Mohideen Bawa Mohamed Ismail[(1)]

Influence of Consumer Promotional Budget (CPB) on Sales in Retail Marketing (RM)

(1) Department of Management, Faculty of Management and Commerce, South Eastern University of Sri Lanka, Oluvil, Sri Lanka. (email: mbmismail1974@gmail.com).

Abstract: Consumer promotional budget is the amount spent by retail marketer for getting the sales from consumers. Objective of this research is to know the impact of promotional expenses on sales. A convenient sample size of 4 major retail marketers was selected. Collected secondary data are presented and analysed using E- views and Excell. Correlations between sales, total consumer promotional budget, total cost and revenue are greater than 0.790. Findings revealed that only advertisement and public relation influence on sales in Retail Marketing.

Key words: Consumer promotional budget, Retail Marketing.

Introduction

Consumer promotional budget is the amount spent by retail marketer for getting the sales from consumers. Promotional activities are part of the consumer marketing mix. Mostly, consumer marketing consists of product, price, place and promotion. Promotion is one element of consumer marketing mix. Promotional mix consists of advertisement, personal selling, sales promotion and public relation. Consumer promotion, integrated marketing communication and promotional mix are interchangeably used. Retail marketer has to design his promotional mix cost-effectively for acquiring revenue. Research findings indicate that promotional activities uplift sales. For instance, Gilbert and Jackaria (2002) studied the efficacy of sales promotions in UK supermarkets form a consumer view. UK supermarkets need to be able to assess the current efficacy of the budget they allocate to promotional activities aimed at boosting sales.

Ismail (2012) worked a paper on the relationship between rice brands and sales maximization of rice mill entrepreneurs in Ampara Coastal Area, Eastern Province of Sri Lanka. Kotler (2003) stated about 4Ps. P4 is promotional mix. These can be used for marketing goods and/ or services to final consumers. Diverse researches have been carried out in this field. These were in different contexts.

Problem Definition and Research Gap

Motive behind this research is gotten from the records of the consumer retail marketers. Promotional and sales records were analysed. Then, few consumer retail marketers were interviewed in relation to their expenses of promotional mix and its related sales. Retail marketers spend for their promotional activities that enhance sales. Although consumer promotional elements such as advertisement, personal selling, sales promotion and public relation are used by retail marketers retail marketers heavily rely on advertisement and public relation rather than personal selling and sales promotion. Based on the scrutinisation of records and interview, two previous literatures were reviewed. Hendel and Nevo (2006) studied about measuring the importance of sales and consumer inventory behavior. They stated that temporary price reductions (sales) are common for many goods and naturally result in large increases in the quantity sold. Demand estimation based on temporary price reductions may mismeasure the long-run responsiveness to prices. Price reduction is one type of monetary based- promotional activity.

Promotional activity may take any form (either money based promotion or non- money based promotions). Sales may be promoted by price reduction. They used two years of scanner data on the purchasing behavior of a panel of households. Alvarez and Casielles (2005) studied about consumer evaluations of sales promotion with regard to the effect on brand choice. This study evidences the influence that sales promotion has on brand choice behavior using logit models. Study considered brand as dependent variable and price, reference price, losses and gains, and the different types or techniques of sales promotion as independent variables. A regional consumer panel was used in this study. The results show that it is necessary to consider the product's promotional state at the moment of purchase as an explanatory element of the process. Promotion is a tool that can help manufacturers and/or retailers in the achievement of their objectives (try the brand, help to decide what brand to buy, etc.). Immediate price reduction is the technique that exerts greatest influence on the brand choice process. It is possible that the consumer perceives a promotion, for example, coupons or rebates, but does not modify his or her behaviour. In this case, manufacturers and/or retailers will be investing their resources in promotional actions that do not have any effect on the consumer.

These two studies are contradictory to each other. Retail marketers's records and first literature concluded that price based sales promotion promoted sales in short run. Second literature concluded that promotional actions do not have any effect on the consumer. To find solution to these contradictory research findings, this present study is undertaken. This study considers all four consumer promotional elements such as advertisement, personal selling, sales promotion and public relation using retail marketer's secondary data.

Research Question and Objective

Retail marketer's records and previous literatures confirm that research question and objective depend on two main variables such as promotion and sales. Research question and objective is formulated using these two variables. Figure 1 shows the relationship

between consumer promotion, promotional expenses and sales. Research question is raised as "whether promotional expenses have impact on sales". This research tries to set "to know the impact of promotional expenses on sales" as objective.

Figure 1: Research question & objective

Motivations of the Study

Research is motivated in number of ways to do research. First, promotional campaign is helpful to achieve buyer behavior in short run. For example, Alvarez and Casielles (2005) studied about consumer evaluations of sales promotion with regard to the effect on brand choice. This study analysed the influence that sales promotion has on brand choice behaviour. Establishments wish to influence consumers' buying behaviour, and thus they launch strong promotional campaigns or introduce changes in their price policies, among other actions. However, they are not always capable of achieving their goal, since, although they may reach their objective in the short term, when the longer term is considered there are undesirable consumer actions. Second, this study shows that is very important to know the consumer's preferences and the actions that influence his or her behaviour. Considering the results, it seems that promotions based on price have the greatest effectiveness. Third, promotion and sales has link with profitability. For example, and (1996) studied about how promotion i.e. coupon face value impacts on coupon redemptions, brand sales, and brand profitability. Hendel and Nevo (2006) explored whether the data support the

hypothesis that increases in quantity demanded are, at least partly, due to dynamic consumer behavior at low prices consumers stockpile for future consumption. This effect, if present, renders standard static demand estimates misleading, which has broad economic implications.

Previous Studies of Consumer Promotion and Sales

Little (1975) studied that brand aid using a marketing-mix model. He stated that marketing managers make decisions about price, advertising, promotion, and other marketing variables on the basis of factual data, judgments, and assumptions about how the market works. Brand aid is a flexible, on-line model for assembling these elements to describe the market and evaluate strategies. Brand aid is a molecular structure so that individual decision areas can be added or deleted at will. This model is of the aggregate response type in which decision variables relate closely to specific sales performance measures. The major sub-models are advertising, promotion, price, salesmen, and retail distribution. The advertising sub-model employs a long-run sales response to advertising function and a linear lag process. Promotional effects are built up from a characteristic time pattern for the type of promotion and a response curve. Salesman affects sales through a response process structurally similar to that for advertising. Retail distribution variables are intermediaries that the company affects and that in turn affect customer response. Sub-model outputs combine multiplicatively. Competition enters in a modular, symmetric way through a matrix of competitive coefficients that determine the source of sales for each brand as it seeks to increase its market position. This study studied about 4 Ps that include consumer promotional element. All these elements increase sales. Hendel and Nevo (2006) studied about sales and consumer inventory. Temporary price reductions (sales) are common for many goods and naturally result in large increase in the quantity sold. They constructed a dynamic model of consumer choice, use it to derive testable predictions and test these predictions using two years of scanner data on the purchasing behavior of a panel of households. The results support the existence of household stockpiling behavior.

Laroche, Pons, Zgolli, Cervellon and Kim (2003) studied about a model of consumer response to two retail sales promotion techniques. They pointed out that the occurrence and the choice of appropriate retail sales promotion techniques are important decisions for retailers and is crucial for them to apprehend the mechanisms involved at the consumer level regarding these sales promotions. Therefore, they developed a multidimensional model, which follows a cognitive–affective–behavior pattern, in the context of consumers' use of retail sales promotions. This model was based on two different promotional tools such as coupons and two-for-one promotions that supposed to trigger different promotional responses. Moreover, the potential influences on this pattern of consumers' traits are included. Variables such as busyness, variety seeking, perceived financial wellness, market maven, brand loyalty and store loyalty that were previously introduced in research on coupon promotions are posited to have specific influences on the three components of the pattern. Through contrasting two types of promotional tools, they highlight commonalities in the process of promotion use, but nonetheless significant and interesting differences, both in the whole process and in the influence of individual-difference variables. , and (1998) studied about varying parameter models to accommodate dynamic promotion effects. This study examined the dynamic effects of sales promotions. They create dynamic brand sales models (for weekly store-level scanner data) by relating store intercepts and a brand's own price elasticity to a measure of the cumulated previous price discounts – amount and time – for that brand as well as for other brands. The brand's own non-price promotional response parameters are related to the time since the most recent promotion for that brand as well as for other brands. They demonstrate that these dynamic econometric models provide greater managerial relevance than static models. Ismail (2012) worked a paper on the relationship between rice brands and sales maximization of rice mill entrepreneurs in Ampara Coastal Area, Eastern Province of Sri Lanka. This study deviates from previous studies in terms of sector, period and scope. This study is undertaken in retail marketing by the year 2012. Study is undertaken geographical area of Ampara District, Eastern Province of Sri Lanka.

Promotional element which is a part of marketing strategies is considered in research. Consumer promotional budget and its impact on sales are studied in this research.

Hypotheses developed

Researcher sets four hypotheses. Nulls of these four hypotheses are stated below.

Ho: There is no relationship between advertisement and sales.

Ho: There is no relationship between personal selling and sales.

Ho: There is no relationship sales promotion and sales.

Ho: There is no relationship between public relation and sales.

Conceptual Model

A conceptual model is derived from previous literature review. Conceptual model is depicted in figure 2.
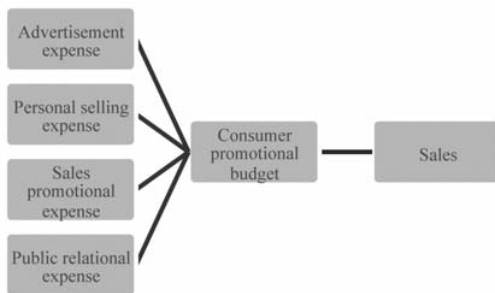

Figure 2: Conceptual model

Operational Definition of Variables

Advertisement expense is expense for handbill issued by retail marketers with respect to their retail shops. Personal selling expense is the payment for sales persons employed in retail shops. Sales promotional expense is the expense for gift granted by retail shops. Public relational expense is the expense made by retail marketer to loyal purchasers existing with retail shoppers who recommend about retail shops. All these

promotional expenses are termed as promotional budget as a whole.

Methods and Materials

Population and Sample

There are no accurate data for retail marketers in Ampara District. So, researcher faced difficulties in designing sampling frame. This difficulty made researcher not to select probability sampling but to select non- probability sampling. Since sampling frame is not available to researcher a sample size of 4 major retail marketers were selected from villages of Akkaraipattu, Addalaichenai, Palamuani and Oluvil. All these retailers have been selected on the basis of the convenience of the researcher.

Method of Data Collection and Analysis

Total consumer promotional expense/ budget records comprising of advertisement, personal selling, sales promotion and public relation of these four retailers were collected. Every weekly records of promotional budget of these four retailers were summed up and considered for research. Records of secondary data have been collected as materials for doing research. Data collection comprised of 30 months (120 weeks). There was an observation from the data collected. Collected data had a pattern. Promotional budget for every 15 weeks had similar patterns. Data collection focused starting from November (4 weeks), December (4 weeks) and January (3 weeks) of 2009 and ended up with 2012. Successive 15 weeks also had the similar pattern as previous one. Instrument for data collection was records of retail marketers. Total cost is the sum of total consumer promotional budget and purchase. Revenue is the remainder balance between sales and total cost. Data regarding total consumer promotional expense/ budget, purchase, total cost, sales and revenue is the remainder balance between sales and total cost were all secondary data. Collected secondary data are analysed using E- views and Excell.

Method of Data Presentation

Figure 3 represents the comparison between sales, total consumer promotional budget, total cost and revenue.

Collected data regarding sales, total consumer promotional budget, total cost and revenue were depicted in the same area graph.
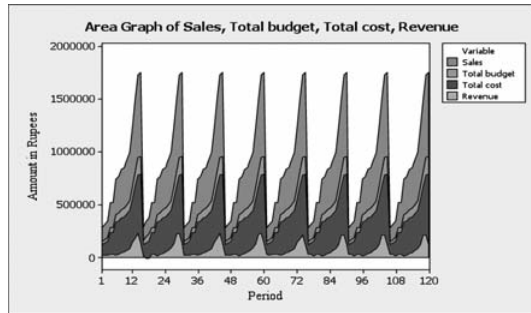

Figure 3: Comparison between sales, total consumer promotional budget, total cost and revenue.

Results and Discussion of Findings

Descriptive Statistics

Consumer promotional budget consisted of advertisement, personal selling, sales promotion & public relation. Average amount of consumer budget for advertisement, personal selling and sales promotion is 21317 rupees. Mean value for public relation represents 19533 rupees. Average value for total consumer budget is 83483 rupees. Average sales value is 405000 rupees. Average sales value is around five times more than average total consumer budget. Average purchase is 243858 rupees. Total cost is the addition of total consumer promotional budget and purchase. Average revenue is 77658 rupees. A sale to revenue percentage is 19%. Every hundred rupees of sales generate 19 rupees as revenue. Output of necessary descriptive statistics is tabulated in table 1.

Table 1: Descriptive Statistics for Sales, Advertisement, Personal Selling, Sales promotion & Public relation

Variable	N (weeks)	Mean	SE Mean	Standard Deviation	Minimum	Median	Maximum
Sales	120	405000	19402	212540	130000	380000	800000
Advertisement	120	21317	948	10388	7500	21000	40000
Personal selling	120	21317	948	10388	7500	21000	40000
Sales promotion	120	21317	948	10388	7500	21000	40000
Public relation	120	19533	992	10869	5000	18000	40000
Total consumer promotional budget	120	83483	3825	41901	29000	81000	160000
Purchase	120	243858	10502	115048	70000	255000	510000
Total cost	120	327342	14212	155681	99000	336000	670000
Revenue	120	77658	6108	66908	-6000	44000	232000

(Source: Survey data)

Correlation

Correlations between sales, total consumer promotional budget, total cost and revenue are greater than 0.790. These values represents that there is strong strength of association among sales, total consumer promotional budget, total cost and revenue.

Regression Analysis

Regression analysis is run to know the effect of consumer promotional budget on sales. Regression analysis did not consider two consumer promotional variables i.e. personal selling and sales promotion. After the removal of these two variables, the following regression formula is generated. Regression equation is shown in equation 1.

The regression equation is Sales = 8296 + 5.27 Advertisement + 14.6 Public Relation……….....Eq. 1

Output for regression analysis is shown in table 2.

Table 2: Regression analysis

Predictor	Coefficient	Standard Error of Coefficient	T	P
Constant	8296	2378	3.49	0.001
Advertisement	5.2677	0.4892	10.77	0.000
Public Relation	14.5604	0.4675	31.14	0.000

(Source: Survey data)

Regression analysis considered only two consumer promotional variables. Two of the four consumer promotional elements such as personal selling and sales promotion have been neglected by regression analysis. According to regression equation, constant value is 8296. This refers to when there are no consumer promotional activities retailers gain sales volume of 8296 rupees. When retailer put an advertisement for one rupee he gains 5.27 rupees of sales. When retailer undertakes one rupee of public relation activity he gains 14.6 rupees of sales. The regression formula model is highly reliable in terms of sum of squared (S = 10022.5), r square (R-Sq = 99.8%) and adjusted r square values (R-Sq(adj) = 99.8%.

Hypotheses Testing

Researcher sets four hypotheses between advertisement, personal selling, sales promotion and public relation. Since p values for these two personal selling and sales promotion are greater than 0.000 null hypotheses of these two hypotheses have been accepted. That is to say, personal selling and sales promotion have no significant influence on sales. Hypotheses for Advertisement and Public Relation are set. Null hypotheses are set as Advertisement and Public Relation are not related to sales. Alternative hypotheses are set as Advertisement and Public Relation are related to sales. Since p values of both advertisement and public relation are less than 0.05 researcher rejects null hypotheses and instead, accepts alternative hypotheses. Acceptance of alternative hypotheses refers to both advertisement and public relation significantly influence on sales.

Analysis of Variance

Analysis of Variance explains model is significant. Since p value is less than 0.05 model is significant. Consumer promotional variables such as advertisement and public relations in regression model significantly influence on sales. F statistic is shown in table 3.

Table 3: F statistics

Source	DF	SS	MS	F	P
Regression	2	5.36385E+12	2.68192E+12	26699.05	0.000
Residual Error	117	11752667971	100450154		
Total	119	5.37560E+12			

(Source: Survey data)

Conclusions

Consumer Promotional Budget (CPB) consists of advertisement, personal selling, sales promotion and public relation. Findings revealed that advertisement and public relation influence on sales in Retail Marketing. Instead, personal selling and sales promotion have no influence on sales in Retail Marketing. In terms of previous literatures and marketing literatures, all four elements impact on sales. But, research found only two promotional mixes such as advertisement and public relations have impact on sales.

Limitations and Future Research Venues

This study focuses on Ampara District, South Eastern Region of Sri Lanka. Geographical boundary can be extended to other districts in Sri Lanka. Sampling frame is not accessible to the researcher. This induced researcher to involve a non- probabilistic sampling method.

Contribution to Literature

A regression model is generated as Sales = 8296 + 5.27 Advertisement + 14.6 Public Relation with higher r square (R-Sq = 99.8%) and adjusted r square values (R-Sq(adj) = 99.8%. Retail marketers can use this model for enhancing their sales by advertisement and public relation. This study contributes to the existing literature in terms of consumer promotion and retail marketing.

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