SALES PROMOTION PRACTICES AND SALES PERFORMANCE THE CASE OF FAST MOVING CONSUMER GOODS MANUFACTURERS IN NAIROBI

BY

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DECLARATION

I hereby certify that this project is my original work and it has not been presented for examination in any institution for higher learning.

Sign: …………………………………………Date: …..

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D61/61731/2010

This research project has been submitted for examination with my approval as the University's supervisor.

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DEDICATION

I dedicate this work to James, Agnes, Regina, Florence and Charles; for always wishing me the best, and encouraging me endlessly.

To my poodle dog, Kailey for great company as I worked on this project.

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ABSTRACT

FMCG manufacturers play a significant role in the Kenyan economy. They are major employers of the Kenyan population and therefore a subject of interest from various stakeholders. The changing global environment has led to more competition, increased product choice, increased customer demand, lower prices and product innovation. Due to changes in the market place, companies must cope with the dynamic environment in order to survive. The manufacturing sector is characterized by several players, increased competition, regulatory changes, changing consumer styles and expectations, availability of a wide variety of substitutes, shorter distribution channels as manufacturers gain direct access to most markets. According to International Marketing Research (2005), major multinationals dealing with fast moving consumer goods have established operations in Kenya. This research was aimed at gaining insights into what sales promotion practices these manufacturers have adopted in the face of stiff completion; and the relationship between these sales promotion practices and sales performance among the Fast Moving Consumer Goods Manufacturers in Nairobi, Kenya. The study was aimed at helping marketers in clarifying the concepts relating to marketing communication, promotion mix, sales promotion and strategies relating to sales promotion. The study revealed that the main Sales Promotion techniques include: Coupons, price-off deals, Bonus Packs, Premiums, price completion and sweepstakes in that order. These were the major contributors to the various sales performance results of the companies that were put under study. The study found that sales promotion practices positively affect the sales performance among FMCGs manufacturers in Nairobi, Kenya. There is need to invest in new sales promotion practices with emergence of new technologies so as to meet this expectation, as it was found that there was a positive relationship between sales promotion practice and sales performance among FMCGs manufacturers in Nairobi, Kenya. There is need for FMCGs manufacturers in Nairobi, Kenya to invest in market survey as this will help them in coming up with sales promotion practices that are acceptable, accessible, ethically sound, have a positive perceived impact, relevant, appropriate, innovative, efficient, sustainable and replicable.

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ABBREVIATION AND ACRONYMS

FMCGs	Fast Moving Consumer Goods
MNCs	Multinational Corporations
OLS	Ordinary Least Square
SP	Sales Performance
MS	Market Share
FS	Firm Size

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Globalization is a powerful real aspect of the new world system that represents one of the most influential forces in determining the future course of the planet (Paisecki, 2004). It has had significant impact on all economies of the world with major effects on efficiency, productivity and competitiveness (Intriligator, 2001). Globalization and liberalization of world economies has intensified competition through: widespread use of computers, faxes, mobile phones, introduction of the internet and e-commerce (Hewett, 2002). Globalization of companies is continually growing in response to the changing environment of international trade. This accelerating trend is a result of global consumer convenience in social economic, demographic characteristics, habits and culture (Intriligator, 2001).

The changing global environment has led to more competition, increased product choice, increased customer demand, lower prices, product innovation and information technology (Johnson & Scholes, 2001). According to Kotler (2006), consumers have become more educated and informed more than ever before as they have the tools to verify companies' claims and seek out superior alternatives. Companies face intense competition from domestic and foreign brands which is resulting in rising promotion cost and shrinking profit margins. Due to changes in the market place, companies must cope with the dynamic environment in order to survive (Adcock et al, 2001).

Due to intense global competition most organization have adopted various strategies aimed at achieving a sustainable competitive advantage. These strategies range from improvement in product or services, acquisition, mergers, strategic alliances, partnerships and downsizing to survive (Hewett, 2002). Many organizations now consider the pursuit of global strategies as offering distinct benefits of cost reduction, improved quality, better ability to meet costumer needs and increased competitive leverage (Johnson & Scholes, 2001). According to Yoshino and Rangan (1995), firms must constantly innovate to forge ahead of rivals; they must develop new capabilities in areas such as technology development, manufacturing processes, marketing and distribution in order to gain competitive advantage. In a competitive environment, the first priority of an organization should be to reach its customers effectively (Guirdham, 1972).

1.1.1 Concept of Sales Promotion

Sales promotion is defined as a “diverse collection of incentive tools, mostly, short term designed to stimulate quicker and/or greater purchase of particular products/services by consumers” (Kotler, 1998). The International Chamber of Commerce (ICC) defines sales promotion as, "Marketing devices and techniques, which are used to make goods and services more attractive by providing some additional benefit, whether in cash or in kind, or the expectation of such a benefit ". (Boddewyn and Leardi, 1989) Smith (1998) has described that there are three main categories of SP; Consumer promotions (premiums, gifts, competitions and prizes, e.g. on the back of breakfast cereal boxes), Trade promotions (point-of-sale materials, free pens and special terms, diaries, competition prizes, et cetera), Sales force promotions including incentive and motivation schemes. This is a particularly important marketing activity for fast moving consumer goods which represent majority of manufacturers' marketing budget amounting to 16 per cent of their revenues (Canondale Associates, 2001). It acts as a competitive weapon by providing an extra incentive for the target audience to purchase or support one brand over another. It is effective in spurring product trial and unplanned purchases (Aderemi, 2003)

The oldest most widely used sales promotion tool is the cent-off coupon which has been around since 1895 when C.W. Post began using penny-off coupon to sell Grape Nuts. Proctor and Gamble began using coupons in 1920 that were goods for discounts or buy-one-get-one free deals. Another classic promotional tool is the premium offer, which dates back to 1912 when Cracker Jack began offering "a prize in every box." Over the years marketers have found creative ways to provide consumers with an extra incentive to purchase their brands. The success of these promotions has had a major impact on consumers throughout the years and also has resulted in similar programs being developed by competitors (History of Sales Promotion, English Articles, July 2011)

Sales promotions are comparatively easy to apply, and are likely to have abrupt and considerable effect on the volume of sales (Hanssens, Parsons and Schultz 2001). Resultantly, according to Currim and Scheinder (1991) the finances of companies regarding the marketing increase constantly. Research conducted by Ailawadi and Neslin (1998) had revealed that consumer promotions affect the consumers to purchase larger amount and consume it faster; causing an increase in sales and ultimately profitability. Throughout the world, consumer sales promotions are an integral part of the marketing mix for many consumer products. Marketing managers use price-oriented promotions such as coupons, rebates, and price discounts to increase sales and market share, entice trial, and encourage brand switching. Non-price promotions such as sweepstakes, frequent user clubs, and premiums add excitement and value to brands and may encourage brand loyalty (Aaker 1991; Shea, 1996). In addition, consumers like promotions. They provide utilitarian benefits such as monetary savings, added value, increased quality, and convenience, as well as hedonic benefits such as entertainment, exploration, and self-expression (Chandon, Laurent, and Wansink, 1997)

1.1.2 Concept of Sales Performance

Achieving greater sale performance is foremost on the minds of both sales leaders and finance executives. In today's business environment, organizations that rely on poor data to make key sales performance decisions, risk being overtaken by the competition. Indeed, managing sale performance is evolving from an art of science. One leading industry analyst estimates that companies may experience as much as 10 per cent in lost revenue from misaligned territories, quotas and sales plans.

Sales performance is used to determine the ability of a sales person to close the deal with the company and meet set performance goals as outlined by the company or business. Sales performance can also indicate the rate of customer loyalty to the business or a specific employee. Customer loyalty refers to customers who regularly purchase products from the business and refer other customers to the store. Enhancing sales performance can automatically enhance the number of loyal customers.

1.1.3 Fast Moving Consumer Goods

Vikapia (2005) states that major Fast Moving Consumer goods in Kenya consists of food as well as non food items like; Health drinks, Biscuits, Chocolates, Aerated drinks, napkins, toiletries and hair care sanitary. According to Perpetuity Research & Consultancy International (2004), fast moving consumer goods is used by those connected with retailing to describe price sensitive goods that are packaged and branded, consumables and for mass use. The report further states that, fast moving consumer goods are convenience products that are typically purchased on a regular basis such as toiletries and detergents.

A subset of FMCGs is Fast Moving Consumer Electronics which include innovative electronic products such as mobile phones, MP3 players, digital cameras, Global Positioning Systems (GPS) and Laptops. Every family spends a large portion of monthly budget on FMCG products. Contribution of FMCG sector in every economy is significant. Now, due to globalization, every economy is facing tough competition. Entries of MNCs and cheaper import have made the situation more difficult. To carry out the business in this sector has become very difficult. Every company has to spend a large portion of their budget on promotional efforts.

Griswold et al (2007) argues that fast moving consumer goods retailers must invest in key process and technology areas to become demand driven and stay relevant in a hypercompetitive environment. While FMCG retailers are evolving to meet the need s of consumers, they lack maturity in some key technology and business process capabilities.

The key to survival is the ability to engage in rapid and relentless continuous change to deliver customer value, especially by developing new products (IMR, 2004).

1.1.4 Manufacturers of Fast Moving Consumer Goods in Kenya

According to Unilever data monitor magazine (2005), due to liberalization, the manufacturing sector is characterized by several players, increased competition, regulatory changes, changing consumers styles and expectations, availability of a wide variety of substitutes, shorter distribution channels as manufacturers gain direct access to most markets, increased costs of advertising and distribution outlets demand higher rebates. The industry faces increased competition from imported substitutes both in price and quality (Bello, et al, 2002). According to the Unilever Data Monitor magazine (2005), Unilever Company has suffered setbacks because of its inability to cope with increased competitiveness in key markets. For example, hair care products in the US and Japan suffered decline in sales and volumes as a result of intense competition. Declining prices coupled with rising demand for discounts from the trade patners put pressure on margins. The magazine further states that in some emerging markets, Unilever is losing the price advantage it once had and enjoyed in home and personal care products to companies such as Reckitt and Benckiser and Procter and Gamble.

According to International Marketing Research (2005), major multinationals dealing with fast moving consumer goods have established operations in Kenya as foreign companies or joint venture with Kenyan shareholding to supply the domestic neighboring markets. These include Nestle, Unilever, Cadbury, Coca-cola and Wrigley. International Market Research (2005) further states that food and beverages make up over half of

Kenya’s export mainly to the neighboring countries. Traditional suppliers from European Union are the main source of Kenya imports supplying over 32 per cent of the FMCGs.

FMCG manufacturers’ use push and pull strategies to influence wholesalers and retailers to stock their products thus pushing the product through the channel to the final consumer. They may offer intermediaries higher margins for carrying a particular product, allowances for retail advertising, quantity discounts, contests and bonuses to reward retailers and wholesalers for higher sales, in-store promotions and displays to make it easier for the retailer to sell a product (Assael, 2003)

1.2 Statement of the Problem

FMCG manufacturers play a significant role in the Kenyan economy. They are major employers of the Kenyan population. Central Bureau of Statistics estimates (2000) indicate that in the year 1999 the entire Kenyan manufacturing sector employed 3.7 million individuals equivalent to 68 per cent of all persons engaged in the economy. The Manufacturing sector also generates revenues for the government. According to Soderbom (2001), the Kenyan manufacturing sector accounts for 11 per cent of the Gross Domestic Product.

The manufacturers of FMCG in Kenya also face stiff competition. According to Paisecki (2005), when the Kenyan economy was liberalized in the early 1990’s, several major industries that had operated as monopolies suddenly came face to face with unexpected competition. Currently there are many players in the market which has resulted to reductions of the market shares of companies as well as profits (McCarthy et al, 1996).

There is pressure on manufacturers to ensure that they get their product mix right or risk losing market share (Soderbom, 2001). According to IMR (2004), before there was more pull on the consumer side than push from the manufacturer's side but today the reverse is the case. The customer now has a choice (Shnaars, 1991), therefore the need for manufacturers and retailers of FMCGs to embark on effective sales promotion techniques in order to improve sale performance on a long term basis.

A considerable body of research has examined the influence of consumer personality variables on responses to and preferences for various sales promotion techniques. Wasonga, (2011) carried out research to determine what influences the consumer perception regarding the Kenyan FMCGs in East Africa Community. The study found out that the consumers pay close attention to quality and price and they felt that the goods from Kenya are of high quality. Kagure (2010) did a research on the analysis of evaluating sales promotion effectiveness in the fast moving consumer goods industry in Kenya. The objective was to establish how firms allocated marketing budgets, what objectives they sought to achieve through sales promotion as well as whether and how these firms in Kenya evaluated the effectiveness of sales promotion as a marketing strategy and the challenges faced in the process. The most important conclusion was that, while all companies claimed to be evaluating the effectiveness of their sales promotion, the evaluation seemed superficial or less than objective owing to the fact that majority did not have well established tools or systems to carry out adequate detailed analysis. This was partly due to what was highlighted as the biggest challenge — the unavailability of accurate and reliable trade and consumer data. Another finding from the study was that a big proportion (89%) of all FMCG companies engaged in sales promotions. A conclusion deduced from this finding was that the firms acknowledged the importance of, and actually carried out sales promotions regularly as part of their marketing strategy.

From the above studies it is evident that all the manufacturers of FMCGS engaged in sales promotion but it is not clear which kinds of sales promotions they engage in and how these sales promotion methods are tied to the overall sales performance of the company in terms of returns. The research question of this study is to find out the following; which kinds of sales promotion methods do FMCGs manufacturers in Kenya engage in? How do these methods influence sales performance of the company in terms of financial returns and customer base?

1.3 Objective of the Study

i. To determine the sales promotion practices used by FMCGs in Nairobi, Kenya.

ii. To determine the relationship between sales promotion practices and sales performance among FMCGs manufacturers in Nairobi, Kenya.

1.4 Value of the Study

The study will assist marketers in clarifying the concepts relating to marketing communication, promotion mix, sales promotion, strategies relating to sales promotion, impact of sales promotion strategy on sales, profit and profitability of companies, market share and goodwill of the companies.

The FMCG manufacturing companies and retailers may implement the suggestions for improvement of sales performance towards achieving sales targets as they will be in a position to understand the importance of sales promotion practices and their influence on sale performance.

To the researchers, the study will assist future researchers and scholars in conducting further research and for reference purposes.

Furthermore, marketing has long known that buying decision depends largely on reason for an action. The consumers of product set goals and time to achieve it by making a decision in the market place. Any marketer, who therefore wants to satisfy consumers profitably, and therefore retain the consumers' attitude towards the buying of their products and not just trying to force the products on the consumers will find the study useful. The study is therefore based on the sense that its findings will assists in formulating effective marketing mix such as sales promotion for their products with the aim of improving sales volume and market share.

To the Government, it is important to know how these companies generate their revenues, the legality of the products being sold to consumers and the government also gets to learn new promotion techniques for the betterment of the local industries. This research will also ensure that the competition among these firms is healthy and legal.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers an analysis of previous researches on sales promotion concept and reviews the relationship between sales promotion and sales performance in detail. The chapter aims at correlating the two concepts, and is organized as follows: Section 2.2 reviews the theoretical background of the study. Section 2.3 describes the concept of sales promotion with a further review on sales promotion objectives, sales promotion and marketing communications and sales promotion methods among FMCG manufacturers. Section 2.4 reviews the concept of sales performance while section 2.5 provides a review on the relationship between Sales Promotion and Sales Performance.

2.2 Theoretical Background of the Study

The perspective underlying many of the different research orientations used in a number of different media research contexts is characterized by the adoption, often implicit, of a simplified model of the communication process deriving from information theory (Shannon & Weaver 1949), which is one of the most widely known models. According to this model, the transmission of a message is a simple, linear and unidirectional process: there is a source which codifies information in the form of a signal and transmits it by means of a channel to the other end, where it is decodified. It is, then, a model in which communication is described as a transmission process from a transmitter to a receiver by means of codification and decodification of the information itself where subjects are considered as passive recipients of messages. Translated into a linguistic model according to Jacobson (1963), the communication process conceived in this way could include the following elements: transmitter, message, receiver, context, code and channel.

According to Ghiglione (1988), the subjects are regarded here as ideal, transparent and possessors of a common communication code. These then are the necessary conditions for bringing about communication, which is understood as the transmission of information.

Following this model, the first theories of mass communication all tended to see the public as an undifferentiated and substantially passive entity upon which it was possible to exert direct influence. As Katz and Lazarsfeld (1955) noted, "the image of the mass-communication process entertained by researchers had been, firstly, one of 'an atomistic mass' of millions of readers, listeners and movie-goers, prepared to receive the message; and, secondly, every message [was considered] as a direct and powerful stimulus to action that would elicit immediate response". From this model, which recalls in certain ways the idea of the subject seen as a mere responder to stimuli emphasized in the psychological field by the "first" behaviorism, there emerged the model proposed by Lasswell (1927, 1935). Even if dated, it undoubtedly constitutes a point of reference in the area of mass-communication studies. The model of the so-called five W's of Lasswell (Who says, What, to Whom, through Which channel, with What effect) went on to constitute a scheme widely shared in descriptions and analyses of the media communication process.

In psychology, the experimental empirical approach progressively focused attention on the characteristics of each of the elements included in the 5-Ws model, and then went on to isolate, experimentally, the individual variables so as to analyze the way in which they can intervene in the persuasion process. The studies of Hovland and his research group at Yale University (Hovland 1954; Lumsdaine & Sheffield 1949; Hovland, Janis & Kelley 1953) represented the dominant paradigm for a long time. They considered the complexity of variables which come into play in the relationship between transmitter, recipient and message in the area of the study of persuasion (for example, the characteristics of sources, messages, recipients, the variables intervening between the transmission and the reception of the message and so on). The research of the Yale School contributed to a reworking of Lasswell's model, which attributed to the media the more or less unlimited ability to influence public opinion, by emphasizing how the effectiveness of messages varies with the varying of certain characteristics of the recipients, and how the effects of mass communication depend essentially on the interaction of these factors. These results contributed to supporting the idea that the direct and intermediate effects of the means of mass communication on changing attitudes were very weak. The ideas of Lasswell (1927; 1935) with regard to the direct effects of the means of mass information on the attitudes and behavior of the public were gradually abandoned because of an increasing interest in the variables which intervene in the relationship between the message and the behavioral response, e.g., selective perception, the role of the cognitive structures of the receiving subject and the social-demographical characteristics of the audience.

The idea emerged that interpersonal relationships have a key role in the processes of influence exerted by the means of communication. In fact, Katz (1959) presented the hypothesis that the communication process may be described in terms of a two-step flow of communication: the first step regards relatively well-informed individuals (opinion leaders) that, in the second step, not only spread information to those individuals who follow the media less assiduously, but who also supply an interpretation of the content of the message. In this sense, the opinion leaders and the interpersonal relationships have a mediating function of selection between the means of mass communication and the recipients of the messages transmitted by them. In short, the theories based on the concept of selective attention place between the two variables "stimulus" and "response" three other kinds of variables: individual differences, social-cultural categories and social relationships. This reworking of the model introduced a more complex view of media communication, but it did not lead to any paradigm shift: basically, communication is still regarded as a transmission process and research continues to be theoretically framed by a (neo) positivist approach to measurement. Recent development within mainstream social psychology seems to follow the same trend.

The link between the mass-communication processes and the characteristics of the social context within which these take place became central for the sociological empirical approach. Here, the audience is no longer considered as a passive receptor with no link to its social environment. In fact, it was emphasized that individuals are reached by the media through a filter of social bonds, i.e., of other meanings and groups which constitute a point of reference for social insertion and the development of identity. In this perspective, Klapper (1960) proposed what was called the model of minimal (or limited) effect: according to this approach, selectiveness is linked not so much to the individual's psychological processes, as it is to the network of social relationships which constitute the environment in which he lives and which form the groups to which he belongs. The audience began to be considered as a group of active persons which directs its attention to whatever it considers interesting, and reinterprets these messages in relation to pre-existing knowledge and attitudes and this is what the manufacturers of FMCGs exploit.

2.3 The Concept of Sales Promotion

Every business organization reaches to the customers through their goods or services. To sell the products to the customers a number of activities are being performed. This is called marketing and it is an important function. Marketing is the performance of business activities that directs the flow of goods and services from producer to the customer. It is the activity that directs to satisfy the human needs through exchange process. Marketing starts with the identification of a specific need of customers and ends with satisfaction of that need. The customer is found in the beginning and end of marketing process. In marketing a large number of activities are performed. For easy understanding these activities are divided in 4 groups for products and 7 groups for services. These elements are product, price promotion, placement for products and three additional elements for services are process, people and physical evidence. These are called elements of marketing mix. Sales promotion is one of the elements of marketing mix.

Sales promotion is defined as a “diverse collection of incentive tools, mostly, short term designed to stimulate quicker and/or greater purchase of particular products/services by consumers” (Kotler, 1998). The International Chamber of Commerce (ICC) defines sales promotion as, "Marketing devices and techniques, which are used to make goods and services more attractive by providing some additional benefit, whether in cash or in kind, or the expectation of such a benefit ". (Boddewyn & Leardi, 1989) Smith (1998) has described that there are three main categories of SP; Consumer promotions (premiums, gifts, competitions and prizes, e.g. on the back of breakfast cereal boxes), Trade promotions (point-of-sale materials, free pens and special terms, diaries, competition prizes, et cetera), Sales force promotions including incentive and motivation schemes. This is a particularly important marketing activity for fast moving consumer goods which represent majority of manufacturers' marketing budget amounting to 16 per cent of their revenues (Conondale Associates, 2001). It acts as a competitive weapon by providing an extra incentive for the target audience to purchase or support one brand over another.

2.3.1 Sales Promotion Objectives

Sales promotions have many objectives, which are interlinked to the objectives of marketing and communications. Promotions are often used to increase short-term sales of a product or a service. According to Kotler (2006), long-term effects are under an academic debate. Sales promotions are targeted to different groups with different promotional objectives. The general consumer groups that promotions are targeted for are potential users, competitor loyals, brand switchers and loyal customers. Potential users are currently not using the service but can be persuaded to do so by promotional activity. Successful sales promotion can also encourage competitor loyals to change. Brand switchers are consumers who are switching through service providers according to whom has the best offer at the moment. Likelihood for them to switch is dependent on switching costs. When switching costs are low, brand switchers are easily persuaded to switch by sales promotion. However, making switchers loyal remains difficult. Loyalty of loyal customers can be also strengthened by sales promotions (Peattie & Peattie 1994b).The aforementioned consumer groups provide different strategic possibilities for service marketers. Encouraging potential users and competitor loyals to try can expand market share and erode competitors share. It also opens up long-term benefits if new customers can be converted to loyal customers. Promotions targeted to brand switchers can create temporary sales uplift and possibilities to increase loyalty. Sales promotions to loyal customers should create extra value in order to retain and reward them, and to reinforce loyalty (Peattie & Peattie 1994b).

2.3.2 Sales Promotion Practices among FMCGs Manufacturers

There is no common definition of sales promotion found on literature. Peattie & Peattie (1994a) define sales promotion as marketing activities usually specific to a time period, place or customer group, which encourage a direct response from consumer or marketing intermediaries through the offer of additional benefits marketing activities usually specific to a time period, place or customer group, which encourage a direct response from consumer or marketing intermediaries, through the offer of additional benefits. Kotler (2006) defines sales promotion as a short term incentive to encourage the purchase or sale of a product or service. By definition, sales promotion can either be directed to customers or channel intermediaries and it is used to encourage immediate action. In the scope of this research, however, sales promotion to marketing intermediaries is left out and the focus is only on consumer sales promotions. In the literature, sales promotions are broadly categorized to value adding (non-price promotions) or value increasing promotions (price-based promotions) (Peattie & Peattie 1994a).

Value increasing promotions, such as price deals, coupons and refund offers, change the price or quantity in order to increase the value of the offering. The value increasing promotions are the most commonly used and thus dominate the literature. However, in services promotions, value increasing deals might be troublesome. This is because pricing services is already a difficult task and consumers often use price as a measure of service quality. Price deals assume price-averse, price seeking and price aware consumer, but in reality, consumers might actually relate hazily about pricing and feel that it is linked to quality. Also dangers of price wars and crucial role of pricing in positioning are reasons why price deals might not always be worthwhile in promoting financial services. (Peattie & Peattie 1994a). Value adding promotions do not change the price or quantity, but instead, add value to the overall offering by bundling something extra to it. Examples of value adding promotions are free gifts, complementary products, competitions and sweepstakes. (Peattie & Peattie 1994a) and Wakefiel & Bush (1998) state that loyal customers who are involved in the category may not find price discounts very useful. Instead, they might prefer value adding promotions that give them something extra and thus increase the overall value of the service.

The use of value adding deals have become more common among the FMCGs service marketers especially competitions in the American markets have become popular. Promotional competitions emerge in varied forms in terms of complexity. In addition to a simple buy and win campaigns, competitions are also used as a part of larger integrated marketing communications campaigns. Value adding promotions in general and competitions particularly might prove as an attractive alternative in the quest for differentiating one’s services, attracting new customers and rewarding existing customers (Peattie & Peattie, 1994b).

2.3.3 Sales Promotion and Marketing Communication

Company’s overall marketing communications mix consists of different mixture of advertising, sales promotion, public relations, personal selling and direct marketing. Marketing communications mix, which is also called as promotional mix, is used to pursue the established marketing objectives of the company. Each of the promotional categories includes their own distinctive tools that are used in reaching the overall communications efforts. Not only the specific promotional tools communicate with customers but also all other elements, such as product design, package, store and price send messages to customers. Thus, the whole marketing mix must be adjusted accordingly. In the concept of integrated marketing communications, all the marketing efforts are integrated in a consistent and coordinated manner in order to achieve the greatest overall communication impact (Kotler 2006).

Several reasons are making integrated marketing communications more prominent solution for companies in the contemporary communications environment. Mass-markets have become more fragmented and mass advertising is losing its power in the face of media fragmentation. Customers are calling for more tailored solutions and companies are designing marketing programs to create closer customer relations in more narrowly defined markets. The vast improvements in information technology have also opened opportunities for companies. More market information about customers and their needs can be observed from the markets and new communication media are available to reach smaller customer segments.

Fragmented communication environments challenge companies to integrate their different communication channels in order to create coordinated and compelling message about the organization. According to Kotler (2006), companies must combine the different communication tools into a coordinated promotion mix. The appropriate use of sales promotion and the overall blend of different promotional tools are influenced by promotional mix strategy.

Two broad promotion mix strategies to choose from are defined in literature as a push strategy and a pull strategy or a combination of both. In a push strategy, promotion is directed to channel members in order to push the offering to customers. Primary promotional tools used under a push strategy are personal selling and trade promotion. The objective of a pull strategy is to direct communication efforts to customers, who then will demand the offering from the channel members, who in turn demand it from the producer. The main promotion tools used in a pull strategy are advertising and consumer promotion. Many companies also use a combination of both. The type of offering, markets and the stage in a product life cycle also play a role in the construction of an appropriate promotion mix. For example, many business-to-business marketers tend to use more push strategy and rely more on personal selling, whereas business-to-consumer marketers depend more on a pull strategy. Product life cycle also determine the appropriateness of a different promotional tools. For example, offerings in an introduction stage are often promoted by advertising to create awareness and sales promotion is used to induce trial (Kotler 2006).

2.4 Sales Performance

Increasing competition is a real aspect within the FMCGs manufacturing sector. With many of these firms being required to do more and more with the same or less, every choice they make impacts on the business survival. They are constantly required to accelerate the human performance of their sales effort to ensure goods are pushed through the supply chain in as short time as possible. The sales performance of these firms is of utmost concern to both sales people and the finance executives. Sales performance determines the bottom line of the company.

Aligning a company’s sales plans to the company’s objectives presents one of the sure ways of optimizing sales performance.

Selling is a matter of persuading, convincing, or influencing; it is the transfer of ideas or property to another for consideration. What is it about selling today that is more difficult, and more importantly, what can be done to more effectively leverage people, process, technology, or knowledge to address those challenges? In line with this, researchers have examined many possible determinants of sales performance over the past 75 years. The studies have produced very inconsistent results with respect to what factors affect sales performance and the strength of the relationships.

2.5 The Relationship between Sales Promotion and Sales Performance

Nwokoye (2000) defined sales promotion as an activity that is used to stimulate the sales of a product or services and usually occurring once or even over limited period of time as a "sales" conducted by a retail store or featuring price reduction of many items of marketing. Kotler (2000) defined sales promotion as a "short term incentive aimed at encouraging purchase or sales of a product or services. He further points out that sales promotion is designed to stimulate stronger target response.

The objective of sales promotion are derived from the basic communication objective which are for the consumer, that may encourage more usage and purchase of a given; building trial among non-brand users and stimulate brand loyalty. Sales promotion objective include getting retailers to stock new lines of products, it is as well encouraging seasonal buying, off-setting competitive promotion, it help gain entry into the market and finally for the sales force, it encourage sales people to support new product or model, as well as induce them to prospect activity for consumer and also stimulate sales during off season period. Most times, there are conflicts as to what business philosophy should guide organizational marketing efforts; what weight to be given to the interests of the organization, the consumers and to the society.

The relationship between sales promotion and organization effectiveness is controversial. The nature of the impact is inconclusive. While some authors believed that the impact of sales promotion on organization effectiveness is minimal and non-significant (Dekimpe, Hanssens and Silva-Risso 1999; Pauwels et al. 2002; Srinivasan et al. 2000), others believe that the impact is high and significant (Boddewyn and Leardi; 1989; Odunlami and Ogunsiji, 2011). Organizational effectiveness in this study is defined by higher sales volume and profitability. Some of the recent studies include Pauwels et al (2002) which examined the permanent impact of sales promotion on accumulative annual sales for the two product categories which include storable and perishable products. Their findings show that perishable and storable product categories lack permanent effects of sales promotion. Furthermore it is revealed that effects of sales promotion are short lived and persist only on average 2 weeks and at most eight weeks for both product categories. The research's results prove the common concept that sales promotion makes only benefits which are temporary for the established brands.

The research findings of Dekimpe et al. (1999) also shows that there are rarely any permanent effects of sales promotions on the volume of sales. Their findings proved that sales promotion does not change the structure of sales over the long run. They suggest that the diminishing impact of sales promotion may be because of choice of brand, quantity which is purchased and category incidence such as energy crisis. 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. Therefore the immediate effects of sales promotion are small. This is because of price promotion consumers are forced to make purchases and but this impact on sales cannot only be explained by accelerated rate of purchase due to price reductions.

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, using a sample of 200 consumers. The authors used time series models and OLS estimation. Their results reveal the presence of various extraneous factors impacting the effectiveness of promotions.

Preko (2012) made use of Chi-square test in order to determine how sales promotion is used to generate revenue, how it is done, the common sale promotion tools and strategies adopted by the company, and whether sale promotions increase advertising revenue. The result revealed that guarantees and warranties, souvenirs, discounts offer and give away are the mostly adopted sales promotion tools by TV Africa. Sale promotion tools and strategies have a positive impact on revenue. He concluded that management should continue modifying or updating its sales promotion activities according to the taste and preferences of its customers and the public at large.

Sales promotion is used to encourage immediate action among consumers (Peattie & Peattie 1993). Value adding and value increasing promotions are targeted with unique objectives to potential users, competitor loyal, brand switchers and loyal customers. The possible problems of value increasing sales promotion in the context of financial services were identified and additional use of value adding promotion is suggested.

Intense competition in the FMCGs markets has made price reductions almost imperative but surviving the competition requires more. One promotional method to be used to stand out from competition could be the increased use of value adding promotion. In the promotion of the company's FMCGs, value adding deals such as the increased bonuses and sweepstakes are used in addition to the value increasing price reductions.

The boosting effect of sales promotion to short-term sales is widely accepted in the literature. Research on long-term effects has however, offered some inconsistent results. According to Ailawadi (2001) sales promotion has a positive long-term effect on sales. Peattie & Peattie (1993) states that consumers who are satisfied with the promoted brand will be more likely to repurchase. In contrary, many researches have revealed results indicating that sales promotion does not effect on long-term sales or even that promotion might decrease long-term sales. (Frank & Massey 1971, Monroe 1973, Bawa & Shoemaker 1977, Dodson et al. 1978, Winer 1986, Neslin & Shoemaker 1989, Kalwani et al. 1990; Peattie & Peattie 1993).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This research employed exploratory survey design as it aims to discover ideas and insights into the sales promotion practices and sales performance in the selected population. The population of interest consisted of FMCG manufacturers located in Nairobi and a sample of 20 companies was used. Data was collected through semi structured questionnaire and analyzed using descriptive statistics through Return on Sale to determine the impact of sales promotion. The Stochastic Efficient Cost Frontier approach, a method commonly used to model producer/manufacturers behavior, was used to complete the analysis.

3.2 Research Design

The research design used was exploratory. The study was concerned with finding out the various sales promotion practices being used by FMCG manufacturers; and the relationship between sales promotion and sales performance among the FMCGs. According to the available literature, exploratory research is suitable where a survey is to be carried to find out the correlation between variables.

3.3 The Population

The population of interest was 80 FMCGs manufacturers which consisted of 20 multinational FMCGs Manufacturers and 60 local FMCGs manufacturers located in Nairobi. This data is according to the Kenya Manufacturers and Exporters directory, 2012 available at Kenya Association of Manufacturers, Kenya. Nairobi was chosen because most of the established FMCGs manufacturers in Kenya are found in Nairobi. See Appendix II.

3.4 Sample size and Sampling Method

The sample size was 20 FMCGs manufacturers out of which 5 were Multinational FMCG Manufacturers and 15 were Local FMCGs Manufacturers. This was deemed to be a representative sample, being 25% of the population. A proportionate stratified sampling was used to determine the sample size for each group of the FMCG manufacturer as shown in table 3.1.Sample selection was done using the simple random sampling technique. A simple random sample is a sample of a know size drawn from a population of a known size in such a way that every possible sample of the population has the same chance of being selected.

Table 3.1: Proportion Sampling of FMCG Manufacturers in Nairobi

Size	No	Proportion (%)	Sample
Multinationals	20	25	5
Local	60	25	15
Total	**80**	**25**	**20**

Source, Research (2013)

3.5 Data Collection

Primary data was collected using a semi structured questionnaire. The questionnaires were personally administered by the researcher to the FMCG Manufacturer's sales managers or equivalent. One manager or equivalent in each company was interviewed. The questionnaire was divided into two parts. Part A contained questions on general information of the firm. Part B contained questions on the sales promotion practices of the manufacturer.

3.6 Data Analysis and Presentation

Data was analyzed using descriptive statistics. Data in part A was analyzed using frequencies and percentages to summarize the demographic profiles of the respondents. The stochastic Efficient Cost Frontier Approach was used to measure the sales performance of the FMCGs manufacturers. The aim was to establish the sales performance of these companies in relation to the applied sales promotion techniques. The dependent variable was Sales Performance while the independent variables were the Sales Promotion, Firm Size, profitability and market share.

The collected questionnaires were edited and cleaned for completeness in preparation for coding. Once the questionnaires were coded, they were entered into the Statistical Package for Social Sciences (SPSS) version 17 computer package for analysis. Descriptive statistics such as mean, standard deviation and frequency distribution were used to analyze data. The research was mainly quantitative hence quantitative technique was used to do analysis. Inferential statistics (regression analysis) was also used to establish the effect of sales promotion practices and sales performance among FMCGs manufacturers.

3.6.1 Conceptual Model

The Stochastic Cost Frontier Model has the general (log) form of Equation (1) below.

$\ln(C_n) = f\ \{\ln(y_{i,n}), \ln(w_{j,n})$………………1

Where C_n is the total cost for the FMCGs manufacturers *n*; $y_{i,n}$ measures the i^{th} output of the FMCGs company *n*; and $w_{j,n}$ is the price of the j^{th} input of the company *n*. The conceptual model defines the relationship between the dependent variable and the independent variable. The dependent variable was Sales Performance (P) while the independent variables was Sales Promotion, market share and the profitability of these companies.

The market share was measured by the ratio of individual FMCG manufacturer total customers to the aggregate total consumers in the sector.

The FMCG firm size (FS) was measured by the logarithm value of total assets. This was intended to test the validity of the claim frequently found in literature that larger firms tend to be more efficient (Limam, 2001; Sakina 2006). It is therefore expected that the sign for this variable will be positive.

Following Miller and Noulas (1996), profitability (PM) was measured using the ratio of operating income and total assets. It is widely argued that higher profitable FMCGs manufacturing companies are more able to raise enough capital, thus suggesting a positive relation between profitability and performance. Profitability (PM) was treated as output for FMCGs manufacturers in computation of cost efficiency estimates.

Equation (2) below presents the conceptual model for this relationship.

PM = f (SP, MS, FS)……………2

PM = Profitability

SP = Sales Promotion

MS = Market Share

FS = Firm Size

3.6.2 Analytical Model

To specify the functional form of the cost frontier in equation (1) above, the standard multi-product trans-log cost function of Equation (3) was used.

$$\ln(C) = \alpha_0 + \sum_{i=1}^{2} \beta_i \ln(y_i) + \sum_{i=1}^{2} \beta_I \ln(w_i) + {}^{1}\!/_{2} \sum_{i=1}^{2}\sum_{k=1}^{2} \gamma_{ik} \ln(y_i)\ln(y_k) + {}^{1}\!/_{2} \sum_{j=1}^{2}\sum_{h=1}^{2} \zeta_{jh} \ln(w_j)\ln(w_h) + \sum_{i=1}^{2}\sum_{j=1}^{n} \omega_{ik} \ln(y_i)\ln(w_j) + \square_n \text{…………..(3)}$$

The homogeneity restrictions are bases of Equation (4) below will be imposed normalizing total costs and input prices.

$$\sum_{i=1}^{2} \beta_i = 1; \sum_{h=1}^{2} \zeta_h = \sum_{k=1}^{2} \omega_k = 0 \text{………………(4)}$$

These restrictions are imposed so as to obtain a normal distribution of performance estimates. Therefore the difference between the mean and median should be zero or almost zero for the performance to be distributed as asymmetric normal.

In Equation (4) above, C represents the operating cost (including labor cost, y_i and y_k are inputs i.e investments in information technology, w_j and w_h are inputs and outputs respectively as inputs and call services and data services as outputs. α_0 is a constant, while β, γ, ζ are coefficients. *h* and *j* are subscripts used to differentiate the first and second inputs while *i* and *k* are subscripts used to differentiate the first and second output. Equation (3) was later simplified as shown in Equation (5) below,

$$\ln (C) = \alpha_0 + \beta_1 \ln(y_1) + \beta_2 \ln(y_2) + \beta_1 \ln(w_1) + \beta_2 \ln(w_2) + {}^{1}/_{2}\gamma_{11} \ln(y_1) \ln(y_2) + {}^{1}/_{2}\zeta_{11} \ln(w_1) \ln(w_2) + \square_{11} \ln(y_1)\ln(w_1) + \square_{12} \ln(y_1)\ln(w_2) + \square_{22} \ln(y_2)\ln(w_2) + \square \ldots\ldots\ldots(5)$$

Equation (5) will be used to estimate the efficient total cost (C) that lies on the efficient cost frontier. Therefore the Sales Performance level is the difference between the estimated total cost and the actual total cost (Ĉ) that lies on the efficient cost frontier. If (C) is greater than (Ĉ) then the FMCGs manufacturing company's sales performance is considered inefficient but if they are equal then it is considered efficient, as they will be operating at the efficient cost frontier. (C) cannot be less than (Ĉ) as it cannot be less than the efficient cost unless there is an error.

The Sales Performance function, comprising the vector variables is specified by the algebraic representation of equation (6)

$$P_{it} = a + b_1(SP) + b_2(MS)_{it} + b_3(FS)_{it} + \square_{it} \ldots\ldots\ldots\ldots\ldots\ldots(6)$$

Where P_{it} is the level of FMCGs manufacturing company's Sales performance in year t, □ is a constant, SP is the Sales Promotion implementation dummy variable, MS is the Market share for the financial year t, FS is the firm size for the financial year t. The partial coefficient for SP, MS, and FS are denoted by b1, b2, b3 respectively, while □ is the error term which is defined by the truncation of the normal distribution with zero mean and variance δ_v^2.

Further, the mean and the standard deviation of the Sales Performance (P) estimates is calculated, to give the average level of Sales Performance and the variation of Sales

Performance over time. To further deduce whether or not a relationship exists between Sales Promotion and Sales Performance, a T-test based on One-Way Analysis of Variance (One Way ANOVA) was performed to compare the changes in the average estimates of Sales Performance before, during and after implementation of various Sales Promotion techniques. Pearson's Correlation coefficients will be used to determine the strength of the relationship between Sales Performance and Sales Promotion.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1 Introduction

This chapter presents the research findings and interpretation based on analysis of the data collected from FMCGs sector. Data was collected from employees of FMCGs. Descriptive and inferential statistics have been used to discuss and interpret the findings of the study.

4.2 Response Rate

The questionnaires were administered to 20 employees of 20 FMCGs , out of whom only 18 questionnaires were received back fully completed. This made a response rate of 90%. This is in agreement with what was indicated by Cooper and Schindler (2003) who indicated that a response rate of between 30 to 80% of the total sample size can be generalized to represent the opinion of the entire population. The questionnaire contained questions that addressed the objectives of the study.

4.3 General Information of Respondents

The study sought to establish the background information of the respondents including respondents' gender, position held in the organization and period worked in the organization. This meant to establish the gender balance of the management staff, work experience in FMCGs sector and their level in the organizational structure.

4.3.1 Gender and Age of the Respondents

From the findings on the gender of the respondent, the study found that 11 out of the 18 (61%) of the respondents were men while 7 (39%) were ladies. The respondents' age bracket was between 32 -51 years of age. This is an indication that respondent were well distributed in terms of their age, as the distribution is well within the upper and lower limits of the working age group in Kenya.

Table 4.2: Gender and Age of the Respondents

Age	Frequency	Percentage
Male	11	61
Female	7	39
Total	18	100.0

Source, Research Data (2013)

4.3.2 Positions Held in Organization

Respondents were required to indicate their positions in the organization. Majority (88.8%) of the respondents were sales managers and the remaining 11.2% were general managers. The findings indicate that the respondents were in relevant positions hence could provide relevant information on the issues under study. The findings are as presented in Table 4.3.

Table 4.3: Position Held in Organization

Position held	Frequency	Percentage
Sales Manager	16	88.8
General Manager	2	11.2
Total	18	100.0

Source: Research Data 2013

4.3.3 Period Worked in Organization

Respondents were further required to indicate the period they had worked in their organizations. Half (50%) of the respondents indicated that they had worked in their firms for a period of 5 years and above. 38.9% of them had worked for a period of between 3-5 years and the remaining 11.1% of them had worked for a period of less than 3 years. The findings therefore reveal that majority of the respondents had worked for long enough hence had the experience to comment on sales issues under study. The findings are as shown in Table 4.4.

Table 4.4: Period Worked in Organization

Period	Frequency	Percentage
Less than 3 years	2	11.1
3-5 years	7	38.9
5 years and above	9	50.0
Total	18	100.0

Source: Research Data 2013

4.4 Market Segment Served by the Organizations

From the findings on the market served by the organization, the study found that, 55.6% of the respondents indicated that their firms concentrated in manufacture of wholesale goods, 33.3% of them on retail goods and the remaining 11.1% of them concentrated on private clients. This is an indication that majority of manufacturers in this sector manufacture for the mass market; and actually depend on middlemen and suppliers to push their products to the final consumer. The findings are as shown in Table 4.5.

Table 4.5: Market Segment served by the organization

Market Segment	Frequency	Percentage
Private	2	11.1
Retail	6	33.3
Wholesale	10	55.6
Total	18	100.0

Source: Research Data 2013

4.5 Sales Performance Evaluation

Majority (61.1%) of the respondents indicated that their companies carried out evaluations yearly. 16.7% of them carried out their sales performance evaluations quarterly. Those who carried out sales evaluation monthly and twice a year were represented by 11.1% each. As majority of the firms carry out annual evaluation, it indicates the most production and actually marketing cycles are planned annually; and this might leave such firms at a disadvantage when it comes to reacting to new entrants or even new practices from competitors. However, annual reviews present a more convenient and realistic view of the market. The findings are as shown in Table 4.6.

Table 4.6: Sales Performance Evaluation

Evaluation	Frequency	Percentage
Monthly	2	11.1
Quarterly	3	16.7
Twice a year	2	11.1
Yearly	11	61.1
Total	18	100.0

Source: Research Data 2013

4.6 Sales Promotion Practices

This section reviews and compares the sales promotion practices used by various organizations in FMCGs sector in two consecutive years namely 2012 and 2013. It includes their sale promotion practices in years 2012, sales promotion practices in year 2013 and comparison of sales promotion practices in year 2012 and year 2013.

4.6.1 Sales Promotion Practices 2012

Respondents were required to indicate the extent to which their organizations used various sales promotion practices during the year 2012 based on a Likert Scale of 1 to 5, where 1- Not at all and 5 – Very Large. Means of between 3.9375 – 4.4375 and standard deviations of between 0.51235 - 0.99791were registered. The study findings therefore reveal that majority of the respondents were of the opinion that their firms used coupons, price-off deals and premiums to a large extent as sales promotion techniques as represented by means of 4.4375, 4.4375 and 4.24 respectively. On the other hand sweepstakes were used to a moderate extent in a majority of the firms. The findings are as presented in Table 4.7 and Figure 4.1.

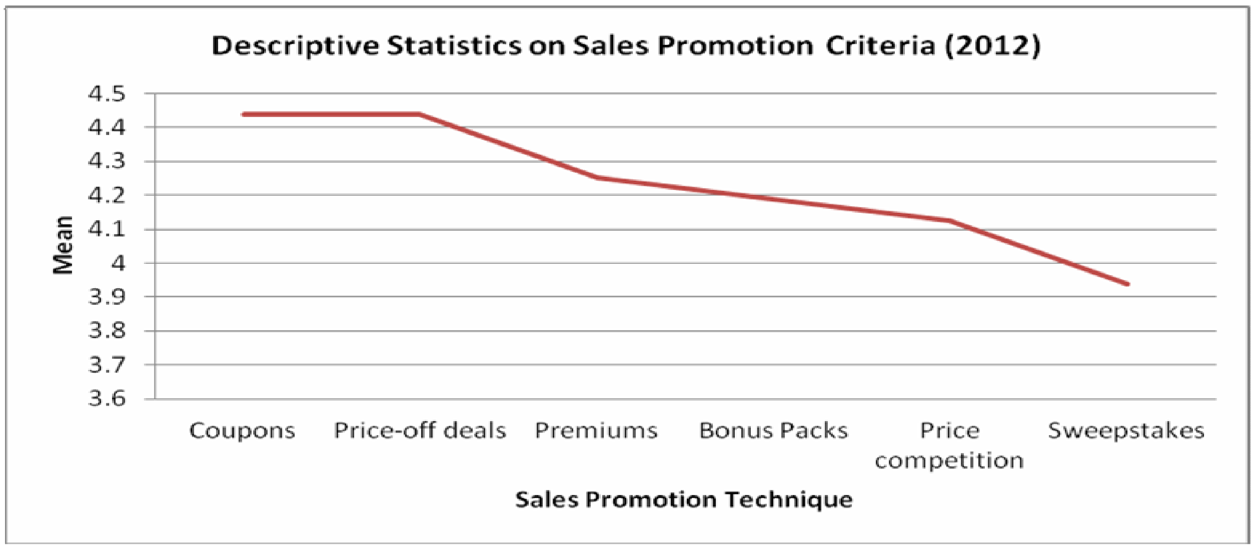
Table 4.7: Descriptive Statistics on Sales Promotion Practices (2012)

Technique	**Mean**	**Std. Deviation**
Coupons	4.43	.512
Price-off deals	4.43	.512
Premiums	4.25	.774
Bonus Packs	4.18	.655
Price competition	4.12	.806
Sweepstakes	3.93	.997

Source: Research Data 2013

In the year 2012 , the study found that the sales promotion practices used to large extent were; coupons and price off deals as shown by a mean of 4.43 in each case , premiums as shown by mean of 4.25, bonus pack as shown by mean of 4.18 , price competition as shown by mean 4.12 and sweepstakes as shown by mean of 3.93. This analysis was supported by low standard deviation an indication that respondent held similar opinions.

Figure 4.1: Sales Promotion Practices (2012)



Source, Research Data (2013)

4.6.2 Sales Promotion Practices (2013)

Respondents were further required to indicate the extent to which their companies used various sales promotion practices during the year 2013 based on a Likert Scale of 1 to 5, where 1- Not at all and 5 – Very Large. Means of between 3.93 – 4.5 and standard deviations of between 0.512 - 0.997 were registered. The study findings therefore reveal that majority of the companies under study used the same sales promotion techniques they had used in the year 2012, as presented in Table 4.8 and Figure 4.2.

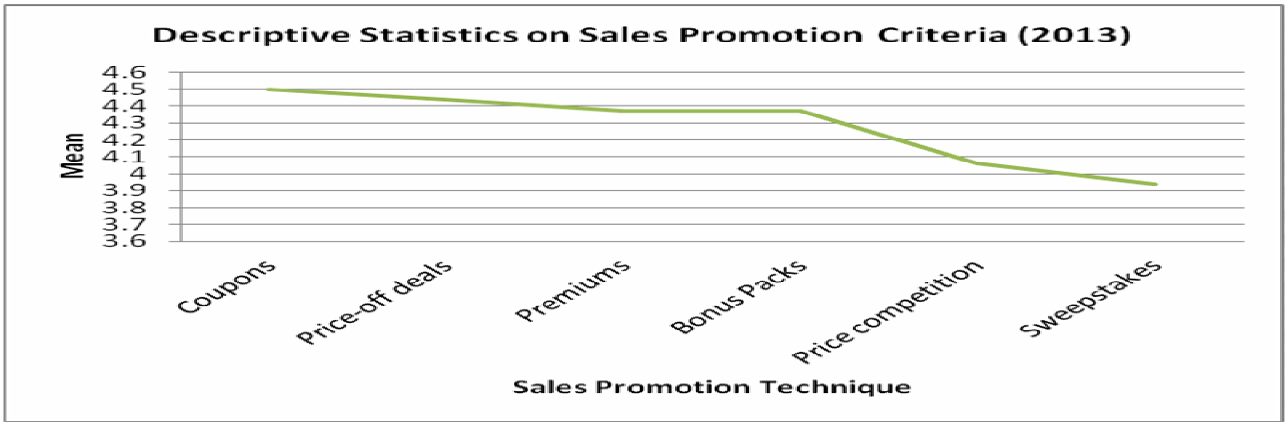
Table 4.8: Descriptive Statistics on Sales Promotion Practices (2013)

Technique	Mean	Std. Deviation
Coupons	4.50	.516
Price-off deals	4.43	.512
Premiums	4.37	.619
Bonus Packs	4.37	.500
Price competition	4.06	.771
Sweepstakes	3.93	.123

Source: Research Data 2013

From the findings from respondents on the extent to which sales promotion practices were used in the year 2013 , the study found that coupons were used to a very large extent as shown by a mean of 4.50. The others also used to a large extent were price off deal as shown by a mean of 4.43, premiums and bonus pack as shown by a mean of 4.37 in each case , price competition as shown by a mean of 4.06 and sweepstakes as shown by a mean of 3.93. This was supported by a low standard deviation, an indication that respondents held similar opinions

Figure 4.2: Sales Promotion Practices (2013)



Source: Research Data 2013

4.6.3 Comparison of Sales Promotion Practices in year 2012 and 2013

From the above two-year results, it is evident that most of the organizations don't conduct an indepth review of their sales promotion practices;but rather repeat the same cycle that might have worked previously.This is a dangerous trend as it indicates lack of innovation on the use of new techniques. The relationship between sales promotion and organization's effectiveness is controversial. Some of the recent studies include Pauwels et al (2002) which examined the permanent impact of sales promotion on accumulative annual sales for two product categories which includeded storable and perishable products. Pauwels et al.(2008), argues that the impact of sales promotion on an organization's effectiveness is minimal and non-significant . However, others believe that the impact is high and significant (Boddewyn and Leardi; 1989; Odunlami and Ogunsiji, 2011). Organizational effectiveness in this study is defined by higher sales volume and profitability. Results from this study therefore support the argument that there is a correlation between sales promotion and sales performance as is evident from the two years under study.

4.7 Sales Performance

Respondents were finally required to indicate how the sales promotion practices used influenced the sales performance of their companies based on a likert scale of 1-5, where 1- None at all and 5 – Very high. Means of between 4.43 - 4.56 and standard deviations of between 0.512-0.516 were registered. The study findings revealed that profits, sales volumes and market share of the companies under study had been influenced highly by the sales promotion practices used. The findings are as presented in Table 4.9 and Figure 4.9.

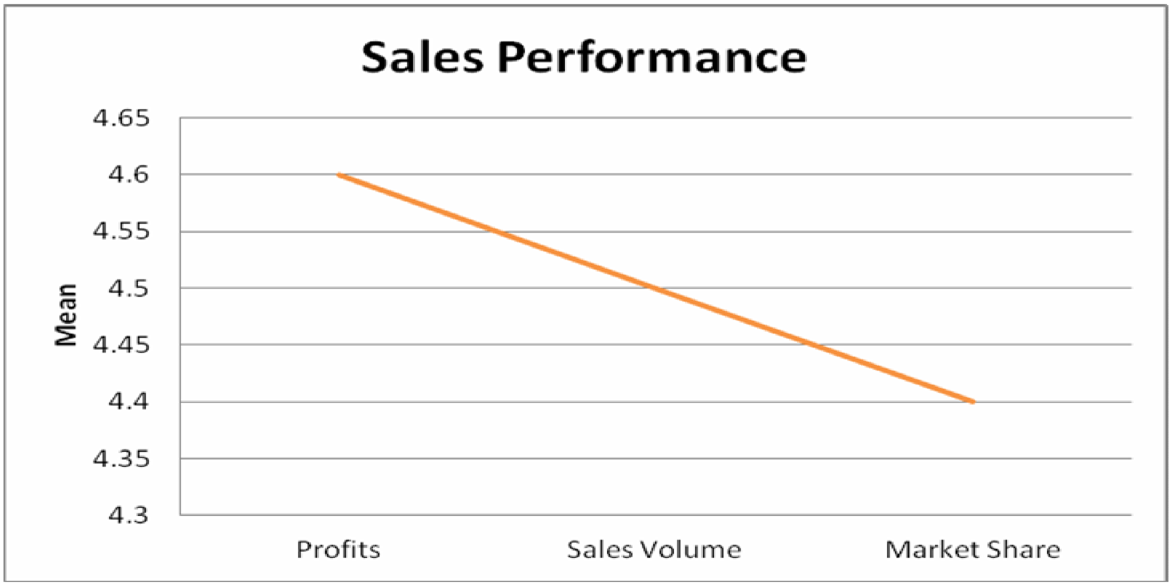
Table 4.9: Sales Performance

	Mean	**Std. Deviation**
Profits	4.56	.512
Sales Volume	4.50	.516
Market Share	4.43	.512

Source: Research Data 2013

These results indicate that sales promotion have an impact of the overall sales performance. It is however not clear whether these promotions' effects last beyond the promotion period; studies have shown that most promotions have an impact on sales for a very limited period

Figure 4.9: Sales performance



4.8 Regression Analysis of Sales Promotion Practices on Sales Performance

The research study was aimed at evaluating the relationship between sales promotion practices and sales performance among FMCGs manufacturers. The research findings indicated that there was a strong positive relationship (R= 0.932) between the variables. The study also revealed that 86.9% of sales performance of FMCGs manufacturers could be explained by the sales promotion practices under study. From this study it is evident that at 95% confidence level, the variables produce statistically significant values and can be relied on to explain sales performance among the FMCGs manufactures. The findings are as shown in the Tables 4.10.

Table 4.10: Regression Results of sales promotion practices and sales performance

Model summary					
Model	R	R Square	Adjusted R Square		Std. Error of the Estimate
1	.932(a)	.871	0.869		.2582
Anova					
Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	1.518	17	.138	.746	.04
Residual	.185	1	.185		
Total	1.702	88			
Coefficient					
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.131	.138	.156	.947	.350
Sales promotion	.880	.198	.069	.403	.031
Market share	.799	.232	.258	1.289	.016
Firm size	.648	.131	.192	1.123	.029

Source: Research 2013

From this study it was evident that at 95% confidence level, the variables produce statistically significant values for this study (high t-values, $p < 0.05$). A positive effect is reported for all the variables under study hence influence the sales performance among FMCGs manufacturers. The results of the regression equation below shows that for a 1-point increase in the independent variables, sales performance of FMCGs manufacturers is predicted to increase by 2.131, all the other factors held constant.

The equation for the regression model is expressed as:

$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + £$

$Y = 2.131 + 0.880X_1 + 0.799X_2 + 0.648X_3$

Where; $\beta 1$, β_2 and β_3 are correlation coefficients

Y= Profitability

X_1= Sales promotion

X_2= Market share

X_3= Firm size

CHAPTER FIVE: SUMMARY, CONCLUSIONS & RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of key data findings, conclusions drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn are focused on addressing the objectives of the study. The study intended to determine the sales promotion practices used by FMCGs in Nairobi, Kenya and to determine the relationship between sales promotion practices and sales performance among FMCGs manufacturers in Nairobi, Kenya.

5.2 Summary of the Findings

The researcher administered 20 questionnaires in total but managed to obtain 18 completed questionnaires representing 90% response rate. The questionnaires contained questions that addressed the objectives of the study. The research sought to explore the relationship between Sales Promotion and Sales Performance among manufacturers of FMCGs. The objectives of the study were to determine the sales promotion practices used by FMCGs manufacturers and also to determine the extent to which these sales promotions affects the sales performance of FMCGs.

The main sales promotion techniques ranged from: Coupons, price-off deals, Bonus Packs, Premiums, price completion and sweepstakes. The main reasons for adopting the above sales promotion techniques ranged from better performance measures, the firm size, market share, need to assess competitors' performance, better profitability and need to assess environment factors. Profitability and market share were rated as important reasons for adopting the aforementioned techniques in the various organizations. On the other hand Firm size measurement was found to be of a minimal reason for adopting the above sales promotion techniques.

The advantages for adopting the sales promotion techniques listed ranged from better management control; more accurate customer profitability analysis, better sales performance measures; ability to assess competitors' performance, ability to scan the environment and ability to increase the market share of various companies. The study findings revealed that better sales performance measures and ability to increase market share were rated to a large extent as advantageous to the organizations under study.

The research findings further indicated that there was a strong positive relationship (R= 0.932) between the variables. From this study it is also evident that at 95% confidence level, the variables produce statistically significant values and can be relied on to explain sales performance among the FMCGs manufactures in Nairobi.

5.3 Conclusion

From the study findings it can be concluded that the main Sales Promotion techniques include: Coupons, price-off deals, Bonus Packs, Premiums, price completion and sweepstakes in that order. These were the major contributors to the various sales performance results of the companies that were put under study.

From the findings, the study revealed that sales promotion practices positively affect the sales performance among FMCGs manufacturers in Nairobi, Kenya, as it was found that there was a positive relationship between sales promotion practice and sales performance among FMCGs manufacturers in Nairobi, thus the study concludes that sales promotion practices positively affect the sales performance among FMCGs manufacturers in Nairobi, Kenya .

5.4 Recommendations for policy and Theory

With due regard to the ever increasing desire to have better sales performance among the FMCGs manufacturers in Kenya, there is need to invest in new sales promotion practices with emergence of new technologies so as to meet this expectation, as it was found that there was a positive relationship between sales promotion practice and sales performance among FMCGs manufacturers in Nairobi, Kenya.

There is need for FMCGs manufacturers in Nairobi, Kenya to invest in market survey as this will help them in coming up with sales promotion practices that are acceptable, accessible, ethically sound, have a positive perceived impact, relevant, appropriate, innovative, efficient, sustainable and replicable.

5.5 Limitation of the Study

There were a number of limitations in the course of the study. The respondents approached were reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about them or the their organization . Some respondents even turned down the request to fill questionnaires. The study handled the problem by carrying an introduction letter from the University and assuring them that the information they give would be treated confidentially and it would be used purely for academic purposes.

Senior employees operate on tight schedules; some respondents were not able to complete the questionnaire in good time and this overstretched the data collection period. To mitigate this limitation, the study made use of networks to persuade targeted respondents to fill up and return the questionnaires.

The study also encountered problems in eliciting information from the respondents as the information required would be subject to emotions, personal attitudes and perceptions, which cannot be accurately quantified and/or verified objectively.

This might have led to less than objective response due to the veil of confidentiality surrounding the institution. The study encouraged the respondents to participate without holding back the information they might have had as the research instruments would not bear their names.

5.6 Recommendations for further Research

Arising from this study, the following are possible directions for further research in Sales Promotions: First, this study focused on the manufacturers of FMCGs in Nairobi, generalizations cannot adequately extend to other sectors of the economy. Future research should therefore focus on the other sectors in Kenya. A broad based study on Sales Promotion and Sales Performance and their relationship in both private and public organizations should also be carried out.

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APPENDICES

Appendix I: RESEARCH QUESTIONNAIRE

SECTION A: General Questions

Please fill in the following Details, Your Feedback Will be Highly Appreciated.

Name of the Company

____

Your Name (Optional)

____

Phone Number (Optional)

____

What is your current position in the company?

____

1. How long have you been working with this company? (Tick as appropriate)

- Less than 3 years [ ]
- 3-5 years [ ]
- 5 years and above [ ]

2. In which client segment is your company active? (Tick as appropriate)

- Private [ ]
- Retail [ ]
- Wholesale [ ]

3. The evaluation by the company is done. (Tick as appropriate)

- Monthly [ ]
- Quarterly [ ]
- Twice a year [ ]
- Yearly [ ]

SECTION B: Questions Regarding the Sales Performance of the Company

1. **On a scale of 1-5, please indicate the extent to which your company has used the following sales promotion techniques over the two year period where the values indicate:**

   5 - Very large

   4 – Large

   3 – Moderate

   2 – Small

   1 – Non at all

Sales Promotion Technique	1	2	3	4	5	**Year**
Coupons						
Price – off Deals						
Premiums						**2012**
Bonus Packs						
Price Competitions						
Sweepstakes						

Sales Promotion Technique	1	2	3	4	5	**Year**
Coupons						
Price – off Deals						
Premiums						**2013**
Bonus Packs						
Price Competitions						
Sweepstakes						

2. **How have the sales promotion techniques used for the last two years above influenced the sales performance?**

Indicators	Very high	High	Medium	Low	None at all
Profits					
Sales Volume					
Market Share					

3. **Please tick as appropriate the sales performance of the company over the last 24 months.**

Performance Indicators	Very high	High	Medium	Low	None at all
Profits					
Sales Volume					
Market Share					

Appendix II: LIST OF COMPANIES

1. Aquamist Limited
2. Associated Paper And Stationery Ltd
3. Bakers Coner Ltd
4. Basco Products(K) Ltd
5. Belfast Millers Ltd
6. Beverages Services (K) Ltd
7. Bio-Food Product Ltd
8. Bobmil Industries Ltd
9. Breakfast Cereal (K) Ltd
10. British American Tobacco (K) Ltd
11. Dormans Ltd
12. Cadbury Kenya Ltd
13. Candy K Ltd
14. Chandaria Industries
15. Coco Cola East African Ltd
16. Colour Labels Ltd
17. Colour Print Ltd
18. Corn Products K Ltd
19. Cosmos Ltd
20. Crown Paints (K) Ltd
21. Dodhia Packaging Ltd
22. East African Breweries Ltd
23. East African Sea Food Ltd
24. East African Seed Ltd
25. Edible Oil Product
26. Elson Plastic Of Kenya Ltd
27. Ennsvalley Bakery Ltd
28. European Perfumes & Cosmetics Co Ltd
29. Eveready Batteries East Africa Ltd
30. Farmers Choice Ltd

31. Galaxy Paints & Coating Co Ltd
32. Giloil Co Ltd
33. Gsk Ltd
34. Haco Tiger Brands Ea Ltd
35. Highlands Canners Ltd
36. Interconsumer Products
37. Jambo Biscuits K Ltd
38. Johnsonsdiversy Ea Ltd
39. Kappa Oil Refeniries Ltd
40. Kartasi Industries Ltd
41. Kenya Nut Co Ltd
42. Kenya Stationers Ltd
43. Kenya Sweets Ltd
44. Kenya Wine Agencies Ltd
45. Kevian (K) Ltd
46. Kwality Candies & Sweets Ltd
47. London Distillers K Ltd
48. L'oreal Ea Ltd
49. Manji Food Industries Ltd
50. Mastermind Tobacco K Ltd
51. Matchmasters Ltd
52. Mini Bakeries Nairobi Ltd
53. Nails & Steel Co Ltd
54. Nairobi Bottlers Ltd
55. Nairobi Flour Mills Ltd
56. Nestle Foods Ltd
57. Paperbags Ltd
58. Pembe Flour Mills Ltd
59. Premier Floor Mills Ltd
60. Premier Foods Industries Ltd
61. Procter & Gamble Ea Ltd

62. Proctor & Allan Ea Ltd
63. Pz Cussons Ea Ltd
64. Rafiki Millers Ltd
65. Ramco Printing Works Ltd
66. Rubber Products Ltd
67. Sadoline Paints
68. Sameer & Agriculture Livestock Ltd
69. Soilex Prosolve Ltd
70. Spin Knit Ltd
71. Steel Wool Africa Ltd
72. Supabrite Ltd
73. Tri-Clover Industries (K) Ltd
74. Tropikal Brand Afrika Ltd
75. Trufoods Ltd
76. Twiga Stationers & Printers Ltd
77. Unga Group Ltd
78. Uniliver (K) Ltd
79. Valuepack Foods
80. Wrigley Co Ea Ltd