

The Effect of Sales Promotion on TV Advertising Revenue: A Case study of TV Africa, Ghana

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Abstract

This study is on sales promotion and its effects on advertising revenue of TV Africa, Ghana. The study focuses on how sales promotion is used to generate revenue, how it is done, the common sale promotion tools and strategies adopted by the company, and to find out if sale promotions increase advertising revenue. Sales promotion is an important component of any organization's overall marketing strategy along side advertising, public relations, and personal selling. The study is significant because, it contributes to new knowledge by filling and reducing the gap that exist in the understanding of sales promotion by management and other stakeholders in the media network business. It also serves as source of references to other researchers in this field. A descriptive research design was applied to describe sale promotion activities of the organization. The sample size employed 41 respondents from TV Africa. Questionnaires were administered to the sampled population to collect primary data and an interview was also conducted with management to get some key information which is needed for this study. However, the study made use of simple random sampling in selecting the clients, purposive sampling for management and employees in marketing, accounts and operation departments. The result of the study indicated that guarantees and warranties, souvenirs, discounts offer and give away are the mostly adopted sales promotion tools by TV Africa. Chi-square test is used to check the significant of sale promotions to increasing advertising revenue. It was 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.

Keywords: sales promotion, advertising, revenue, budget, target and tools.

INTRODUCTION

Increasing global competition has made many companies want to find more innovative ways of selling their goods and services. This has largely contributed to the increased use of sales promotion as a promotion tool to enhance sales revenue in many industries. Sales promotion is however, an initiative undertaken by organizations to promote increase in sales, usage or trial of a product or services (such as initiations that are not covered by other elements of the marketing communication/promotional mix). Sales promotion is an important component of an organizations overall marketing strategy along with advertising, public relations, and personal selling. Sales promotion acts as a competitive weapon by providing an extra incentive for the target audience to purchase or support one brand over another. It is particularly effective in spurring product trial and unplanned purchases (Aderemi, 2003). Most marketers believe that a given product or service has an established perceived price or value, and they use sales promotion to change this price value relationship by increasing the value and/or lowering the price compared with other components of the marketing mix (advertising, publicity, personal selling). In determining the relative importance to place sales promotion in the overall marketing mix,

an organization should consider its marketing budget, the stage of the product in the life cycle, the nature of competition in the market, the target of the promotion, and the nature of the product. For example, sales promotion is a particularly attractive alternative when the budget is limited. In addition, sales promotion can be an effective tool in a highly competitive market, when the objective is to convince retailers to carry a new product or influence consumers to select it over those of competitors. More so, sales promotion tends to work best when it is applied to impulse items whose features can be judged at the point of purchase, rather than more. Sales promotion includes communication activities that provide extra value or incentives to ultimate consumers, wholesalers, retailers or other organizational customers. It also stimulates sales and product trial (Kotler and Kelvin, 2006). The essence of this paper is to test the effect of sales promotion on organizational performance.

However, increase in global competition has also made many companies to find more innovative ways of selling their goods and services. This has largely contributed to the increased use of sales promotion as a promotional tool to enhance sales revenue, acquire and retain old and new customers of a company.

Sales Promotion is a short term incentive to encourage purchase or sales of a product or service. It includes those marketing activities, other than personal selling, advertising and publicity, which stimulate consumers purchasing and dealers' effectiveness such as window display, shows, expositions, demonstrations etc. Sales promotion is also concerned with the creation, application and dissemination of materials and techniques that supplement advertising and personal selling.

On the other hand, sales promotion are a campaign consisting of periodic events designed to move extra volume to consumers and trade in the course of the year over and above, what would be sold. The concept of sales promotion outlines consumer promotion targeted at end users and trade promotion, targeted at intermediaries/trade channels. According to Philip Kotler (2003), sales promotion has three basic characteristics are communication, providing incentives and making an invitation to engage a transaction. The concept of sales promotion is used as a marketing strategy internationally. Sales Promotion among the media houses especially the Television stations has been on the increase especially use sales to promotion as a strategy to meet their sales volumes. Most companies in the world used sales promotion to gain an upper edge over competitors. This study seeks to investigate the effects of sales promotion on television advertising revenue, in general by using Television Africa as the case study.

OBJECTIVES OF THE STUDY

The general objective of this study is to investigate the effects of sales promotion on TV Africa Advertising revenue. The researcher has formulated the following hypothesis which was tested at the end of the research.

Hypothesis of the Study

H1- Sales promotion does not increase advertising revenue

Specific objectives include the following:

- To evaluate the extent to which sales promotion affects Advertising revenues,
- To identify the forms of sales promotion adopted by TV Africa,
- To examine the views of customers on increasing their television advertising,

LITERATURE REVIEW

Definition of Sales Promotion

The literature review considered in this research looked at the definition of sales promotion, the differences between sales promotion and type of sales promotion and preference.

According to Kotler (2003), Sales Promotion is a key ingredient in marketing campaigns and consists of a diverse collection of incentive tools, mostly short

term designed to stimulate quicker or greater purchase of particular products or services by consumers. Sales promotions programmes are those activities that stimulate consumer purchase. Sales promotion is one of the ways used by firms to communicate with intended target market. Sales promotion is unique in that it offers an extra incentive for action (Adrian Palmer, 2004). Sales promotion refers to those promotional activities other than advertising, publicity and personal selling that stimulate interest, trial or purchase by final customers or others in the channel (Bagavathi Pillai, 2007).

Sales Promotion Types and Preferences

The expected price is that price consumers use as a reference in making purchase decisions as the price they expect to pay prior to a purchase occasion. Further, the expected price may also be called the "internal reference price" (Klein and Oglethorpe, 1987) as opposed to an external reference price such as the manufacturers' suggested list price. Finally, a brand is on price promotion when it is offered with a temporary price cut that is featured in newspaper advertising and or brought to consumers' attention with a store display sign.

Differences between Advertising and Sales Promotion

According to S. J. Daharwal (2007), Advertisement and sales promotion are basically the two important features used to promote the sale of the product, but they differ in their ways. Advertising on one hand, is the form of mass media communication directed towards influencing the end consumer. Whereas sales promotion on the other hand deals with the mass communication directly towards informing and influencing the channels of distribution. Both help the firm to face the competition in the market for its survival. They promote the brand and also are useful in the launch and introduction of new products.

Research Methods

The study employed descriptive research design. This form of design allows the researcher to describe what sales promotion tools are, how they are used and where. In addition to this, the study also described common characteristics among the study population of the research. The method of data collection includes a combination of both primary (questionnaire) and the secondary methods (this includes journals, published articles and other materials). The hypothesis was tested using chi square method. The researcher administered 41 questionnaires to management, staff and customers of TV Africa; 5 management, 25 staff and 11 respondents representing customers (institutions).

Data Analysis

Objective one: To evaluate the extent, to which sales promotion affects advertising revenues,

Responses from Staff of TV Africa

Table 1. Response to Sales Promotion Affect Profit of TV Africa

Attributes	Frequency	Percent
Strongly Agree	16	64.0
Agree	8	32.0
Neutral	1	4.0
Total	25	100.0

Source: Field Data, February, 2010

A certain portion of the respondents strongly agreed that sales promotion affects the profit of TV Africa (64%) and those who agreed represent 32%. It can be deduced that sales promotion increases the profit of TV Africa since the responses from table 4.1.4 which represent 94% said TV advertising should be increased. Television is the latest and the fastest growing medium of advertising. It is a very effective medium because it appeals to both the eye and ear. The product can be demonstrated and explained on the television. Sales promotion has become an integral part of the marketing strategies of many retailers, institutions and successful deployment and implementation of sales promotion tactics at the right time can lead to substantive growth in sales transactions and sales revenues. Sales promotion consists of a diverse collection of incentive tools to elicit quicker or greater consumer purchases in a short period of time.

Table 2. Sales Promotion Package Influence the Amount Spent in Advertising

Statement	Frequency	Percent
Yes	10	90.9
No	1	9.1
Total	11	100.

Source: Field Data, February, 2012

Majority (10) of the respondents that represents 90.9% said the package of sales promotion in one way or the other influences the amount spent in advertising whiles a person said sales promotion package has not got anything to do with the amount spent in advertising. It shows that the package of the sales promotions when attractive would allure customers to part take more in the promotion activities which might also go a long way to increase the revenue of the TV station.

Objective two: To identify the forms of sales promotion adopted by TV Africa,

Responses from management on forms of sales promotions adopted by the TV Station

The interview conducted with management shows that the form of sales promotion strategies adopted by TV Africa are bonus spot, guarantees and warranties, souvenirs and discount offers. Management continued to explain that these adopted tools are also used as strategies to compete with other TV stations in the country. Other non-priced induced sales promotion tools like sweepstakes, contest and games were not mentioned by management. It could be deduced that TV Africa uses only the mentioned tools which bring in revenue to the station, other sales promotions are less profitable or could not run by the budget the company has.

Table 3. Competition Determines Sales Promotion of an Organization

Attributes	Frequency	Percent
Strongly Agree	2	18.2
Agree	5	45.5
Neutral	1	9.1
Disagree	3	27.3
Total	11	100.0

Source: Field Data, February, 2012

Five (5) of the respondents which corresponds to 45.5% agreed that competition determines sales promotion of the organization; this was followed by three which represents 27.3% who disagreed. Two (2) which corresponds with 18.2% strongly agreed with one (10%) been neutral. A study conducted by Ibojo Odunlami and Amos Ogunsiji (2011) on the effects of sales promotion as a tool on organizational performance, a case study of Sunshine Plastic Company affirms that 35.4% strongly agreed, 61% agreed while 2.4% were undecided on the view that competition determines the sales promotion of the organization. This indicates that the degree of competition in the market determines the sales promotion of the organization. It indicates that organizations do study the level of the competition in the market before deciding on which form of sales promotion that they must embark on.

Objective three: To find out key reasons for increasing sales promotion budgets

Views of staff on reasons for increasing sales promotion budgets of TV Africa

Table 4. Reasons for Increasing sales promotion Budget

Statements	Frequency	Percent
Valid Non Response	3	12
To Stop Competitors From Entering The Market	4	16
To Strengthened The Brand	3	12
Increase Sales	9	36
Help Launch a New Product	6	24
Total	25	100

Source: Field Data, February, 2012

The researcher further went on to ask reasons why the budget might be increased. The following reasons were given with 3 respondents, representing 12% indicating nothing, 4 respondents representing 16% stated to stop competitors from entering the market, 3 respondents representing 12% said to strengthen a brand, 9 respondents representing the highest 36% suggesting to increase sales and 6 respondents representing the second highest 24% opted that it helps to launch a new product. It is deduced that the promotion is basically done to promote sales and the launching of a new product.

Chi-Square Test for Hypothesis

Sales promotion does not increase advertising revenue

Null hypothesis (H_0). There is no relationship between the variables.

Alternative hypothesis (H_a). There is a relationship between the variables.

Table 5: Sales Promotion Increases Advertising Revenue

SALES PROMOTION INCREASES ADVERTISING REVENUE	SALES PROMOTION AFFECT PROFIT OF TV AFRICA			
	Strongly Agree	Agree	Neutral	Total
Strongly Agree	6	0	0	6
Count	2.2	2.4	1.4	6.0
Agree	3	10	5	18
Count	6.5	7.2	4.3	18.0
Neutral	1	0	0	1
Count	0.4	0.4	0.2	1.0
Total	9	10	6	25
Count	9.0	10.0	6.0	25.0

GUIDE TO DECISION

Where X^2 calculated value is less than X^2 critical value, accept the null hypothesis but if X^2 calculated value is greater than X^2 critical value, reject the null hypothesis. To find the expected frequencies, the following formula was used:

Total Row x Total Column

Total

$$1^{\text{st}} \text{ cell: } 6 \times 9 \div 25 = 2.16$$

$$3^{\text{rd}} \text{ cell: } 6 \times 6 \div 25 = 1.44$$

$$5^{\text{th}} \text{ cell: } 18 \times 10 \div 25 = 7.2$$

$$7^{\text{th}} \text{ cell: } 9 \times 1 \div 25 = 0.36$$

$$9^{\text{th}} \text{ cell: } 1 \times 6 \div 25 = 0.24$$

$$2^{\text{nd}} \text{ cell: } 6 \times 10 \div 25 = 2.4$$

$$4^{\text{th}} \text{ cell: } 18 \times 9 \div 25 = 6.48$$

$$6^{\text{th}} \text{ cell: } 6 \times 18 \div 25 = 4.32$$

$$8^{\text{th}} \text{ cell: } 10 \times 1 \div 25 = 0.4$$

The Chi-square formula is given as:

$$X^2 = \frac{(f_o - f_e)^2}{f_e}$$

Where f_o = observed frequency

f_e = expected frequency

f_o	f_e	$f_o - f_e$	$(f_o - f_e)^2$	$(f_o - f_e)^2 \div f_e$
6	2.2	3.8	14.44	6.56
3	6.5	-3.5	12.25	1.88
0	0.4	-0.4	0.16	0.4
0	2.4	-2.4	5.76	2.4
10	7.2	2.8	7.84	1.09
0	0.4	-0.4	0.16	0.4
0	1.4	-1.4	1.96	1.4
5	4.3	0.7	0.49	0.23
1	0.2	0.8	0.64	3.2
Total				17.56

$$\begin{aligned} df &= \text{degree of freedom} = (R-1)(C-1) \\ &= (3-1)(3-1) = 2 \times 2 = 4 \end{aligned}$$

$$\alpha = 0.05$$

$$df = 4$$

$$X^2 \text{ Critical} = 9.488$$

$$X^2 \text{ Calculated} = 17.56$$

Decision

From this rule it means that the null hypothesis is rejected because X^2 critical value of 9.488 is lesser than the X^2 calculated value of 17.56, which states that there is relationship between the variables, that is, sale promotions and advertising revenue. This suggests that, there is a positive relationship between sales promotion and advertising revenue of TV Africa. Sales promotions and advertising revenue increase in the same direction. Simply it means that, as sale promotions increase, advertising revenue also increases. This finding has confirmed one of the main objectives of conducting sales promotions by organization is to increase sales.

In the case of TV Africa sales promotions activities would not only increase advertising revenue but also increase the revenues of the individuals and institutions that take part in the promotions. Sale promotion might also be carried by TV Africa not to increase advertising revenue only but gain publicity among its viewers and companies that use the medium to send messages to their final consumers and customers. And it is also a tool of market promotion which gives rise to increase in production usage as well as expansion of market for a product or introduction of a new product.

DISCUSSION

As indicated in the first objective to evaluate the extent to which sales promotions affects advertising revenue. The main aim of any business is to earn maximum profit and this is possible only through maximum sales. The maximum sales can be achieved by using strategies other than personal selling, advertising and publicity, which stimulate consumers purchasing and dealers' various techniques of sales promotion. Sales promotion includes those marketing activities, effectiveness such as window display, shows, expositions, demonstrations. The data gathered and interpreted shows sales promotion affects advertising revenue positively. From the data interpreted, nineteen (19) of the responses shows the benefits from TV advertising exceed the cost, also twenty four (24) of the respondents agreed that sales promotion affects the profit of TV Africa. Again twenty four (24) said sales promotion increases advertising revenue.

The second objective was to identify the forms of sales promotion strategies adopted by TV Africa, from the management questionnaire the following were some of the sales promotion strategies adopted by TV Africa which increases advertising revenue; bonus spots, guarantees and warranty, free samples, souvenirs, discount offers, give ways and trade discounts. The types of sales promotions greatly depend on the preferences of customers and the budget available by the organization to carry it out. If the preferred forms of promotion by customers involve high cost in running and less revenue to the organization then it is impossible that the promotion might not be conducted. The choice of sales promotion based on current competition from the finding indicated that about 65% of the staff questioned agrees that competition is an indicator for most organizations when deciding on sales promotions.

Again, according to a study conducted by Ibojo Odunlami and Amos Ogunsiji (2011) in Nigeria, on the "effects of sales promotion as a tool on organizational performance, a case study of sunshine plastic company" the analysis affirms that 35.4% strongly agreed, 61% agreed while 2.4% were undecided on the view that competition determines the sales promotion of the organization. This indicates that the degree of competition in the market determines the sales promotion of the organization. The key reasons for increasing sales promotion budget were suggested but the most important one among the list was based on the competition in the market. The aim of any organization is to occupy a certain proportion of the market in which it operates to generate profits. If promotions are not done as in line with what other competitors are doing, then it is likely that customers would be looking for other alternatives. In all, promotional tools are considered

as retention tools as well as strategies in keeping old customers and winning new ones.

FINDINGS

The extent of sales promotion was evaluated by the researcher and it was identified that sales promotions affect organizations revenue positively. In the case of the TV stations the promotion increases the sales of the station and the institutions taking part in the promotion. The participating organizations used the promotion to advertise their products or services to the public and the TV stations also seek the help of the promotion to become known among their viewers. The research identified the forms of sales promotion use and also examined the views of customers on increasing their television advertising, when there are promotions organized by TV Africa. Finally, the tested hypothesis spelt out that a sale promotion is significant to increase in advertising revenue.

CONCLUSION

The results obtained from the research, with respect to the objective and the hypothesis tested induced the researcher to conclude that sales promotion has a positive effect on the advertising revenue of TV Africa. From the interview, management gave bonus spot, guarantees and warranties, souvenirs, discount offers and give away as sales promotional strategies of TV Africa. From the study, it was found out that bonus spot affects advertising revenue positively as it often induces customer to often rush for these promotions to the extent that sometimes demand cannot meet supply. Sales promotion helps to build brand loyalty by giving the seller the opportunity to attract a loyal and profitable set of customers which provides sellers some protections from competition and greater control in planning their marketing mix, Shira (2003).

Also conclude that customers prefer bonus offer to any other sales promotion tool. Therefore clients should increase their television advertising since it appeals more to the eyes and ears. Above all, it was seen that the agencies faced certain challenges which sometimes lead them to shifting to other media houses and since the competitions in the media house is becoming keen something urgent should be put in place to eliminate or to a larger extent limit these challenges. It is also been confirmed that the yearly adjustment of the budget is to increase target profit and responds to previous sales promotion strategies then the sales budget should be increased if necessary.

RECOMMENDATIONS

As a result of the findings from the research conducted, the researcher recommends the following: It was seen from the research that, game and sweepstake were not of interest to customers and staff

did not have much knowledge on these, though it requires greater consumers' involvement than with other tools, and the chance of actually winning is generally perceived to be slim. Given such consumer skepticism, it is advisable that management put in more creative and attractive design in deploying contest, game and sweepstake as sales promotion device, it should be considered in encouraging more active consumers' participations. Bonus offers and direct discount was found to be the sales promotion tool most preferred in general by consumers, most frequently used in reality and most effective in influencing consumers' self-proclaimed purchasing behaviors. Yet, it should be noted that both brand values and brand equities, both of which are image-driven, may be sacrificed or compromised if frequent and perennial discounts are to be offered. In addition, consumers may expect discounts of some sort to come, and hence refrain from buying or hold back purchases – which have undesirable impacts on turnover and sales revenues. As a result, direct discount despite being popular among consumers may actually cause detrimental efforts on the profit margins.

Consumers are always attracted by various sales promotion tools to try a new product and make an initial purchase. However, the effects induced by sales promotion tools need to be sustained by the actual performance of the products, which should be the ultimate focus of management to retain loyal consumers so as to generate stable sales revenues in a longer term.

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