

## **Impact of Sales Promotion Activities on Sales Revenue: A Case of Auto Maintenance Services Company**

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### **Abstract**

Without significant sales, no business can survive long-term. Every business owner spends an enormous amount of his time trying to figure out ways to improve sales numbers. One of the most common methods is instituting a sales promotion. Sales promotion is a diverse collection of incentive tools, mostly, short term designed to stimulate quicker and/or greater purchase of particular products/services by consumers. This study seeks to demonstrate the impact of sales promotional activities and advertising simultaneously on sales revenue with reference to Auto Maintenance Services Pvt. Ltd. Co., Addis Ababa, Ethiopia. Three years data was analysed with the help of SPSS software. The SPSS software regression output indicates that lack of relationship or significant contribution of sales promotions on sales revenue. Observation of ANOVA indicated that the p-value (i.e., 0.585) is greater than 0.05, which means there is no relationship between the company sales promotions in practice now and sales revenues. R-square indicates only 0.368 (36%) contribution overall. It was recommended that management of case company should set up more and effective sales promotion department with experience staff.

**Keywords:** Sales promotions, Sales revenue, Auto maintenance

### **Introduction**

Sales promotion has become an effective marketing tool that assists organizations to wax stronger in a global competitive environment. Oyedapo et al. (2012) identify sales promotion as a key ingredient in marketing campaigns which assist organization to achieve its objectives. The main aim of any organization is to maximize profit, have largest market shares and to become leader in a market competitive environment [1]. Okoli (2011) confirmed that the essence of setting up a business organization is to make profit [2]. Sales promotion simply exists to have a direct impact on the behaviour of the firm's customers [3]. Aworemi (2008) in his research finding said that sales promotion plays a significant effect on sales volume which helps in achieving the organizational objectives. The role of sales promotion in achieving organizational stated objectives cannot be underestimated. The purpose of sales promotion is to motivate the customers to immediately purchase a particular product thus enhancing its sales volume [4-7].

The main aim of any business is to earn maximum profit and this is possible only through maximum sales. The maximum sales can be achieved by using various techniques of sales promotion. Sales promotion consists of a diverse collection of incentive tools, mostly short-term, designed to stimulate quicker and/or greater purchase of a particular product by consumers or the trade [8]. Sales promotion is the direct inducement or incentive to the sales force, the distributor, or the consumer, with the primary objective of creating an immediate sale. Sales Promotion is unique in that it offers an extra incentive for action [9]. 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 [10]. The American Marketing Association (AMA) define sales promotion as those marketing activities other than personal selling, advertising, publicity that stimulate consumer purchasing and dealer effectiveness such as display, shows and exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine. Sales promotion represents those marketing efforts that are supplementary in nature, are conducted for a limited period of time, and seek to induce buying [11].

While some researchers believe that sales promotion dimensions have positive effect on sales volume [1, 6, 12]. Bamiduro (2001) confirm that there is positive significant relationship between sales promotion dimensions and sales volume of the beverage industry [13]. Moreover, Wayne (2002) found a link between sales promotion dimensions and product trial which eventually lead to increase in sales volume [14]. Pauwels et al., (2002) also discovered that sales promotion dimensions have permanent effect on sales volume [15].

Role of sales promotion are as follows:

- To encourage the existing customers for larger purchase.
- To enhance goodwill of the business.
- To simplify the efforts of sales force and motivate them for larger purchase.
- To educate customers/dealers and salesmen about the techniques of sales promotion.
- To promote larger sales in certain specified segments of market.
- To counteract competition.
- To facilitate coordination and proper link between advertising and personal selling.
- To search for a new market and to introduce new products in to the market.
- To present a counter promotional program against the competitors.
- To prove the product better in quality and users.
- To increase patronage habits among customers.

### **Background of the Study**

Due to privatization policy, a numbers of investors have taken up business and a very good example is the auto maintenance business. Auto Maintenance Services Pvt. Ltd. Co., Addis Ababa, was established in May, 2007 and engaged in auto maintenance services and selling of different type of spare parts of vehicles. The company is located in Akakai Kality sub-city around Hana-Mariam area. Sales promotion activities by company are television, personal selling, billboards, telephone messages, newspapers, calendars, company website, radio, and friends.

The company is established to accomplish the following business purposes:

- Body repairing and painting of vehicles, trucks and trailers.
- General preventive maintenance and repair including electrical and tire repairs.
- Vehicle washing and greasing.
- Providing road breakdown services including wrecker services, lamps, electric machines, appliances and spare parts.
- Providing annual inspection services.
- Importing and selling spare parts.
- Providing general metal works in respect to vehicles, trucks and trailers.
- Providing consultancy and training services regarding the above business.
- Providing fuels and lubricants dealing services.
- Tire repair and wheel balancing services.

- To engage in any other activity related to its purposes.
- To import and sell new and used cars.
- To serve as a sales agent for foreign and local car and various vehicle manufacturers.
- To get engaged in the design and manufacturing of trails, farm appliances and the like.
- Importing and selling agricultural, industrials, mining and construction machineries and drills and appliances.
- Importing and selling different size of tires for cars, trucks and heavy duty machineries.
- Importing and selling car decorations and car appliances.
- Establishing fuel/gas stations.
- Providing injection pump calibrating services and its spare parts sales.
- Importing and selling of spare parts of vehicles, trailers, machineries and tractors.
- Providing body change services of vehicles and trucks and trailers.
- Engage in car assembly services.
- Providing vacuum car cleaning services.
- Importing and selling car batteries, generators.
- To be engaged in commission agent businesses.

### **Statement of the Problem**

Company has invested much into the sale promotion aiming at improving the sale revenues of the company. Because of the investment in promotional activities, company sale revenue is increasing from time to time. This study was aimed at establishing the relationship between sales promotional activities and sale revenue using Auto Maintenance, Pvt. Ltd. Co., Addis Ababa, Ethiopia, as a case study.

### **Objectives of the Study**

#### **General Objective**

- To examine the relationship between promotional activities and sale revenue of case company.

#### **Specific Objectives**

- To establish the various promotional activities used company;
- To establish the relationship between sale promotional activities and sales revenue, and
- Assess the impact of promotion activities on the sales revenue.

#### **Research Questions**

- What are the various sale promotional activities used by company?
- What is the relationship between sale promotional activities and sale revenue of a case company?

#### **Materials and Methods**

SPSS software (version-20) was used to analysis the recent three years (2012 to 2014) data (sales promotion activities and sales revenue) as shown in Table 1. ANOVA (analysis of variance) was used to find out significance  $\leq 0.05$ , regression and Karl Pearson correlation between sales promotion activities and sales revenues.

Table 1 reveals that promotion expense increases and sales revenue also increasing continuously, it means company is earning profit, but this is not the fact in reality.

**Table 1: Sales Revenues and Promotion Expense Company**

<b>Fiscal Year</b>	<b>Promotions Expense (ETB)</b>	<b>Sales revenues (ETB)</b>
2011-2012	97,720.00	28,060,894.81
2012-2013	121,500.00	32,643,076.60
2013-2014	250,200.00	44,826,514.09

**Source:** Auto maintenance annual reports of the case company

**Results Analysis and Discussion**

Correlation is the degree of association between two variables and it is represented in terms of a coefficient known as correlation coefficient. Table 2, show the range of the correlation coefficient is in between -1 to +1. If the correlation coefficient is negative, then the variables are inversely proportional and it is maximum when it is -1; if the coefficient is 0, there is no association between the variables. If the coefficient is positive, then the variables are associated directly and it is maximum when it is +1. You will very rarely see 0, -1, and 1. You will get a number somewhere in between those values. The closer the value of R gets to zero (0), the greater the variation the data points are around the line of best fit.

The regression output indicates that lack of relationship or significant contribution of sales promotions on sales revenue (Tables 2, 3). Table 2 show descriptive statistics for sales and promotions activities. Observation of ANOVA Table 3 indicated that the p-value (i.e., 0.585) is greater than 0.05, which means there is no relationship between the company sales promotions in practice now and sales revenues. R-square indicates only 0.368 (36%) contribution overall (Table 2). That we cannot use R square change to incinerate percentage contribution of promotion sales (Table 3).

**Table 2: Guidelines to interpreting Pearson’s correlation coefficient**

<b>Strength of Association</b>	<b>Coefficient, R</b>	
Very weak	Positive	Negative
Weak	<0.2	<-0.2
Moderate	0.2 to 0.4	-0.2 to -0.4
Strong	0.4 to 0.6	-0.4 to -0.6
Very strong	0.6 to 0.8	-0.6 to -0.8

**Table 2: Descriptive Statistics**

	<b>Mean</b>	<b>Standard Deviation</b>	<b>N (Sample)</b>
SAL (Sales)	35176828.50	8665242.148	3
PRO (Promotions)	449806.6667	461692.8504	3

**Table 2: Model Summary**

Model	R	R Square (R <sup>2</sup> )	Adjusted Square	Std. Error of the Estimate
1	0.605 <sup>a</sup>	0.368	-0.265	9745612.925
R Square Change	F Change (F ratio)	df1	df2	Sig. F Change
0.368	0.581	1	1	0.585
Note: a: Predictors-(Constant-PRO), R: Correlation coefficient, R <sup>2</sup> : Coefficient of determination, df: degree of freedom, F: Ronald A. Fisher, Sig.: Significance				

**Table 3: Analysis of Variance**

Model	Source of Variation	Sum of Squares (SS)	df	Mean Square (MS)	F Ratio	Sig. (p-value)
1	Regression (R)	5.520E+13	1	5.520E+13	0.581	0.585 <sup>b</sup>
	Residual/Error (E)	9.498E+13	1	9.498E+13		
	Total	1.502E+14	2			
MSR=SSR÷1, F-Statistic/Ratio=MSR÷MSE						
Where, R: Regression, df: Degree of freedom, F: Ronald A. Fisher/Percentage contribution, Sig. (Significance): p≤0.05						

**Conclusion**

- The study concluded that promotion activities induced average customers to consume the company’s products and services on the market thus increasing average consumption rate and the sales revenue.
- The findings also indicated that not only promotion activities that affect sale revenue but there are other factors such as research and development, good customer care, price reduction, good after sale service and wide coverage which influenced consumption behavior of the customers in the market, however promotional activities have been found to be very successful though some were inappropriate to some Ethiopian markets and a few modifications would have been better.
- There is a moderate relationship (36%) between sales promotion and the company’s sales revenue. It may be due to major promotions through radio and television to communicate promotional message.
- To increase sales revenue of company is a major aspect in the company. This is because the auto-maintenance industry is faced with a lot of competition from other companies hence leading to the application of more promotions in order to increase sales revenue.

## Recommendations

- It is recommended that company needs to understand the promotion activities and which media to communicate to consumers for getting more sale revenue. It should put a lot of emphasis in planning promotional programs and set promotional goals and strategies and should ensure to carryout evaluations and control of promotion and make adjustments where possible.
- The company must review its sales proportion practices and expenditure so that it must be shaped in a way that it contributes to the company sales revenue.
- The study therefore recommends the need for more innovative, dynamic and well-differentiated sales promotional services by the company if they desire to maintain and increase the market share.
- It was recommended that management of case company should set up more and effective sales promotion department with experience staff.

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