

IMPACT OF SALES PROMOTION ON SALES OF SOFT DRINKS IN KATHMANDU VALLEY

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Abstract:

This study examines sales promotion adopted by Nepalese business organizations and its effects on sales of soft drink in Kathmandu valley. This study is based on the primary data through convenience sampling technique. The primary data collected from the different places of Kathmandu valley by face to face field survey of 150 respondents. It is found that the sales promotion activities play positive impact on sales of soft drink brands. It is believed that the findings of this paper may facilitate the Nepalese business organizations for formulating policies of sales promotion on sales of soft drinks products.

Key words: Brand preference, Sales promotion, Soft drinks.

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1. Introduction:

The world of business is going to complex day to day. Competition in every sector is increasing high. In this situation, especially manufacturing companies find the situation cry though to sell their product in the market smoothly. So, the businessmen are using various tools and techniques to sell their products. Today market is growing so rapidly. Many products are being introduced in the market day by day. Few decades back situation was not like this; market was limited to few products. Market was growing means that a plentiful of supply of new costumers and company could attract those new costumers without worrying of losing old ones. But now competitions are though and market is sophisticated and companies are facing some marketing realities. “Sales promotions consist of a diverse collection of incentive tools, mostly short-term, designed to stimulate quicker and/or greater purchase of particular products/services by consumers or the trade” (Kotler, 1997). In fact, sales promotion works as a quick stimulator, which stimulates the consumer on the trade to buy the particular products.

Sales promotion can promote organization effectiveness through increase in profitability from higher sales. Okoli (2011) explains that the “essence of setting up a business organization is to make profit. Without profit, a business is bound to fail”. Loudon and Bitta (2002) said that sales promotion plays a significant effect on decisions which help in achieving the organizational objectives. Organization effectiveness is a totality of organization goodness, a sum of such elements as production, cost performance, turnover, quality of output, profitability, efficiency and the like (Katz and Kahn, 1966). It is the ability of an organization to achieve its objectives and meet the needs of its various stakeholders (Khandwalla, 1995).

In real sales promotion have a method of making communication other than advertising and personnel selling. Although in marketing communication mix, the entire element like advertising, personal selling, publicity and sales promotion come together. Sales promotion has effects on various aspects of consumer’s purchase decisions such as brand choice, purchase time, quantity, and brand switching (Nijs, et al., 2001). Bamiduro (2001) established the positive relationship between sales promotion and consumption rate of soft drink products as well as the sales volume of the beverage industry in Nigeria. Oyedapo, et al. (2012) found that organization promotion strategies enhance consumer buying pattern. Syeda, et al. (2012) explore the short

term and long term impact of sales promotion in Pakistani companies from two diverse industries, i.e. Beverage Industry (Shezan International Ltd) and Foam Manufacturing Industry (Diamond Supreme Foam) by regressing mean of brand loyalty on mean perception about promotion obtained through financial analysis and consumer survey respectively. Aham (2008) is of the opinion that sales promotion emerged as a reaction by manufacturers marketers, and marketing strategies alike to find a short term solution to the problems of excess stock of goods which are available in variables manufacturer's warehouses but are not demanded by consumers and organization. Pauwels, et al. (2002) are of the opinion that when a consumer is exposed to a sales promotion offer majority of the time, the consumer has already purchased and practiced a particular brand so the impact of learning form the that purchase is minimal and is easily balanced by a simultaneous and similar competitive offering. However, sales promotion activities are entirely different from place to place. Sales promotion concept is new in Nepal. By keeping the view of this reality, this paper tries to examine the impact of sales promotion activities on sales of soft drinks in Kathmandu Valley.

2. Methods and Materials

This study is based on the survey research design. So, the nature of this study is based on the primary data. The primary data collected from the different places of Kathmandu by face to face field survey. There were 150 samples are taken from the population of the study. Convenience sampling technique has been adopted to collect the samples from the population. The data have been analyzed by different tools such as percentage, frequency by using different table. Inferential statistics like chi-square test has been adopted to test the independence of attributes.

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

Where, O= Observed frequency and E= Estimated frequency

3. Results and Discussions

3.1 Consumers Soft Drinks Drinking Habit and Behavior

To know about consumer habit the research start from very preliminary questions like "Do you drink soft drinks?" To the very specific question like "Dou you stick on any special brand of soft drink?" The following series of table present response behavior.

Table 1: Drink Habits

Particular	Number	Percent
Yes	144	96
No	6	4
Total	150	100

Source: Field Survey, 2017

Table 1 shows that of total respondents 96 present drink soft drink and only 4 percent responded do not drink.

Table 2: Drinking Frequency

Particular	Number	Percent
Daily	30	20
Once a week	54	36
Once a month	39	26
Occasionally	27	18
Total	50	100

Source: Field Survey, 2017

Table 2 shows the frequency of drinking soft drink of the people 20 percent of the people drink daily, 36 percent drink once a week, 26 percent people drink once a month and 10 percent people drink occasionally in Kathmandu valley.

Hypothesis 1

H₀: There are no significance differences among frequency of drinking.

H₁: There are significance differences among frequency of drinking.

The tabulated value of χ^2 at 5% level of significance for 3df is 7.81. Calculated value 11.76 is greater than tabulated value (7.81). So H₀ is rejected so we can say that there are significant differences among frequency of drinking.

Table 3: Brand Preference

Product	Number	Percent
Coke	72	48
Pepsi	42	28
Sprite	18	12
Dew	18	12
Total	150	100

Source: Field Survey, 2017

Table 3 shows that the brand preference of the individual. 60% choose Coke, 28% choose Pepsi and 12 percent choose Sprite and Dew.

Hypothesis 2

H₀: Consumer is brand loyal.

H₁: Consumer is not brand loyal.

The calculated value is 53.92. The tabulated value of χ^2 at 5% level of significance for 2 df is 5.99. Calculated value is much greater than tabulated value. So, H₀ is rejected i.e. Consumer is not brand loyal.

3.2 Sales Promotion of Soft drinks

To know consumers opinion and their think about promotional work that soft drink company perform. The researcher has picked up the subject with very simple question such as “Do you know about the promotional work that soft drink manufactures perform?” The following is the table relating with promotional work.

Table 4: Popularity of Promotion

Particular	Number	Percent
Yes	135	90
No	15	10
Total	150	100

Source: Field Survey, 2017

Table 4 reveals the popularity of promotional work which provide by manufacture of soft drinks. According to the table 90% of people know about the promotional work and the only 10% of people are unknown about the promotion.

Table 5: Aware of Promotion

Particular	Number	Percent
Item	48	32
Coupon	54	36
Cash price	42	28
Other	6	4
Total	150	100

Source: Field Survey, 2017

Table 5 shows that out of the total respondents' 36% people are aware of the item price, 32% aware of Coupon, 28% Cash and remaining 4% people aware of other promotional works.

Table 6: Effectiveness of the Promotional Tools

Particular	Number	Percent
Cash	66	44
Items	33	30
Coupon	45	22
Other	6	4
Total	150	100

Source: Field Survey, 2017

Table 6 shows the effectiveness of the promotional tools. Out of the Total respondents 44% of people choose cash price. 30% item, 22% coupon and 4% of people choose other promotional tools.

Table 7: Interest on Promotional Contents

Particular	Number	Percent
Very much	90	60
A bit	27	18
Don't know	18	12
Don't like	15	10
Total	150	100

Source: Field Survey, 2017

Table 7 shows the interest of the people on promotional contents. Out of total respondents, 60 percent of people contents very much. 18 percent like a bit, 12 percent of people are indifference of these contents and 10 percent of people are against of these contents.

Hypothesis 3

Ho: There is not relationship between contents and consumer behavior.

H₁: There is relationship between contents and consumer behavior.

Calculated value χ^2 is greater than tabulated value (22.36 > 7.8). So, null hypothesis (Ho) is rejected i.e. there is a relationship between contents and consumer behavior. It concludes those consumers are like sales promotion contents.

Table 8: Participation in contents

Particular	Number	Percent
Yes	108	72
No	42	28
Total	150	100

Source: Field Survey, 2017

Table 8 depicts that 72 percent of people taking parts in contents and 28 percent of people do not taking any parts in contents.

Table 9: Win Prizes

Particular	Number	Percent
Yes	36	24
No	114	76
Total	150	100

Source: Field Survey, 2017

Table 9 shows that 24 percent respondents win the prizes and remaining 76 percent do not win the prizes.

Table 10: Encourage to Consumer More

Particular	Number	Percent
Yes	84	56
No	66	44
Total	150	100

Source: Field Survey, 2017

Table 10 shows that promotion scheme should be change 56 percent of people are encourage to consumer more soft drink and 44 percent of people are not affected by any scheme.

Table 11: Brand switching

Particular	Number	Percent
Yes	111	74
No	39	26
Total	150	100

Source: Field Survey, 2017

Table 11 shows that 74 percent of people switch their brand if they do not provide any promotion package. And 26 percent of people are brand loyal so they do not change their usual brand.

3.3 Media Graphic

To know which media is suitable to convey the messages of sales promotion, which media is more popular, the researcher wants to ask some question like “Do you watch/read/listen the programs and news from T.V., Paper and Radio?” The following is the table relating with media.

Table 12: Habit on Watching Programs

Particular	Number	Percent
Yes	150	100
No	0	0
Total	150	100

Source: Field Survey, 2017

Table 12 shows that 100 percent of people watch/listen/read programs and news on T.V., radio and paper respectively.

Table 13: Media on Advertisement

Particular	Number	Percent
T.V.	69	46
Radio	12	8
Newspaper	9	6
All	60	40
Total	150	100

Source: Field Survey, 2017

Table 13 shows that 46 percent of people choose T.V., 8 percent choose radio, 6 percent choose newspaper and 40 percent of people choose all these media to watch/listen/read the programs and news.

Table 14: Interest on advertisement

Particular	Number	Percent
Yes	135	90
No	15	10
Total	150	100

Source: Field Survey, 2017

Table 13 shows that out of total 150 respondents 90 percent of people show interest on advertisement and 10 percent of people not interest on advertisement.

Table 15: Effectiveness of the Promotional Tools

Particular	Number	Percent
T.V.	66	44
Radio	18	12
Newspaper	15	10
All	51	34
Total	150	100

Source: Field Survey, 2017

Table 14 indicates that 56 percent of people select electronic media (include T.V. and radio) 10 percent select print media (newspaper) and 34 percent of people select both print and electronic media.

Hypothesis 4

H₀: There is not relationship between media selection and consumer habit.

H₁: There is a relationship between media selection and consumer habit.

Tabulated value of χ^2 for 3df at 5 percent level of significant is 7.81. Calculated value of x^2 is greater than tabulated value (16.72.>7.81). So null hypothesis (H₀) is rejected i.e. there is relationship between media selection and consumer habit.

3.4 Retail Shopkeeper's Opinion (Trade Promotion)

To know what shopkeeper think about sales promotion program the researcher ask some question to them. The following is the table relating with sales person.

Table 16: Know about promotion Task

Particular	Number	Percent
Yes	144	96
No	6	4
Total	150	100

Source: Field Survey, 2017

Table 16 shows that out of 150 respondents, 96 percent know about promotion task and remaining 4 percent do not know about the promotion task.

Table 17: Aware of promotion

Particular	Number	Percent
Cash prizes	48	32
Discount	45	30
Coupon	36	24
Others	21	14
Total	150	100

Source: Field Survey, 2017

Table 17 shows that 32 percent aware of cash prizes. 30 percent aware of discount scheme, 26 percent aware of coupon scheme and 12 percent aware of other schemes.

Table 18: Encourage to Sales

Particular	Number	Percent
Cash prizes	48	32
Discount	45	30
Coupon	39	26
Others	18	12
Total	150	100

Source: Field Survey, 2017

Table 18 shows that the coverage of promotional tools whereas 32 percent of retailers encourage by cash prize. 30 percent encourage by discount. 24 percent encourage by coupon and remaining 14 percent of retailer are encourage by others tools to sale more.

Hypothesis 5

H₀: There is no significances difference between promotion and sales.

H₁: There is significance difference between promotion and sales.

Tabulated value χ^2 at 5 percent level of significance for 3 df is greater than its calculated value (7.81 > 3.90). Null hypothesis (H₀) is acceptable i.e. sales and sales promotion in related.

Table 19: Taken parts on contents

Particular	Number	Percent
Yes	147	98
No	3	2
Total	150	100

Source: Field Survey, 2017

Table 19 shows that 98 percent of salesperson (Shopkeepers) are involving at one content and only 2 percent of are not taken parts on these contents.

Table 20: Win Prizes

Particular	Number	Percent
Yes	138	92
No	12	8
Total	150	100

Source: Field Survey, 2017

Table 20 shows that 92 percent of people win prize and only 8 percent of people do not win any prize.

Table 21: Effectiveness of Sales promotion on Sales

Particular	Number	Percent
Yes	120	80
No	30	20
Total	150	100

Source: Field Survey, 2017

Table 21 shows that effectiveness of sales promotion. 76 percent of retailers are affected by promotion but 24 percent of retailers are not affected by promotion.

Table 22: Effectiveness of Sales promotion on Sales

Particular	Number	Percent
Yes	120	80
No	30	20
Total	150	100

Source: Field Survey, 2017

Table 22 shows that 80 percent of retailer of says that they are affected by promotion work. If any product does not provide any promotion package they switch their brand but 20 percent of retailers are brand season.

4. Conclusion

The sales promotion activities do positive impact on sales of soft drink brands. From the analysis it clears that if sizeable amount is spent on promotional activities the sales would increase accordingly. The study finds that besides other cash prize is most accepted as well effective and

widely used mode of sales promotion. The electronic media is most accepted by the people. So far sales promotion purpose the electronic media is very suitable. Comparative analysis shows, there is a strong positive relationship between sales promotion expenses and sales volume of the soft drinks Companies. Which justify the strong impact of sales promotion on sales and other hand, it clarified that sales promotion helps to increase the sales. So, they can easily be directed towards one particular brand through proper promotional activities. In summary, increasing sales of one brand does not affect negatively to the sales of other brand. They all can increase their sales through promotional activities and create own sales promotion is the key factor to increase sales. Sales promotion covers a wide range of short term incentive tools designed to stimulate the consumer market, the trade, and the organizations own sales force. Sales promotion expenditures now exceed advertising expenditures and are growing at a faster rate. So as in Nepal too, the use of this marketing techniques is increasingly high. Thus, the use of sales promotion is very important if the exercise would be in a proper way.

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