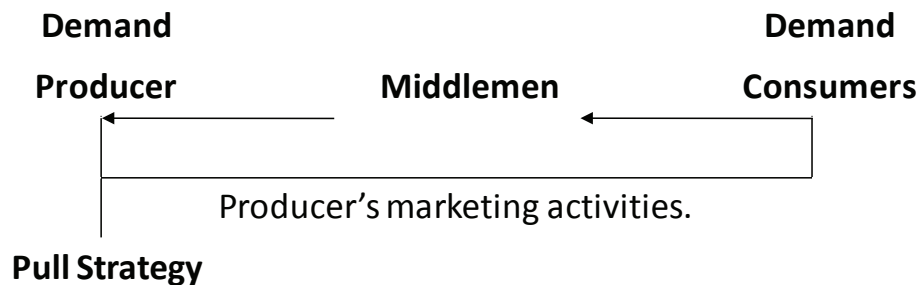
In this strategy, consumer’s demand pulls the product through the channel.

The two strategies can be applied simultaneously. However the B2C (business to consumer) use more of pull strategy while the B2B (business to business) use more of the push strategy.

Push strategy versus Pull strategy



Source: Cole (1996) "Push Strategy".



Source: Cole (1996) "Pull Strategy".

Developing an optimal Promotional Mix

The blending of all mix of promotion (personal selling, advertisement, public relation, sales promotion and publicity) is what leads to the achievement of marketing objectives. Qualitative measures can be used to determine the effectiveness of a mix components in a given market segment. The choice of a proper mix of promotion elements present one of the most difficult tasks for a marketer.

Steps to developing optimal Promotional Mix

An organization must make sure that is promotional mix is effective, if it will benefit from it. The following are the steps involves in having an optimal promotional mix.

Step 1; identify the audience: a marketing promotion starts with clear target audiences in mind. The audience may

be potential buyers or current users, it may be individuals, group, special public or the general public. The target audiences are one of the major determinants of what mix is to be used?

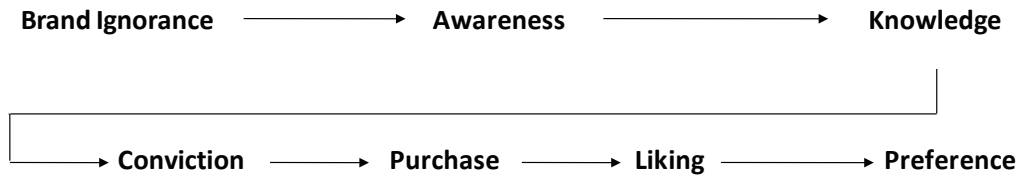
Step 2; determine the needs: after having identified the target audience, the next thing to do is to know what their basic needs are and is the product relevant for the audience?

Step 3; determine the promotional objectives: the promotional activities should have a target to be meant which is referred to as objective. Is it to increase sales? Or is it to just create awareness? It should be clearly stated.

Step 4; choose the mix: after the expected response is determined, then the marketer can look critically at all mix and identify which can best satisfy their objectives.

For a promotional mix to lead to purchase, it must have pass through some stages which is illustrated in the diagram below:

The buying readiness stages



Source: Cole (1996) "The Buying Readiness Stage"

Measuring The Effectiveness Of Promotional Mix

If an organization cannot measure its effectiveness in terms of promotion, it cannot say precisely if the activities had been successful. For an organization to measure the effectiveness of its promotional activities, this can be done in either of the following ways;

- Direct sales result; this method reveals the sales revenue for each amount input into promotion. That is, it measures the rate of sales to the expense on promotion.
- Indirect evaluation; this method focuses on quantifiable indicators of effectiveness. For instance, the effectiveness is measured based on the organization's study of the number of audience that actually heard about the product during the promotional activities.
- Returns method; this method is the work of Professor Don Schultz. He said promotional effectiveness should be measured based on the returns of the period of promotion. What is the profit like during promotion and when there is no promotion?
- Direct response method; this method is concentrating on having a way of getting response from the targeted audience and this response should be used to measure the effectiveness of promotion.

Methodology

Methodology is a vital process of carrying out empirical study. It forms the background in which the procedures employed in carrying out a research are designed. It is the procedure that follows a step after another of which data gathered for a research is being analyzed".

Population of the Study

The case study of this organization has many plants in Nigeria in places like Ibadan, Ijora, Kano, Ikeja and so on. The researcher therefore picked the Ikeja plant as the case study. Marketing department personnel were sampled in the organization since it is related with the topic under study. The number of employees in the marketing department is forty-two as given by Mr. Wemimo the sales manager.

Sampling Procedure

Sampling method is the study of a fragment of the entire population when it is not feasible to carry out the study on the entire population. The study used the random sampling method because it allows equal chance for every element of the population and therefore the sample size was thirty while the consumers were fifty.

Data Collection Instrument

This research work is both qualitative and quantitative in nature, and as such data were collected via the use of both primary data and secondary data.

Regression Method of Analysis

Adebisi (2006) defined regression as "the statistical method of predicting and determining the probable value of dependent (α) given the value of independent (β). The hypothesis gathered for this study will be tested at 5% level of significance.

The regression formula is:

$$\alpha = a + b\beta + u_i$$

Where;

α = dependent variable

β = independent variable

a = intercept

b = slope

u_i = error term.

The regression model will build on,

Hypothesis One

α (dependent variable) sales turnover

β (independent variable) Strategic promotional mix.

Hypothesis Two

α (dependent variable) market share and growth

β (independent variable) Strategic promotional mix

Table 1.

Years	Turnover	Selling and Distribution Expenses
2004	14937371	2931311
2005	17346662	2207731
2006	22071731	4557690
2007	27309123	5576791
2008	30572218	6364557
2009	34022650	8230830

Source: 2003-2009 7up Nig Plc statement of income and expenditure bulletin,

Hypothesis one

Ho- Strategic promotional mix does not influence sale turnover rate positively in the face of full competition.

H1- Strategic promotional mix influence sale turnover rate positively in the face of full competition.

For this hypothesis the six years financial report of 7up was used and 45% of selling expenses was taken as promotional mix.

Years	Turnover	Selling and Distribution Expenses	% taken as promotional expenses
2004	14937371	2931311	1319089.95
2005	17346662	2207731	993478.95
2006	22071731	4557690	2140960.5
2007	27309123	5576791	2509555.95
2008	30572218	6364557	2864050.65
2009	34022650	8230830	3212302.50

Source: Data analysis 2010.

Regression analysis showing the strategic influence of promotional mix on sales turnover.

Model	B	Std. Error	T	Sig. t	R	R ²	F
Constant	1.2E +08	8.6E + 07	1.416	.230			
					.173 ^a	.030	.123
Strategic Promotional mix	-6.752	19.268					
			-.350	.744			

Source: Data analysis 2010

The estimated regression model is given as:

$$\alpha = f(\beta)$$

$$\alpha = a + b\beta + u_i$$

$$= 0.000000012 + 6.752\beta + u_i$$

$$\text{Std. error} = (0.00000086) (19.268)$$

$$t = (1.416) (.350)$$

The result of the regression analysis shows that the regression coefficient (R) is .173^a. It implies that there is positive and strong influence between strategic promotional mix and sales turnover in 7up manufacturing company. The result also reveals that the coefficient of determinant (R²) is .030, it connotes that about 3% variation in sales turnover could be explained by promotional mix. The remaining 97% were largely due to other variables outside the regression model that also affects sales turnover.

Testing the effect of independent variable (strategic promotional mix) on dependent variable (sales turnover)

the result shows that t-value is .350 at 0.05 level of significant ($t=.350$: $p<0.05$). Therefore the null hypothesis accepted while the alternative is rejected. Hence, strategic promotional mix has significant influence on sales turnover, since the t-tabulated (2.571) is greater than t-calculated.

The overall regression model is not significant in terms of its goodness of fit ($f=.123$ $p<0.05$) since f-tabulated (7.71) is also greater than f-calculated.

Hypothesis two

Ho- Strategic Promotional mix used by a firm does not determine the market share and growth.

H1- Strategic Promotional mix used by a firm determine the market share and growth.

Regression analysis showing the impact of promotional mix on sales volume.

Model	B	Std. Error	T	Sig. t	R	R ²	F
Constant	2.050	3.898	.526	.692			
					.500 ^a	.250	.333
Strategic Promotional mix	.500	.866	.577	.667			

Source: Data analysis 2010

$$\alpha=f(\beta)$$

$$\alpha = a + b\beta + ui$$

$$=2.050+.500\beta + ui$$

$$\text{Std.error}=(3.898)(.866)$$

$$t=(.526)(.577)$$

The result of the regression analysis shows that the correlation coefficient (R) is .500^a. It implies that there is positive and strong influence between strategic promotional

mix, market share and organisation growth. The result also reveals that the coefficient of determinant (R²) is .250, it connotes that about 25% variations in market share and growth could be explained by promotional mix. The remaining 75% were largely due to other variables outside the regression model that also affect the market.

Testing the effect of independent variable (Strategic promotional mix) on dependent variable (market share and growth) the result shows that t-value is .577 at 0.05 level of significant ($t=.577$: $p<0.05$), there is positive influence. The overall regression model is not significant at 5% since it significant is 69.2% and in terms of its goodness of fit ($f=.333$ $p<0.05$) since f-tabulated (7.71) is also greater than f-calculated.

Findings

From the above result, the finding reveals three major hypotheses tested. The result of hypothesis one shows that, the t-test calculated is lower to the result of the t-test tabulated and not significant at 0.05, therefore, promotional mix has significant influence on sales turnover. In this case appropriate choice of promotional mix will perfectly enhance the sale and boost the good image of an organisation.

The finding also revealed that proper application of promotional mix will increase the market share and improve organisation growth in the face of strong competition. Though with the level of 25% variation from the table, there are still other strong variation that can seriously and rapidly increase the market share and organisation growth which are silent with in the model.

Having discovered all these therefore, strategic promotional mix has positive influence on sales turnover in manufacturing company especially where competition is the order of the day.

Conclusion

Every organization that must continue to survive in its operating environment must be able to adequately promote its product. For the organization to achieve its aim of profit making as a manufacturing organization, it must make sure that, its promotional activities achieve its aim of making the product acceptable and bought by the targeted market. The promotion of any product must be accessible to the people

that the product will be useful for and at the same time, must be able to encourage new customers to purchase and repurchase the products.

In conclusion, every organization must have a proper and well monitor promotional activities and must be able to tailor it in such a way that it will increase its sales thereby increasing the profit of the organization.

Recommendations

In view of the findings, the following recommendations are provided.

1. The management of an organisation should find out the actual choice of promotional mix that will be appropriate for the survival of their business.
2. Organisation should carry out periodic measurement of the impact of its promotional activities in order to correct it to earn more gain.
3. Nigeria's companies might need to increase its funding for adverts knowing fully well the importance of promotional mix on potential and existing customers.
4. To other organizations, they should not depend on a particular strategy for promotional mix, this will give room for other strategies to be put to test to see if their impacts might be higher than the previously used strategies.
5. Since promotional mix constitute few % of variable that can push an organisation to the highest level, therefore other factors of marketing mix should be appropriately considered.

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