

## Impact of Sales Promotion on Customers' Loyalty: Case of Cadbury Nigeria's Plc

<sup>1</sup>Kabuoh, M.N., <sup>2</sup>Odomokwu, R. <sup>3</sup>Ogbuanu, B.K. & <sup>4</sup>Uwem, Emmanuel I.

<sup>1,2&3</sup>Department of Business Administration and Marketing  
Babcock University, Ilishan-Remo Ogun State

### Abstract

This study evaluated the impact of sales promotion on customer's loyalty to Cadbury Nigeria's products. Both primary and secondary data required for this study were gathered from two sources, the first from a field study and the second from text books, journals and past studies. The population for this study was 195 employees in the marketing and sales department of Cadbury Nigeria plc. Lagos, the sample size derived from the population was 131 but 127 respondents returned their questionnaires. Structured questionnaire was implored for the elicitation of relevant data regarding the respondent's biodata and study variables. Information generated were analyzed firstly on percentage and frequency tables and finally hypothesis test was carried out using regression with the aid of statistical package for social science (SPSS). Result indicated there is a significant impact of sales promotion on customers' loyalty to Cadbury Nigeria's products:  $R = 86.2\%$ ,  $R^2 = 70.8\%$ . This study recommends that organizations should invest more resources on sales promotion as to capture customers' loyalty to patronizing Cadbury Nigeria Plc products/services.

**Keywords:** Sales promotion, Customers' loyalty, Cadbury Nigeria Plc., Products and services.

Corresponding Author: Kabuoh, M.N.

### **Background to the Study**

The rapid changing market place environment has resulted in a majority of consumers at both national and international levels feeling confused and facing difficulties in making decisions. Many scholars and researchers have long acknowledged the importance of knowing why customers choose a particular product and service and the factors that influence them to make the selection (Kabuoh, Asikhia & Alagbe, 2016). Sales promotion has a role to play in this stance as customers need to be aroused, persuaded, and encouraged by coupon offers to try one or two products among varieties of

It is not enough for a business to have goods and products sold at attractive prices, but to generate sales and profits, the benefits of products have to be communicated to customers and this is why managers use different strategies to communicate these benefit to customers. In marketing, these strategies are commonly known as “promotion”. Although promotion is not done only for these factors but for others such as to build brand loyalty, to remind and reassure costumers, to launch a new product and maybe to defend market share by responding to competitors' campaigns with their own advertising.

### **Statement of the Problem**

Selling concepts made it clear that customers will not patronize a product or service if promotional activities are not in place (Kotler, 1980). Organizations such as Cadbury Nigeria may be faced with challenges of inadequate sales of the varieties of products she offers due to poor promotional strategies which lead to customer disloyalty. One of the major ways of ensuring that they stand out and achieve their aim is through intensive and strategic implementation of promotional mix which include advertising, sales promotion, personal selling, public relations, publicity and all elements of promotional mix leading to customer loyalty, increase profit, attraction of both old and new customers and sales increase.

Despite the benefit of marketing strategies, most organisations still pose serious threat in promoting their products/services (Kabuoh, Egwuonwu & Ogbonna, 2015). This is as a result of their inability to recognize and exploit the strategic competitive advantage associated with the application of the concept of strategic marketing (Kabuoh et al., 2015). This little or non-attention to these promotional activities especially sales promotion which is the key to attracting customers who eventually become loyal to the organization may affect negatively organizational profitability. This study seeks to evaluate the impact of sales promotion on customer loyalty towards Cadbury Nigeria Plc. Products.

### **Objectives of the Study**

1. To increase sales of product, especially at the time when normal sales are sluggishly to periodically (e.g. annually or semi-annually); Clear goals in a warehouse before new inventory taking and restocking
2. To introduce new product to afford the opportunity of being accepted into the market

3. To encourage the purchase of large size unit
4. To generate trials among non-users; To persuade retailers to carry new items and higher level of inventory
5. To encourage off season buying; and building brand loyalty (Odunlami & Ogunsiji, 2011).
6. To examine the impact that sales promotion has on customers' loyalty to Cadbury Nigeria's products.

**Research Question:** What is the impact of sales promotion on customer's loyalty to Cadbury Nigeria's products?

### **Hypothesis**

H<sub>0</sub>: Sales promotion has no significant impact on customers' loyalty to Cadbury Nigeria's products.

### **Conceptual Clarification**

#### **Sales Promotion**

The American Marketing Association (AMA) defined sales promotion as those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display, shows and exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine. Kotler (2001) describes sales promotion as adverse collection of incentive tools, mostly short-term, designed to stimulate quicker and/or greater purchase of particular brand, products, or services by consumers or the traders. He added that sales promotion had more impact at the mature stage of the product's life cycle and that product managers might try to stimulate sales by modifying one or more marketing mix elements.

Aham (2008) is of the opinion that sales promotion emerged as a reaction by manufacturer's marketers, and marketing strategies alike to find a short term solution to the problems of excess stock of goods which are available in various manufacturer's warehouses but are not demanded by consumers and organizations. Sales promotions are comparatively easy to apply, and are likely to have abrupt and considerable effect on the volume of sales.

Okoli (2011) explains that the “essence of setting up a business organization is to make profit. Without profit, a business is bound to fail”. Sales promotion is one of the marketing tools that has a significant effect on decisions which enhances the achievement of the organizational objectives.

#### **Customer Loyalty**

A deeply held commitment to re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior Adeleke & Aminu (2012); Ahadmotlaghi & Pawar (2012). Asghar, Mohammad, Seyed, Khaled & Seyed (2011); Pataka, Lostakovaa, Curdovaa & Vlckovaa (2014); Loyalty is a

concept that emerges from strong commitment along with other relational factors; and customer loyalty is based on fulfilment of the general human needs, particularly recognition and self-fulfillment (Kaur, Sharma & Mahajan, 2014; Pataka et al, 2014). Loyalty is much more than repeat purchases, as inertia, circumstances, or exist barriers erected by the bank may trap customers who buy again and again (Asikhia, 2007). Determinants of customer loyalty have been found to have appreciable effect on customers' decision to switch or not to switch.

Customer loyalty means that customers are so delighted with a company's product or service that they become enthusiastic word- of-mouth advertisers. Loyalty can also be defined as the willingness of someone- a customer, an employee, a friend to make an investment or personal sacrifice in order to strengthen a relationship (Reichheld, 2003: 48).

### **Theoretical Review**

The theory adopted for this study is Planned Behaviors Theory. According to the planned behavior Theory, behavior may be modified by sales promotion stimuli, which changes beliefs, attitudes and eventually intentions and behavior. If the intervention influences customers, it changes intentions and eventually changes behavior.

### **Empirical Review**

Oyedapo, Akinlabi and Sufian (2012) examined sales promotion and its effects on organizational effectiveness in Nigerian manufacturing industry. The study focuses on how sales promotion is used to generate higher sales, increased profitability and greater market share. The study focused on sales promotional tools and how NESTLE Nigeria Plc has adopted sales promotion to generate its effectiveness. Sales promotion is an important component of any organization's overall marketing strategies.

Adebisi & Babatunde (2011) conducted a study on the strategic influence of promotional mix on organization sale turnover in manufacturing organization. The result of the findings revealed that strategic promotional mix influences the sale turnover with little 25% while other variable not included in the variable tested takes the larger 75% that will rapidly lead to organization growth. Since promotional mix constitute few percentage of variable that can push an organization to the highest level, therefore other factors of marketing mix such as product development, effective pricing, distribution of right quality and quantity to the consumers should be appropriately considered.

### **Methodology**

Data required for this study was gathered from two sources, the first from a field study and the second from text books, journals and past studies. The population for this study was 195 employees in the marketing and sales department of Cadbury Nigeria plc. Lagos, the sample size derived from the population was 131 through Taro Yamane formula and 127 were returned and used for the study. This study employed questionnaires for both respondents' bio data and for the study topic applying the modified Likert scale where 6= strongly agree, 5= agree, 4=fairly agree, 3= fairly disagree,

2= Disagree and 1= strongly disagree and this contains questions relating to the study variables: Sales promotions and Customer Loyalty of Cadbury Nigeria Plc. products.

The sample size is gotten through the **Taro Yamane Formula**:  $n = \frac{N}{1+Ne^2}$ .

Where n = desired sample size

N = population size

e = maximum acceptance margin of error for the study

The desired sample size is calculated below:

$$n = \frac{195}{1 + 195(0.05)^2}$$

$$n = \frac{195}{1 + 195(0.0025)}$$

$$n = \frac{195}{1 + 0.4875}$$

$$n = \frac{195}{1.4875}$$

$$n = 131$$

$$n = 131$$

$$n = 131$$

$$n = 131$$

$$n = 131$$

$$n = 131$$

$$n = 131 \text{ respondents as sample size}$$

**Table 1: Sales Promotion Questions**

S/N	Sales promotion	SA (%)	A (%)	FA (%)	FD (%)	D (%)	SD (%)	T (%)
1	Sales promotion increases sale volume and market share of a product	44 (35%)	47 (38%)	31 (25%)	3 (2%)	1 (0%)	1 (0%)	127 (100%)
2	Sales promotion is determined by degree of competitors pressure	46 (37%)	18 (15%)	41 (33%)	13 (10%)	2 (1%)	6 (4%)	127 (100%)
3	Organizations profit can be influenced via sales promotion	47 (38%)	28 (23%)	29 (23%)	21 (16%)	1 (0%)	1 (0%)	127 (100%)
4	Sales promotion enable consumer to buy more through discount	39 (31%)	30 (24%)	28 (23%)	27 (21%)	2 (1%)	1 (0%)	127 (100%)
5	Sales promotion encourage repeat purchase	31 (25%)	47 (38%)	22 (17%)	12 (9%)	9 (7%)	6 (4%)	127 (100%)

**Source:** Survey field 2016

From the above table, it is observed that under sales promotion 35% strongly agree, 38% agree, 25% fairly agree, 2% fairly disagree, 0% disagree, while 0% also strongly disagree that Sales promotion increases sale volume and market share of a product., 37% strongly agree, 15% agree, 33% fairly agree, 10% fairly disagree, 1% disagree, while 4% also strongly disagree that Sales promotion is determined by degree of competitors pressure.,

38% strongly agree, 23% agree, 23% fairly agree, 16% fairly disagree, 0% disagree, while 0% also strongly disagree that Organizations profit can be influenced via sales promotion., 31% strongly agree, 24% agree, 23% fairly agree, 21% fairly disagree, 1% disagree, while 0% also strongly disagree that Sales promotion enable consumer to buy more through discount., lastly, 25% strongly agree, 38% agree, 17% fairly agree, 9% fairly disagree, 7% disagree, while 4% also strongly disagree that Sales promotion encourage repeat purchase.

**Table2: Customer Loyalty Questions**

S/N	Customer loyalty	SA (%)	A (%)	FA (%)	FD (%)	D (%)	SD (%)	T (%)
1	Customer loyalty influences firm growth	43 (34%)	35 (28%)	22 (18%)	12 (9%)	9 (7%)	6 (4%)	127 (100%)
2	Customer loyalty determines supervisory efficiency	44 (35%)	44 (35%)	34 (27%)	3 (2%)	1 (0%)	1 (0%)	127 (100%)
3	Customer loyalty influences market share	41 (33%)	46 (37%)	36 (29%)	2 (1%)	1 (0%)	1 (0%)	127 (100%)
4	There is no significant relationship between customer loyalty and sales promotion	47 (38%)	37 (29%)	23 (19%)	11 (8%)	4 (3%)	5 (3%)	127 (100%)
5	Customer loyalty can be influenced by advisory services offered by Cadbury staff	49 (38%)	44 (34%)	30 (23%)	2 (1%)	1 (0%)	1 (0%)	127 (100%)

**Source:** Survey field 2016

From the above table, it could be depicted that under customer loyalty 34% strongly agree, 28% agree, 18% fairly agree, 9% fairly disagree, 7% disagree, while 4% also strongly disagree that Customer loyalty influences firm growth., 35% strongly agree, 35% agree, 27% fairly agree, 2% fairly disagree, 0% disagree, while 0% also strongly disagree that Customer loyalty determines supervisory efficiency., 33% strongly agree, 37% agree, 29% fairly agree, 1% fairly disagree, 0% disagree, while 0% also strongly disagree that Customer loyalty influences market share., 38% strongly agree, 29% agree, 19% fairly agree, 8% fairly disagree, 3% disagree, while 3% also strongly disagree that There is no significant relationship between customer loyalty and sales promotion., lastly, 38% strongly agree, 34% agree, 23% fairly agree, 1% fairly disagree, 0% disagree, while 0% also strongly disagree that Customer loyalty can be influenced by advisory services offered by Cadbury staff.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.862(a)	.708	.761	.23145

**a. Predictors: (Constant), sales promotion**

**ANOVA(b)**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.657	1	9.876	113.546	.000(a)
	Residual	5.321	125	.021		
	Total	10.134	126			

a. Predictors: (Constant), sales promotion

b. Dependent Variable: customer loyalty

**Coefficients(a)**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	2.134	.086		9.765	.000
	Sales promotion	.908	.021	.862	6.783	.000

a. Dependent Variable: customer loyalty

**Result for Regression Analysis on the Effect of Sales Promotion on Customer Loyalty**

N	Df	Correlation (r)	Co-efficient (R2)	Sig Level	t-cal	t-tab	F-cal	Remark
131	126	0.862	0.708	0.000	6.783	1.984	113.546	Sig

Source: Field Survey, 2016

**Interpretation**

Since the result gotten shows that the R= 86.2%, R<sup>2</sup>= 70.8% which is high and moderate, and t-calculated value is 6.783 which is greater than t-tabulated of 1.984 under 126 degrees of freedom at 0.000 significant level less than the generally 0.05 level of significance. Consequently the null hypothesis was rejected and the alternative accepted owing to the fact that there is a significant relationship between sales promotion and customers' loyalty to Cadbury Nigeria's products.

**Discussion of Findings**

From the result gotten above, it can be said that there is a significant relationship between sales promotion and customers' loyalty to Cadbury Nigeria's products, this findings is in agreement with George (1998) who posits that sales promotion is a direct inducement that offers an extra value or incentive for the product to the sales force, distributors or the ultimate consumer with the primary objective of creating an immediate sale. Sales

promotion could be seen as any activity which intention is to generate a temporary boost in sales. This includes several communication activities pursued in an attempt to provide added value or incentives to consumers, wholesalers, retailers, or other organizational customers to stimulate immediate sales. Such efforts are usually geared towards stimulating product interest, trial, or purchase. It is specifically designed to boost quick sales and ultimately create loyalty. Aham (2008) as cited in Odomokwu (2016) sales promotion emerged as a reaction by manufacturers marketers, and marketing strategies alike to find a short term solution to the problems of excess stock of goods which are available in variables manufacturer's warehouses.

### **Conclusion**

There is significant impact of sales promotion on customer's loyalty of Cadbury Nigeria products. Strategic promotional mix influences the sale turnover with only 25% while other variable not included in the variable tested takes the larger 75% that will rapidly lead to organization growth. Cadbury staff does not offer advisory services to influence customer loyalty. The loyalty comes from customers practical experiences.

### **Recommendations**

The recommendations are based on the findings from the study as stated above:

1. Cadbury Nigeria Plc. is advised to invest more resources in her pursuit of sales promotion. This is to enhance customer's royalty towards the organizations products.
2. Increased customer relationship management is expected as customers' value relationship more than short or long term profit to be made by the organization.
3. Since promotional mix constitute few percentage of variable that can push an organization to the highest level, therefore other factors of marketing mix such as product development, effective pricing, distribution of right quality and quantity to the consumers should be appropriately considered during decision making.
4. Cadbury is commended for not offering advisory services to influence customers' loyalty rather excellent marketing strategies and customers' practical experience should be imbibed as testimony.

### **References**

- Adeleke, A. & Aminu, S. A. (2012). The determinants of customer loyalty in Nigeria's GSM Market. *International Journal of Business and Social Science*, 3(14), Special Issue – 209.
- Adebisi, S. & Babatunde, B. (2011). Strategic Influence of Promotional Mix on Organization Sales Turnover in the Face of Strong Competitors. *Business Intelligence Journal*. 4 (2)
- Ahadmoltaghi, E. & Pauer, P. (2012). Analysis of customer relationship programs and its impacts on customer satisfaction and loyalty. *Journal of Arets, Science and Commerce*, EISSN 2229-4656



- Asghar, A.J., Mohammed, A.H., Seyed, A. M., Kkaled, N. & Seyed, M.S. (2011). Effects of customer service and product quality on customer satisfaction and loyalty. *International Journal of Humanities and Social Sciences*, 1(1)
- Asikhia, O. U. (2007). *Bank recapitalization in Nigeria: An empirical analysis of the determinants of corporate customers' loyalty to their banks*. *BJMASS* 6(1), 90-107.
- George, B. (1998). Self-ownership, freedom and autonomy. *Journal of Ethics*, 27-55.
- Kabuoh, M. N., Asikhia, O. U. & Alagbe, A. (2016). Effect of market segmentation on customers' satisfaction in Lagos State, Nigeria: Development and strategies on economic performance and sustainability. *Conference Abstracts and Proceedings*, 35.
- Kabuoh, M. N., Egwuonwu, T. K & Ogbonna, I.G. (2015). Promotional strategy, customer relationship management, marketing planning effectiveness and medium firm performance in Lagos Mainland. *International Journal of Advanced Studies in Ecology, Development and Sustainability*, 3(1), 85-97.
- Kotler, P. (1980). *Principles of marketing*, 10<sup>th</sup> edition, New Jersey. Pearson Education Inc.
- Pataka, M., Lostakovaa, H., Curdovaa, M. & Vlckovaa, V. (2014). The e-pharmacy customer segmentation based on the perceived importance of the retention support tools. *Procedia - Social and Behavioral Sciences*, 150: 552 – 562.
- Kotler, P. (2001). *Marketing Management Analysis Planning Implementation and Control*. New Delhi: The Millennium Edition, Prentice Hall, 145.
- Odomokwu, R. (2016). The impact of promotional mix on sales growth in Cadbury Nigeria Plc. Ogun: Project Unpublished Babcock University, Ilishan-Remo-State.
- Odunlami, I. & Ogunsiji, A. (2011). Effect of sales promotion As a tool on organizational performance. *Journal of Emerging Trends in Economics and Management Science (JETEMS)*, 2(1)9-13.
- Okoli, B. (2011). Evaluation of the accounting systems used by small scale enterprises in Nigeria: The case of Enugu-South East Nigeria. *Asian Journal Business Management* 3(4) 235-240.
- Oyedapo, W., Akinlabi, B. & Sufian, J. (2012). The impact of sales promotion on organization effectiveness in Nigerian manufacturing Industry. *Universal Journal of Marketing and Business Research*, 1(4) 123-131.
- Richheld, F. F. (2003). Value of different customers' satisfaction and loyalty metrics. *Managing Service Quality* 17(4).