

Investigating Key Success Factors of Sales Promotion Process in Trading Industry in Sri Lanka

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ABSTRACT

This study empirically identifies the effect of best performing sales promotion process in the trading industry in Sri Lanka. Further, it identifies key success factors which are having greater influence to make success of a sales promotion program. The sample of the study represents thirty three employees from the selected organization and hundred and fifty customers from three geographical areas: Colombo, Kurunegala and Galle. The data were collected in August and September 2010. The collected data were analyzed using the descriptive statistics and multinomial Logistic Regression method, to identify and sort out the key success factors. The results show that, having separate cross functional team for logistic operations, research and development skills and resources have strong positive effect on increasing the sales performance while satisfying the customers. The findings indicate that timing of launching of a product and tactical operational activities are significantly and positively effect to superior performance in sales promotion.

KEY WORDS: Trading Industry, Sales promotion, Promotion Mix

INTRODUCTION

Trading industry is one of the most important industries in Sri Lanka. As its contribution directly impacts to the national economy, the organizations in this industry have to face a huge competition among their large numbers of competitors' spread all over the world. Therefore they have to either increase amenities that are offered to customers or decrease the price of the product in order to be sustained in the market while satisfying their needs and wants. For the sustainable future of trading industry, continuous new product developments, expansion of product range, strategic and innovative methods of sales

promotion habits would be needed.

The place where this research was carried out is an organization which belongs to a group of companies functioning under footwear manufacturing industry in Sri Lanka.

This group consists of twenty two subsidiaries that are engaged in diversified businesses and it includes the product categories of Footwear, Retail and Trading, Tyres and Tubes, Rubber Products, Rubber compounding, Reclaim Rubber, Clay Tiles, Information Technology, Food, Beverages and Agriculture, Hydro Power, Apparel, Engineering and Brushes.

The selected organization of study is principally engaging in importing raw materials directly and selling shoe components and accessories to small scale shoe manufactures.

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However, the organization also engage in distributing and marketing of group products and other products to end consumers, retailers, whole sellers and local manufactures.

The trading process of the organization consists of following key operations.

1. Monitoring the current market opportunities and trends through surveys and researches while negotiating with the supply chain to introduce competitive products for importing or through subcontractors to meet the customer requirements on time.
2. Perform sales and distribution all over the country with the regular set of product portfolio, and team of sales persons who are representing different areas of the country.
3. Request goods through Brand Handlers according to the level of orders.
4. Place orders to make available the stock for respective sales through the supply chain department.
5. Organizes sales promotion programs to strong the customer base with new different products.
6. Since sales are done base on the cash and credit basis, sales persons are given separate invoice books and price lists to maintain information about selling products.
7. Assign separate sales representative coordinators to monitor the operations and control the outstanding levels.
8. Assign targets for the sales persons and reward for the people who achieved the targets.

Background and Rational For the Research

Sales promotion process of an organization consists of a diverse collection of incentive tools which are, mostly short term and designed to stimulate quicker or greater purchase of particular goods or services by consumers of the trade. Therefore sales

promotion tools vary in their specific objectives. Incentive type promotions are used to attract new buyers, to reward loyal customers and to increase the repurchase rates of the occasional users. A sales promotion often attracts the branch switchers, because users of other brands and categories do not always notice or act on a promotion.

When using a sales promotion programme, an organization must establish its objectives, select tools to develop the program, conduct a pretest for the program, implement & control it and evaluate the results.

This study targets to understand and analyze various factors influencing sales promotion, in order to know the factors which influence the purchase decision by the customer and hence develop a strategic process of product promotion base on the key success factors while utilizing the available recourses and capabilities.

Research Objectives

The main objective of the study was to identify the key success factors that are influencing for an effective performance of a sales promotion activity.

Further, this main objective has been divided in to sub objectives and they are:

- Identification of the nature of sales promotion process.
- Identify key success factors for improving the performances of a sales promotion process.
- Identify pitfalls in the current practice of the selected organization.
- Suggest solutions to improve its performances.
- Suggest a strategic process for a Product promotion programme.

LITERATURE REVIEW

Market Analysis

The goal of a market analysis is to determine the attractiveness of a market and to understand its evolving opportunities & threats as they relate to the strengths and weaknesses of the firm. Dimensions of a market analysis are Market size (current and future), Market growth rate, Market profitability, Industry cost structure, Distribution channels, Market trends and Key success factors. (Aaker & Day, 2001)

Marketing Mix

The functions of Product, Price, Distribution, and Promotion are included in the marketing mix and the promotional mix includes Advertising, Public relations, Personal Selling, Sales Promotion, Direct Mail and internet marketing.

Sales Promotion

Basically there are three main categories of sales promotion that are targeted at different elements of markets such as consumers, traders and industries accordingly.

1. Consumer sales promotions
2. Trade sales promotion
3. Business to Business and industrial sales promotion

Promotion is one of the key factors in the marketing mix and has a key role in market success. Promotion is used to ensure that customers are aware of the products that the organization is offering.

The promotional mix is the combination of the different channels that can be used to advertising, direct marketing, public relations and publicity, personal selling, sponsorship and sales promotion. (Rowley, 1998)

Sales promotion is marketing and communication activities that change the price or value of a good or service perceived by the target and thereby,

1. Generating immediate sales,
2. Altering long term brand value, (Shultz et.al., 1998)

Then in order to develop a successful sales promotion strategy, a clear definition of the targeted market must be included.

RESEARCH METHODOLOGY

This research was carried out as a case study where it seeks to solve practical problems. The area of study was focused to standardize the process of sales promotion to fulfill the anticipated goals of an organization. Within the design, the requisite data would be gathered and analyzed to arrive at a solution. Therefore to identify the key success factors that are influenced to improve sales promotion, the design was developed based on the answers that could be obtained for the following listed questions.

- What is the Number and rate of customers who have tried the new products soon after the new product promotions?
- How did trial consumers respond to the promotion programs?
- Does the promotion communicate the correct message effectively?
- What is the Sales person's perception towards the methods of promotion?
- What are the Customer requirements that are further to be added?

Descriptive Statistics

In statistics, graphical representations and contingency table (also referred to as cross tabulation or cross tab) is often used to record and analyze the relation between two or more categorical variables. It displays the (multivariate) frequency distribution of the variables in a matrix format. Also the Bar

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and Line Graphs show and compared the peaks and downfalls.

Multinomial Logistic Regression

Logistic regression is a variation of ordinary regression which is used when the dependent (response) variable is a dichotomous variable (i. e. it takes only two values, which usually represent the occurrence or non-occurrence of some outcome event, usually coded as 0 or 1) and the independent (input) variables are continuous, categorical, or both.

According to the requirements stated in the research design, the sample was selected randomly. Selected sample sizes are shown in Table 1. Both secondary and primary data were used to achieve the objective of the study and a descriptive questionnaire was developed to gather data from both customers and the employees. Informal interviews and discussions were also carried out internally to investigate the performance of a sales promotion programme. The collection for each category was done during two months period.

The data analysis was carried out using descriptive statistics and multinomial regression method using the SPSS software package.

Table 1: Sample Sizes – Response Groups

Data Type		Expected Sample	Actual Sample
Internal		33	33
Total		33	33
External	Galle	60	50
	Kurunegala	60	60
	Colombo	60	40
Total		180	150

Internal responders include all the top, middle and the bottom level employees

covering all the business functions of the organization.

And the external responders were the customers of the organization including all the types such as existing customers, new customers and the potential customers.

DATA COLLECTION AND ANALYSIS

The cross tabulation results are shown in the Table 2 below.

Table 2: Case Process Summary

Success Factor	Category	Marginal Percentage
Method of initial product identification	Promotions	0.60
	Word of mouth	0.19
	Media	0.21
Expected method of introducing new products	Promotion	0.41
	TV advertisements	0.41
	News Papers	0.18
Satisfaction of the on-time supply	disagree	0.51
	neutral	0.33
	agree	0.16
Given Credit period	Disagree	0.44
	Neutral	0.32
	Agree	0.24
Given Discount rate	Disagree	0.42
	Neutral	0.37
	Agree	0.21
Given market price	Disagree	0.26
	Neutral	0.49
	agree	0.25
Timing of the product launch	Disagree	0.30
	Neutral	0.33
	Agree	0.37
Quality of the product	Disagree	0.17
	Neutral	0.33
	Agree	0.49
Requirement of a sample product	Disagree	0.31
	Neutral	0.46
	Agree	0.23

The Table 2 above showed the marginal percentage summary of the analyzed factors under the given field of interest of the individual customers.

Table 3: Step Summary – Backward Stepwise Regression

Model		Action	Effect(s)	Model Fitting	Effect Selection Tests		
				-2 Log Likelihood	Chi-Square	df	Sig.
Step 0	0	Entered	<all>a	100.632			
Step 1	1	Removed	Expected method	100.64	0.008	2	0.996
	2	Removed	Discount rate	101.808	1.167	2	0.558
	3	Removed	Quality_of_the_Product	105.779	3.971	2	0.137

The Table 4 shows the details of the ineffective variables processed by the analysis. From the given factors in table 2, Expected method of new product promotion, Discount Rate and the quality of the product have removed from the model without having an association to the respond variable.

Further the Table4 indicated the predictors and intercepts respect to the higher Odd ratios for the model fitted factors to the respond variable. Based on that, it shows the model equation which has constructed for predicting key success factors which have a higher influence to improve the customer satisfaction on sales promotion.

$$Z = -2.337 + 2.885(\text{Timing of the launch}=1) + 2.223(\text{Samples}=1) + 2.191(\text{Supply}=1) -1.837 (\text{Method}=a) + 2.318(\text{Credit period}=1) + 2.114 (\text{Market price}=1)$$

Table 4: Parameter Estimate

Satisfaction about the promotion	B	Std. Error	Wald	df	Sig	Exp(B)
[Timing_of_the_launch=1]	2.885	0.849	11.54	1	0.001	17.91
[samples=1]	2.223	0.806	7.613	1	0.006	9.233
[Supply=1]	2.191	0.747	8.606	1	0.003	8.947
[Method=a]	-1.837	0.747	6.052	1	0.014	0.159
[Credit_period=1]	2.318	0.744	9.712	1	0.002	10.15
[Market_price=1]	2.114	0.85	6.192	1	0.013	8.283

RESULTS AND DISCUSSION

Results

According results obtained from the questionnaire with the help of Likert Scale, the analysis concluded the key success factors which are having direct association to the respond variable that increases the degree of satisfaction about the sales promotion. The fifteen variables were assessed and list of key success factors among them were identified. Here are the best predictors which have entered to the fitted model having higher association.

- 1) Timing of the launch of a product before / after a sales promotion campaign.
- 2) Requirement of a sample product during the sales promotion program.
- 3) On time and proper supply of goods after a campaign.
- 4) Method of initial product identification to the customer.
- 5) Given Credit Period for the customer.
- 6) Given Price of the products.

Discussion

Sales promotion is almost always costly and risky nevertheless, there have been a lot of studies of the sales promotion and product launch process until recently. Most of the research findings have suggested that a completed sales promotion strategy should require both strategic and tactical promotion decisions. As the knowledge people who are directly engaged in the sales promotion activities, from the internal employees including the sales team, the tactical success activities and the factors would be able to obtain. According to the results obtained from the employees were assessed with the help of frequency analysis.

Then fifteen such factors were analyzed with the levels of a scale based on the expected improvements and the perception about the

existing practices of method and process of product promotions. Employees have commented on the following listed factors which are required to be further developed to improve the sales promotion.

1. The method of communication to the customer regarding the promoting product during the sales promotion.
2. Proper training program to the sales team regarding the correct and effective methods of promotion activities and techniques.
3. Lack of R & D skills and resources.
4. Requirement of high concern on the logistic operations pre/post and on the sales promotion activities.
5. Number of sales representatives in the sales team to make strong the customer serving.

Identified significant success factors that could be improved accordingly to overcome the situation and established the importance of a formulating a sales promotion strategy for trading type business.

CONCLUSION

In practice sales promotion is a specific activity, which can be defined as the making of a featured offer to certain customers within a specified time period. This means that to qualify an activity as sales promotion, someone must be offered something which is featured rather than just being an aspect of trade. Therefore Sales promotion is a problem-solving activity as it designed to get customers to behave more in line with the economic interests of the organization concerned. Typical tasks for sales promotion are rectifying slow stock movements; counter-acting competitive activity; encouraging repeat purchase; securing marginal buyers; getting bills paid on time; inducing trial purchase. However, it is important to realize that, on its own, sales

promotion will not replace selling, change long term trends, or build long term customer loyalty.

Therefore for the short term benefits for a trading type company, it should consider the qualities of the method of promotion while prioritizing the tactical and logistic activities.

This research has been focused on the activities that comprise the sales promotion process by identifying the strengths and weaknesses. The objective was that the decision makers will become better attuned to the need to implement a disciplined sales promotion process, backed by the needed resources to carry out the key success activities.

Further Research Opportunities

The study has been focused to investigate a set of key success factors which have a higher impact to make the customer satisfied. Further it can proceed to investigate the degree of contribution to the company profitability and sales revenue.

Also, the other research opportunity would be the analysis of other marketing mix activities to the success of sales promotion. As most of the studies have carried to find out the profitability and other measures of overall company performances, the degree of individual impact from the sales promotion can also be taken in to measure in further.

If some other researches were carried out as separate assessments according to the different product categories, then those also would be the best investigations to generalize the finding for the trading industry.

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