

**THE IMPACT OF SALES PROMOTION ON ORGANISATIONAL PERFORMANCE A
CASE STUDY OF GUINNESS GHANA BREWERIES LIMITED**

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By

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DECLARATION

I hereby declare that this submission is my personal work towards a post-graduate degree in Business Administration (Marketing) and that to the best of my knowledge, it includes no material previously published by others nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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DEDICATION

I dedicate this piece of academic work to my wife Mrs Gifty Walton and my lovely children Dorcas, Rhoda, Mildred and Dorinda for their love and support and also to my supervisor Dr. W.A Owusu-Ansah for his guidance during the preparation of this document, thank you Sir.



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ABSTRACT

The growing managerial importance of sales promotion has generated a great deal of research on how sales promotion affects profitability. In Ghana, sales promotions expenditures by various companies is estimated to be in thousands of Ghana Cedis and the emphasis on sales promotion activities by the various industry players continue to increase year on year. Although several sales

promotions are conducted each year by brewery companies, promotion managers are frequently confronted with the challenge of defending the question of the impact of sales promotions activities on the profitability of the firm. This study generally sought to examine the effect of sales promotion on the performance of Guinness Ghana Brewery Ltd. The specific objectives include to; examine sales promotional activities used by Guinness Ghana Brewery Limited (GGBL), examine the relationship between sales promotion and financial performance of GGBL, examine the effect of sales promotion on non-financial performance of GGBL and finally, identify challenges facing sales promotion activities undertaken by GGBL. The study adopted a descriptive research design. The population of the study was estimated at 865 (management, staff and key distributors) out of which a sample of 160 was used (primary data). The main sources of data were secondary and primary. Questionnaires were used to collect primary data whilst secondary data was taken from financial statements of GGBL from 1985 to 2014. STATA 13 was used for the analyses. The study found a positive and significant relationship between sales promotion and profitability. Thus, 1 percent increase in sales promotion was associated with 0.44 percent increase in sales turnover. There was however no significant relationship between sales promotion and non-financial performance. The study recommends that management of GGBL involves key distributors and supply chain members in sales promotional activities. Management of GGBL also needs to integrate all promotional tools to ensure that all promotional goals are achieved.

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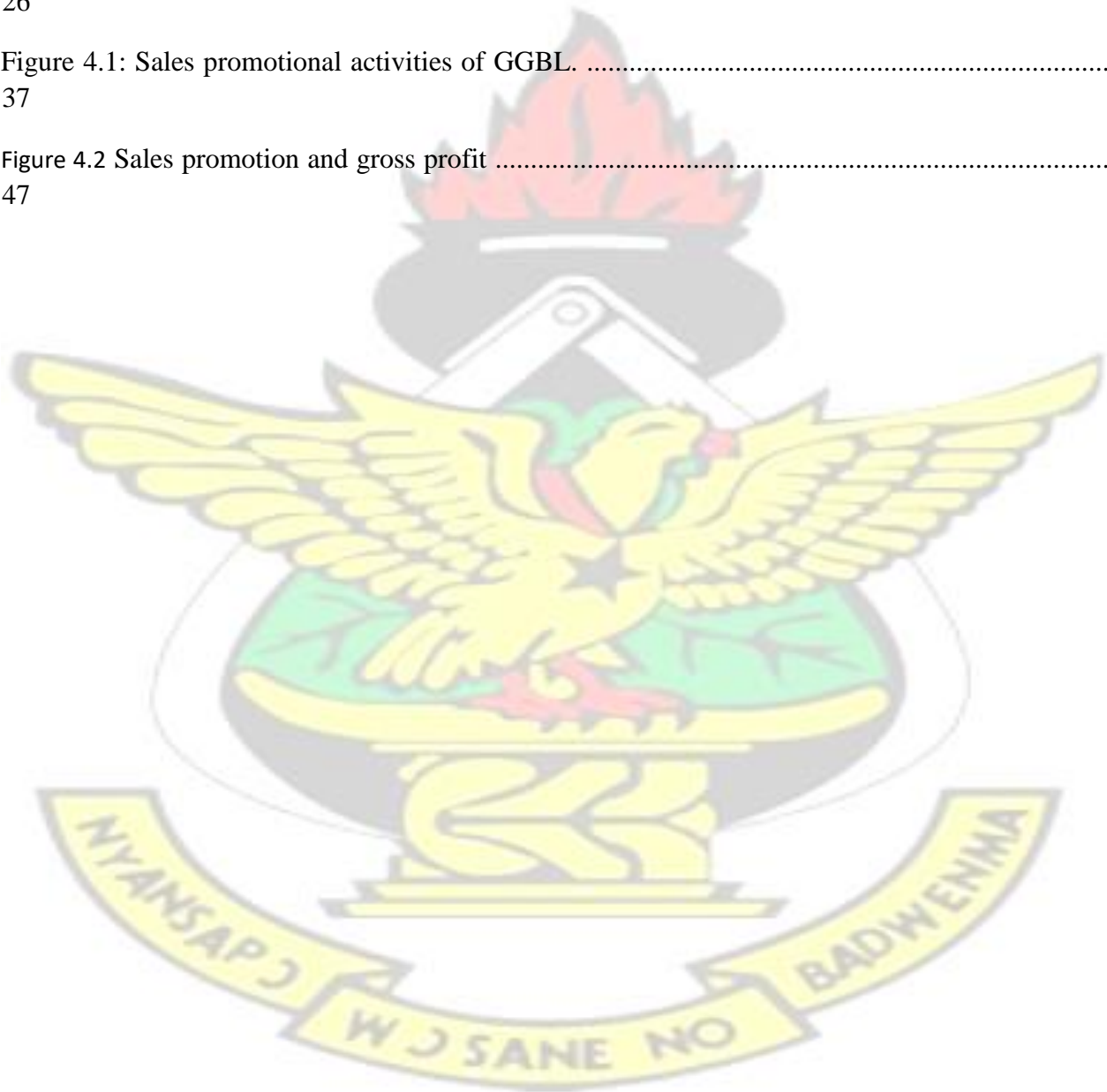
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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The growing managerial importance of sales promotion has generated a great deal of research on how sales promotion affects profitability (Loudon and Bitta, 2002; Perreault and McCarty, 2002; Schiffman and Kanuk, 2004). There is no doubt sales promotions have become a vital tool for marketers and its importance has increased significantly over the past 2 decades. In Ghana, sales promotions expenditures by various companies is estimated to be in thousands of Ghana cedis and the emphasis on sales promotion activities by the various industry players continue to increase year on year (Hinson, 2005). Sales promotion is an initiative undertaken by organizations to promote sales, usage or trial of a product or service (i.e initiations that are not covered by other elements of the marketing communication/promotional mix). It is an important component of an organization's overall marketing strategy along with advertising, public relations, and personal selling (Schiffman and Kanuk, 2004). Sale 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).

As presented by Achumba (2002), sales promotion refers to marketing activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and expositions, demonstration etc. Sales promotion has been defined as 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 (George, 1998). Elsewhere, Strang (2006) reviewed major trends in the management of sales promotion in a sample of U.S. package goods companies. He documented

the shift of funds from advertising to sales promotion budgets. However, the author did not explore specific promotions nor specific success factors associated with promotions. Analyzing Nielsen data, Peckham (1998) observed thousands of individual promotions. He concluded that sales promotions are most effective in stimulating sales during the introductory and growth phases of the brand's life cycle. Peckham further asserted that sales promotions frequently mortgaged the brand's future sales and he doubted the profitability of many sales promotions. Similarly, Lembeck (1999) found that only 40% of sales promotions are effective but there was no definition of success or effectiveness. Other studies suggest that sales promotions do not have a constant or continued effect on volume of sales of a firm which tend to diminish and come at the initial level at which it was before the sales promotion is being offered (Dekimpe et al. 1999; Pauwels et al. 2002; Srinivasan et al. 2000). Still some researchers argue about the usefulness of sales promotion, that whether it promotes the long term growth and profitability among brands for which it is projected is not compulsory (Kopalle, Mela and Marsh, 1999). In contrast, a study conducted by Ailawadi and Neslin (1998) revealed that sales promotions motivate the consumers to make immediate purchases and also positively impacts the consumption volume. In the midst of the above controversies, this research sought to examine the effect of sales promotion on organisational profitability using Guinness Ghana Limited (GGBL) as case study.

1.2 Problem statement

Although several sales promotions are conducted each year by brewery companies, promotion managers are frequently confronted with the challenge of defending the question of the impact of

sales promotions activities on the profitability of the firm. A review of literature also shows that much of the previous research in sales promotion has focused on the consumer or retail trade response to promotions but has not incorporated the effect of sales promotion on profitability (Kopalle, Mela and Marsh, 1999; Ailawadi and Neslin, 1998; Dekimpe et al. 1999; Pauwels et al. 2002). For instance, Lembeck (1999) suggested that only 40% of trade promotions are effective but there was no definition of success or effectiveness.

An interesting review of GGBL's annual report for 2013 and 2014 shows an increased expenditure in sales promotion activities of 13%. In 2013, an amount of GHc14,650,000 was spent on promotional activities. In 2014 however, the figure increased to GHc16,626,000. The ultimate question is how have these expenditures influenced the company's profits? It is quite intriguing to find that the operating profit at the end of 2013 was GHc20,505,000 whilst that of 2014 was GHc6,477,000, a drop of 68% (GGBL, 2014). As noted by Blattberg and Neslin (2006), sales promotions are effective demand boosters that do not incur the risks associated with new products. According to Hanssens et al. (2001), sales promotions are relatively easy to implement and tend to have immediate and substantial effects on sales volumes. Consequently, the relative share of promotions in firms' marketing budgets continues to increase (Currim and Schneider, 2009). However, sales promotion rarely have persistent effects on sales, which tend to return to pre-promotion levels after few weeks or months (Dekimpe et al. 2009; Nijs et al. 2001; Pauwels et al. 2002). Consequently, promotion's effectiveness in stimulating long-term growth and profitability for the promoted brand is in doubt (Kopalle et al. 1999). In line with the above, this study sought to examine the effect of sales promotion on the profitability of Guinness Ghana Brewery Ltd.

1.3 Objectives of the study

This study generally sought to examine the effect of sales promotion on the profitability of Guinness Ghana Brewery Ltd. The specific objectives entail:

1. To examine sales promotional activities used by Guinness Ghana Brewery Limited (GGBL).
2. To examine the relationship between sales promotion and financial performance of GGBL.
3. To examine the effect of sales promotion on non-financial performance of GGBL.
4. To identify challenges surrounding sales promotion activities undertaken by GGBL

1.4 Research Question

The following research questions shall be investigated:

1. What sales promotional tools are used by Guinness Ghana Brewery Limited (GGBL)?
2. What is the relationship between sales promotion and financial performance of GGBL?
3. What is the effect of sales promotion on non-financial performance of GGBL?
4. What challenges affect sales promotional activities undertaken by GGBL?

1.5 Research Scope

This study covers sales promotion activities within the operations of GGBL over the past 30years (1985 – 2014). Specifically, the study looked at the relationship between sales promotion and sales performance of GGBL as well as its on profitability. The research also explored the nonfinancial benefits of sales promotional activities to GGBL brands. This study covers management key distributors and staff of Guinness Ghana Breweries Limited. Both primary and secondary data

were harnessed. This is because sales figures could be retrieved from sales reports and financial statements whilst the effectiveness of sales promotion could be assessed from management and staff perspectives.

1.6 Significance of the study

This study is significant in three respects. First is its contribution to the brewery industry; as presented in the background statement, many managers particularly those with less appreciation for marketing continue to challenge the excessive budget expenditures in the area of sales promotion. This study is expected to engender further discussion and probably provide some answers regarding the effect of sales promotion on firm profitability. The findings will provide a solid reference point for many marketing managers to defend allocations made to sales promotion activities. The contribution of this study to the economy though arguable can be seen in the adoption of promotional tools that create value for customers. Since the primary objective of every sales promotion is to influence sales and trial of new products, it is expected that increased sales will trickle down into profits “*ceteris paribus*”. By extension, government generates revenues from taxation. The contribution of this study to academia is also not in doubt as it provides a good premise for future research. It also adds to existing literature on sales promotion and its effects on firm profitability.

1.7 Overview of Methodology

The study is descriptive and more quantitative in nature. Data was collected from two sources: from annual reports and notes to the financial statements and through questionnaires. Questionnaires were mailed to regional and zonal sales officers as well as key distributors. Data collected was analysed using multivariate analysis. Ordinal logistic regression estimated as it is a form of multiple logistic regression used when the dependent variable is ordinal and the

independents are of any type. Besides the fact that some dependent variables in this research are ordinal, logistic regression has been chosen because it enables the researcher to overcome many of the restrictive assumptions of OLS regression.

1.8 Organisation of the study

The study is grouped into five chapters. Chapter one is the general introduction of the study. It looks at the background of the study, problem statement, objectives of the study; it also briefly looks at the research questions, significance, scope and limitations of the study. Chapter two looks at the literature review. Literature review was based the research questions used in the study. The conceptual framework for the study was also outlined. Chapter 3 is on the methodology. It explains the research design. It also gives details about the population, sampling procedures used in the study. It further explains the research instrument, methods of data collection, data analysis. Chapter 4 looks at data presentation, analysis and discussion with Chapter 5 providing summary, conclusion and recommendations for the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The previous chapter addressed issues relating to the background of the study, problem statement, research objectives and research questions, significance of the study, scope and limitations of the study. This chapter deals with review of empirical work on sales promotion and organisational

performance. The chapter commences with definition of key constructs. This is followed by forms of sale promotion and subsequently the impact of sales promotion on performance.

2.2 Sales Promotion Concept

Despite being widely used in the management sphere (Bertrand, 1998; Wierenga & Soethoudt, 2010), sales promotion has scarcely been explored in the academic field (Alvarez & Casielles, 2005; D'Astous & Landreville, 2003). The widespread use of consumer sales promotions in product management has sparked considerable debate over their effectiveness. Critics argue that sales promotions are ineffective as they make consumers more promotion prone, resulting in market share losses in the long run (Ehrenberg et al., 1994; Totten and Block, 1987). Meanwhile, the term “promotion” means different things to many people depending on the context and discipline being used. That is, the concept is used ordinarily here to mean an element of a “marketing mix”. In one sense, it denotes any technique designed to sell a product (Ricky et al, 2005). To others, it refers to any attempt by a seller to influence a buying decision (Blanchard et al, 1999). Like promotion, the marketing concept of “sales promotion’ has also been numerously conceived by many scholars. Equally, Blanchard et al (1999) also opine that sales promotion as “the array of short-term promotional techniques that marketers use to stimulate an immediate purchase”. Likewise, sales promotion can be described as materials that act as a direct inducement, offering added value, or incentive for the product, to resellers’ sales persons or consumers. 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, p. 365). Similarly, Smith (1998) opined that there are three main categories of Sales Promotion:

- 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, etc)

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. A study conducted by Hanssens et al. (2003) depicts that the effects of sales promotion on firms' revenue which they call as first line performance, firms' income which is bottom line performance and on market to book value ratio which is named as firms' values is encouraging for the short term. While in the long run the sales promotion is positive for top line performance but it is negative for bottom line performance and firm's value (Hanssens et al. 2003).

This work adapts the definition of the International Chamber of Commerce (ICC) as a working definition. This is because it is more concise and simple to comprehend.

2.2.1 Types of Sales Promotion

Previous studies on the effectiveness of consumer sales promotion have focused on monetary sales promotions (Dhar and Hoch, 1996; Hoch et al., 1994). However, in practice, both monetary and non-monetary sales promotions are used widely (Tellis, 1998). There are important differences between these two types: monetary promotions (e.g. shelf-price discounts, coupons, rebates and price packs) tend to provide fairly immediate rewards to the consumer and they are transactional in character; non-monetary promotions (e.g. sweepstakes, free gifts and loyalty programmes) tend to involve delayed rewards and are more relationship-based. In assessing the effectiveness of sales promotions it is necessary look at the various types of sales promotion.

2.2.1.1 Coupon

In most cases, one method of sales promotion featuring a certificate that entitles the bearer to stated savings off a product's regular price is called in promotional mix as "couponing". It is argued that, this may be utilised to motivate customers to try new product, to attract customers away from competitors, or to induce current customers to buy more of a product (Ricky et al., 2005). This implies that, with the utilisation of promotional mix's effort of couponing, product and service offering firms. In essence, the sales promotional technique of "couponing" ensures development of brand loyalty. In that, as a technique, it ingeniously attracts customers from brand competitors. By so doing it induces current customers to buy more. This invariably develops customers' recognition of, preference for and insistence on buying the product with same brand name.

2.2.1.2 Point-of-Purchase Displays

In order to draw attention of many customers to a particular product's brand, many business organisations employ the use of "point-of-purchase" (POP) technique. This is a type of sales promotion in which a "product display" is so located in a retail store so as to encourage consumers to buy the product (Ricky et al., 2005).

This implies that, POP displays and demonstrates products (Guinness) at the point where it can be purchased. More important, in this day of advancement in technology, this can be equally achieved with the use of the internet. Here, the Retail outlet can open a web site where prospective customers can view new displays from time to time. The implication here is that, customers do not necessarily have to personally visit retail stores before they can have access to products being displayed for the first or continuous times.

2.2.1.3 Premium

This is a method of sales promotion in which some items are offered free or at a bargain price to customers in return for buying a specified GGBL product. This technique therefore offers a product for free or at a lower price to induce the customers to buy. Mostly, the effective premiums are closely tied to the product or brand being sold (Blanchard et al., 1999). In some instances, free samples of the product are offered free to customers in order to enable them try the product. They may be given out at local retail outlets (Ricky et al, 2005). It must however be noted that, "premiums" may not work as well as originally hoped, since some customers may switch to a competitor's brand to get the premiums that company is offering".

2.2.1.4 Trade shows and Sponsorships

Trade show is a variant of sales promotion, and periodically, industries sponsor trade shows for their members and customers (Griffin et al, 2004). They therefore promote products to marketing intermediaries. More importantly, trade shows are relatively inexpensive and are very effective, since the buyer comes to the seller already interested in a given type of product, as a result international trade shows are becoming more important (Ricky et al, 2004). From the above discussion, it is recognised that there are many sales promotional techniques at the disposal of the organisations. However, each comes with its advantages and disadvantages. It is therefore incumbent on the organisation in question to take due diligence when it comes to the issue of which sales promotional technique to use.

It must be emphasised moreover that, apart from the above mentioned techniques, one can also employ sweepstakes, contests and loyalty programmes (Ricky et al, 2005; Blanchard et al, 1999). All are sales promotional techniques that can have effect on organisational performance be it financial, market share and shareholder returns (Richard et al, 2009).

2.3 Factors Affecting the Promotional Mix

Promotional mix varies from product and company to another. Advertisement as well as personal selling product and service and augment by sales promotion. The brand image for the organisation is often positively developed by public relation. A company though may decide not utilize the four sales elements. Several factors determine the promotional mix to be chosen by a firm, namely: the nature of product, stages of the product life style, the type buying decision, the push and pull strategy among others (Lamb et al, 2014).

2.3.1 Nature of Product

The characteristic of a product can affect communicational mix. For example, product can be group as either a business or a consumer product. True that goods are either customer-tailored to specification, they are meant for mass production. Advertising still plays a vital role in promoting business goods. General awareness and interest are generated in media trade by advertisement. Contrarily, consumer goods need not custom-made and should have a company's representative to sell them. Thus consumable goods are sold solely by advertising to build brand familiarity. The sales promotion, brand name and packaging are about twice as essential to the buyer as they for the products (Lamb et al, 2014).

2.3.2 Stages in the Product Life Cycle

The production level plays an important role in promotional mix designing. The introduction stage aims at informing the general public about the existence of the product i.e. the target audience. Extensive and public interactive determine the reaction of consumers to a class on trial of the product and how well retailers see the product. Growth stage is meant to persuade the target audience to increase buying. Through promotional activity, intermediaries are used to make products available to buyers and compete with rivals. At the maturity stage aggressive advertising campaigns sale promotion in the form of discount and coupons direct and remind customer or target audience about the commodity. Low sales and losses occur at the decline stage of the product life cycle. Little money is spent on promotion. Most marketers do new product development and the reintroduce the product into the market (Bovee et al. 2013).

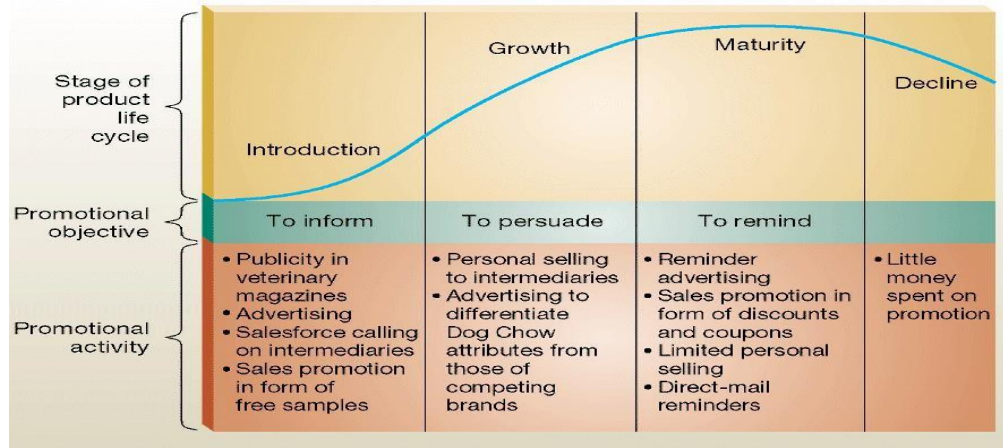


Figure 2.1: The Product Life Cycle

Source: Bovee & Thill (2013)

2.3.4 The Pull and Push Strategy

The relation to a push or pull communication strategy will be utilised or not constitute the last factor affecting the promotional mix. Wholesalers and retailers are persuaded and convinced to buy and sell product. When manufacturers resort to the use of aggressive selling and trading advertisements. This strategy is called push strategy. The wholesaler, has to push the products forward in order to have the retailer to handle the product. The consumer then buys the “pushed” products (Lamb et al, 2014). At the other end of the process, the push strategy encourages the stimulation of the distribution of the products. Instead of targeting the wholesaler in the distribution network, attention is focused on the end consumer or opinion leaders. When faced with rising demand, order is rather placed on the “pulled” merchandise by wholesalers (Kurtz et al. 2011).

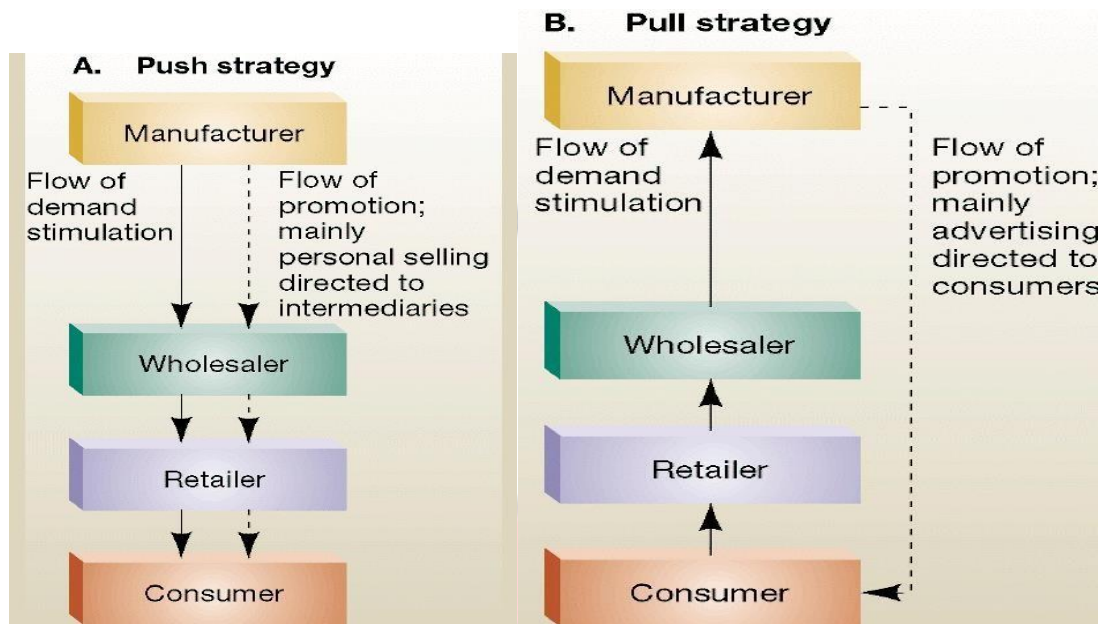


Fig. 2.2: The Pull and Push Strategy

Source: Kurtz et al. (2011)

2.4 Congruency theory and Sales Promotion

The basic principle of congruency theory is that changes in evaluation are always in the direction that increases congruity with the existing frame of reference (Osgood and Tannenbaum, 1995). In other words, people have a natural preference for consistent information. The principle has been examined in many marketing contexts, including studies of brand extensions and advertising appeals. Applying the congruity principle to sales promotions, it is expected that sales promotions will be more effective when they provide benefits that are compatible with the benefits sought from the promoted product. For example, Dowling and Uncles (1997) suggested the effectiveness of loyalty programmes is enhanced if programme benefits directly support the value proposition of the brand. Roehm et al. (2002) went on to show that loyalty programmes are indeed more successful if they provide incentives that are compatible with the brand.

Congruency effects for consumer sales promotions were directly tested and confirmed by Chandon et al. (2000), who showed that: monetary promotions are more effective for utilitarian products as they provide more utilitarian benefits, which are compatible to those sought from utilitarian products; and non-monetary promotions are more effective for hedonic products as they provide more hedonic benefits, which are compatible to those sought from hedonic products. For example, price cuts are more effective than free gifts for influencing brand choice of laundry detergent (i.e. a utilitarian product), whereas sweepstakes are more effective than price cuts for influencing brand choice of chocolates (i.e. a hedonic product). However, it is noted that there are other factors that may have an impact on the congruency effects, including the product life cycle, purchases situations and consumer demographics. Another possible factor, and the focus of this study, is culture at the ethnic-group level.

2.5 Models on the effects of Sales Promotion

There are very few models that explain cross-cultural consumer behavior but some models have gained acceptance and are widely referred in the literature. The models regard culture as one of the potent factors responsible for consumer behavior.

2.5.1 A-B-C-D model

Raju (1995) has developed a framework known as A-BC- D paradigm to study and understand consumer behavior. The acronym A-B-C-D stands for the four stages of the paradigm namely access, buying behavior, consumption characteristics and disposal. Access is the first step of the paradigm which refers to providing the physical and economic access of the products and services to consumers within a culture. The buying behavior refers to all the factors like perceptions, attitudes and consumer responses having effect on the decision making and the choices available

within a culture. The third stage which is consumption characteristics refers to the type of products and services consumed within a culture and depend on the cultural orientation, social class, reference group and patterns of urban versus rural sector consumption. The last stage of the paradigm disposal refers to the resale, recycling and remanufacturing, social and environmental considerations of product disposal. The customers world over are becoming environmentally conscious and so marketers need to be socially and environmentally responsible.

2.5.2 Manrai and Manrai model

Manrai and Manrai “structure the cultural component of the person in terms of marketing communications (sales promotion) act as a moderator of the effect of culture on consumer behavior and can even influence the consumer attributes and processes, and the cultural components of behavior in consumer behavior domains”(Moiij, 2004). The culture is influenced by the income and in turn gets influenced by the culture. The ‘who’ refers to what the people are. The components of ‘who’ are self-study of what a person thinks who he is, his identity, image, attitudes and the lifestyle. The ‘how’ refers to the processes that influence peoples’ thinking, perception, learning and motivation. The self is shaped by culture and in turn, it strongly influences social behavior through individual’s perceptions, evaluations and values. The self is the intermediary variable for understanding behavior.

2.5.2 Luna and Gupta model

Luna and Gupta (2001) in their model recognize the influence of cultural value systems on behavior. Culture is manifested through values, heroes, rituals and symbols. Values are the core of culture and it influences the consumer behavior. The term 'heroes' is refers to persons dead or alive, real or imaginary, who are revered and prized in culture. In marketing, the products are associated with heroes as they may influence the consumer behavior. Rituals involve consumption that is important in consumer behavior. Symbols may be absent or their meaning may be different in cultures. The consumers in order to define themselves indulge in symbolic consumption. The consumer behavior constitutes of three elements-cognition, affect and behavior. The cognition refers to the memory processes, affect refers to the attitude formation process and the behavior includes the individual behavior and consumption patterns. Marketing communications act as a moderator of the effect of culture on the consumer behavior and may affect consumer behavior independently of culture

2.6 Measuring Performance

Performance measurement across a range of critical success factors is critical to the survival of every business. Performance measures provide a set of mutually reinforcing signals that direct managers' attention to the important strategic areas that translate to organizational performance outcomes (Dixon et al., 1990). The theoretical background used to conceptualize firm performance on this study was the stakeholder's theory (Freeman, 1984). Although other theories (i.e. goal accomplishment, the effectiveness of structures and processes or environmental adaptation) could

be used to define firm performance (Kanter & Brikenhoff, 1981), stakeholder's theory was chosen for three reasons. First, this theory was recently employed by different authors (Agle et al., 1999; Kaplan and Norton, 1992; Venkatraman and Ramanujam, 1986; Waddock And Graves, 1997) to conceptualize performance.

Second, it allows one to define firm performance with financial and social aspects, as suggested by Venkatraman and Ramanujam (1986) and Combs, Crook and Shook (2005). Third, the concept of firm performance that stems from this theory provides a clear basis for defining the construct boundaries and measures. Measuring performance under this perspective poses that a firm is as efficient as its ability to respond to its stakeholder's requirements. So, to measure performance it is necessary to identify the firm's stakeholders and its demands (Connolly et al. 1980; Hitt, 1988; Zammuto, 1984). Mitchell, Agle and Wood (1997), based on a wide review on stakeholders management, present a model to define the main stakeholders of a firm. They do not state, but rather suggest that investors, employees, customers, community and government are the relevant parts that a firm must manage. So, high performing firms are the ones attending the demands of investors, customers, employees, government and the society.

The literature review suggested that these five groups have seven different wants. Financial performance is a way to satisfy investors (Chakravarty, 1986) and can be represented by profitability, growth and market value (Venkatraman & Ramanujam, 1986; Weinzimmer, Nystrom & Freeman, 1998; Cho & Pucik, 2005). Market value and profitability measure a firms` future and past ability to generate returns (Glick, Waschburn & Miller, 2005), while growth is the increase in firm's size (Whetten, 1987). If we consider performance as a manifestation of competitive advantage, it is possible to invoke a conceptual reason to use growth and profitability simultaneously. Peteraf and Barney (2003) propose that an organization has a competitive

advantage when it can create more economic value than the marginal competitors of the same product market.

Economic value is defined as the difference between the customers' willingness-to-pay and the economic cost of the company. Price divides the economic value in the economic profit appropriated by the company - difference between economic cost and price - and in the customer surplus - difference between willingness-to-pay and price (Barney & Clark, 2007). If the company has a higher economic profit than its competitors, it will experience higher profitability. On the other hand, if the customer surplus is higher when compared with the market, customers will prefer the firm, what will manifest in higher growth rates. In this sense, growth is a complementary dimension to profitability.

While financial returns can satisfy investors, the other stakeholders can have other demands. Customers want companies to provide them with goods and services that match their expectations (Fornell et al., 1996). To do that, companies must understand their needs, avoid defects, and improve perceived quality and value added by their goods and services. Investments in good human resources practices can promote employees' satisfaction. Lower turnover rates are more common in firms that have clearly defined job descriptions, invest on training, offer career plans and have good bonus policies (Harder, Schmidt & Hayes, 2002). Finally, social and environmental performance appears as a way to satisfy communities (Charavarthy, 1986) and governments (Waddock & Graves, 1997). Satisfaction of these stakeholders can be fostered by initiatives like, safe environmental practices, increased product quality and safety, advertising, minorities' employment, and development of social projects (Agle, Mitchell & Sonnenfield, 1999; Jonhson & Greening, 1999; Waddock & Graves, 1997).

Conceptualization of firm performance, based on satisfying stakeholders as identified by Mitchell, Agle and Wood (1997), can be thought as having seven domains: growth, profitability, market value, customer satisfaction, employee satisfaction, social performance and environmental performance.

2.7 Empirical review on Sales promotion and Performance

Studies relating to the impact of consumer sales promotion on consumer behavior, sales, profit, market share are included in this section. This part addresses various issues such as the appropriate tools that may be used for achieving a specific marketing objective, improve their sales promotion effectiveness and so on.

Vecchio et al. (2006) report the results of a study which examined the effect of sales promotion on brand preference through meta-analysis. Results of 51 studies had been integrated. The study found that sales promotions do not affect post promotion brand preferences in general. But depending upon characteristics of sales promotion and the promoted product, promotion can either increase or decrease preference for a brand. Also, Ndubisi, (2005) in their study evaluated the impact of sales promotional tools, namely coupon, price discount, free sample, bonus pack, and in-store display, on product trial and repurchase behaviour of consumers. The moderation role of fear of losing face on the relationship between the sales promotional tools and product trial was also examined. The results of study show that price discounts, free samples, bonus packs, and in-store display are associated with product trial. Coupon however does not have any significant effect on product trial. The study also revealed that trial determines repurchase behaviour and also mediates in the relationship between sales promotions and repurchase. Kumar et al. (2005) also studied the

impact of coupons on brand sale and how that impact decays over the life of the coupon. The authors use an econometric model to demonstrate the coupon effect in terms of equivalent price reduction, account for coupon effect over time, allow inference of coupon effects when retailers decide to double or triple the coupon value and provide both self-coupon and cross-coupon elasticity at different levels of aggregation. Results indicate that the effect of doubling the face value of coupon result in more than a proportionate increase in elasticity and both self and cross-coupon elasticity are much smaller in magnitude than the average self-cross price elasticity.

Laroche et al. (2005) studied the effect of coupons on consumer's brand categorisation and choice process using fast-food restaurants in China. Results suggest that there are both direct and cross-advertising effects i.e., the presence of a coupon for a focal brand has an impact on consumer's attitudes and intentions towards that brand. Also Lewis and Michel (2004) developed an approach for simultaneous measurement of the influence of a dynamic loyalty programme and more traditional short-term promotions. They argue that the loyalty programmes under examination successfully alter behavior and increase retention rates. Email based coupons, shipping fee and general price levels all significantly affect customers purchase decisions.

Furthermore, Anderson et al. (2004) investigated how the depth of a current price promotion affect future purchasing of first time and established customers based on three large scale field experiments on durable goods sold through a direct mail catalogue. The findings revealed different effect for first-time and established customers. Deeper price discounts in the current period increased future purchases by the first time customers (a positive long-run effect) but reduced future purchases by established customers (a negative long-run effect). In the same vein, Dawes (2004) reported the result of his study on the effect of a massively successful price promotion in a

consumer goods category. Specifically, he sought to determine if this large price promotion had any long-term impact on brand value; short-term impact on total category volume for the retailer; short-term effect on competing retailers; and long-term effect on category sales for the retailer who runs the promotion. Results of the study showed that a very successful promotion did not have any longer-term effect on the brand (positive or negative), but it did expand the total category for the retailer, though temporarily. Sales dropped slightly for one competing retailer at the time of promotion out of the three units studied. It was observed that the promotion was followed by a decline in the total category volume for the retailer, suggesting some degree of purchase acceleration or stockpiling by consumers. Longer-term negative effect on category cancelled out approximately two third of the gain of the price promotion to the retailer.

Baohong et al. (2003) reviewed various studies relating to the impact of promotion on brand switching and found that these studies used choice models, especially logit. According to these studies promotion has a strong effect on brand switching. The authors show that logit choice model can substantially over estimate brand switching because they do not take into account the rational adjustments that customers make to take advantage of promotion. Logit models do not take into account stock piling and deceleration strategies. They use a dynamic rational model and compare it with a logit model. Swait et al. (2002) in their study focused on a particular aspect of marketing mix consistency overtime for frequently purchased packaged consumer goods, the impact of temporal consistency of store promotions as well as the availability of the product on the shelf; on consumer product evaluations (utilities) and choices. The empirical results, based on fabric softener panel data, indicate that true insert and availability consistency increase systematic utility

in a statistically significant way over and above the positive effects that displays and feature have on choice.

Smith et al. (2000) examined the relationship between different types of promotions (straight price promotion, extra-product or volume promotion and mixed promotion) across four supermarket product categories controlling separately for the effect of two category-based moderating factors viz. product stock-up characteristics and price level. Results showed that a majority of consumers preferred mixed promotions; type of promotions does influence store preference (with price and volume promotions having the greatest influence). Consumers generally preferred price promotion for higher priced product categories and they preferred volume promotions for lower priced categories. Also Feame et al. (1999) studied the impact of promotions on the demand for spirits category in the UK market. The results of an econometric analysis of weekly cross-sectional store data and cluster analysis of consumer panel data suggested that promotions have had a slight positive impact on the volume of sales, particularly over the seasonally important Christmas period. Some promotions, especially multi-buys, reward largely loyal buyers, doing little for either volume or monetary growth of the spirit category. Other promotions, such as price and gift offers, appeal more to consumers who do purchased packaged consumer goods, the impact of temporal consistency of store promotions as well as the availability of the product on the shelf; on consumer product evaluations (utilities) and choices. The empirical results, based on fabric softener panel data, indicate that true insert and availability consistency increase systematic utility in a statistically significant way over and above the positive effects that displays and feature have on choice. Mela et al. (1997) examined the longterm effect of promotion and advertising on consumer's brand choice behavior. They addressed two questions: 1. Do consumers respond to marketing mix variables such as price changes over a long period of time? 2. If yes, are these

changes associated with change in manufacturer's advertising and retailer's promotional policies? Their results are consistent with the hypothesis that consumers become more price and promotion sensitive over time because of reduced advertising and increased promotions.

Sethuraman (1996) developed a Separate Effect Model that separates the total discount effect of competing high-priced brand on the sale of the focal low-priced brands into discount effect. Findings from empirical analysis revealed that the leading national brand can draw sales from competing brands without reducing its price below the price of other brands. Leigh (1994) tested the hypothesis that coupon redemptions are greatest in the periods immediately following the coupon drop and decline monotonically. As per the study the hypothesis was rejected and it was proved that expiration dates induce a second mode in the redemption pattern just prior to the expiration dates. Furthermore, Grover et al. (1992) investigated the multiple effect of retail promotion on brand loyal and brand switching segment of consumer. They found that the market can be characterised by brand loyal segment and switching segments; promotional variable have significant effects on segment market shares, the effect being different across segments; store share is related significantly to promotional attractiveness of a store; the overall promotional attractiveness of the product category has significant current and lagged effect on category volume and the lagged effects resulting from consumer purchase acceleration and stock-up last longer for brand loyal segments than for switching segments. Kahn et al. (1990) also investigated how in-store price promotions affect market share after the promotions have been retracted. They find that the effects of promotion are contingent on both the choice pattern of subjects- whether or not subjects switch among brands- and the ubiquity of promotions in a product category. If only one brand is being promoted and subjects are generally loyal to the last brand purchased, brand choice probability declines from pre-promotion levels once the promotion is withdrawn. However if

subjects tend to switch among brands in the absence of promotion, or several brands are being promoted, this decline is mitigated and or does not occur.

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2.8 Conceptual framework

The ideas and abstract principles which have been reviewed and discussed above have been modeled with the aid of a conceptual framework shown figure 2.3.

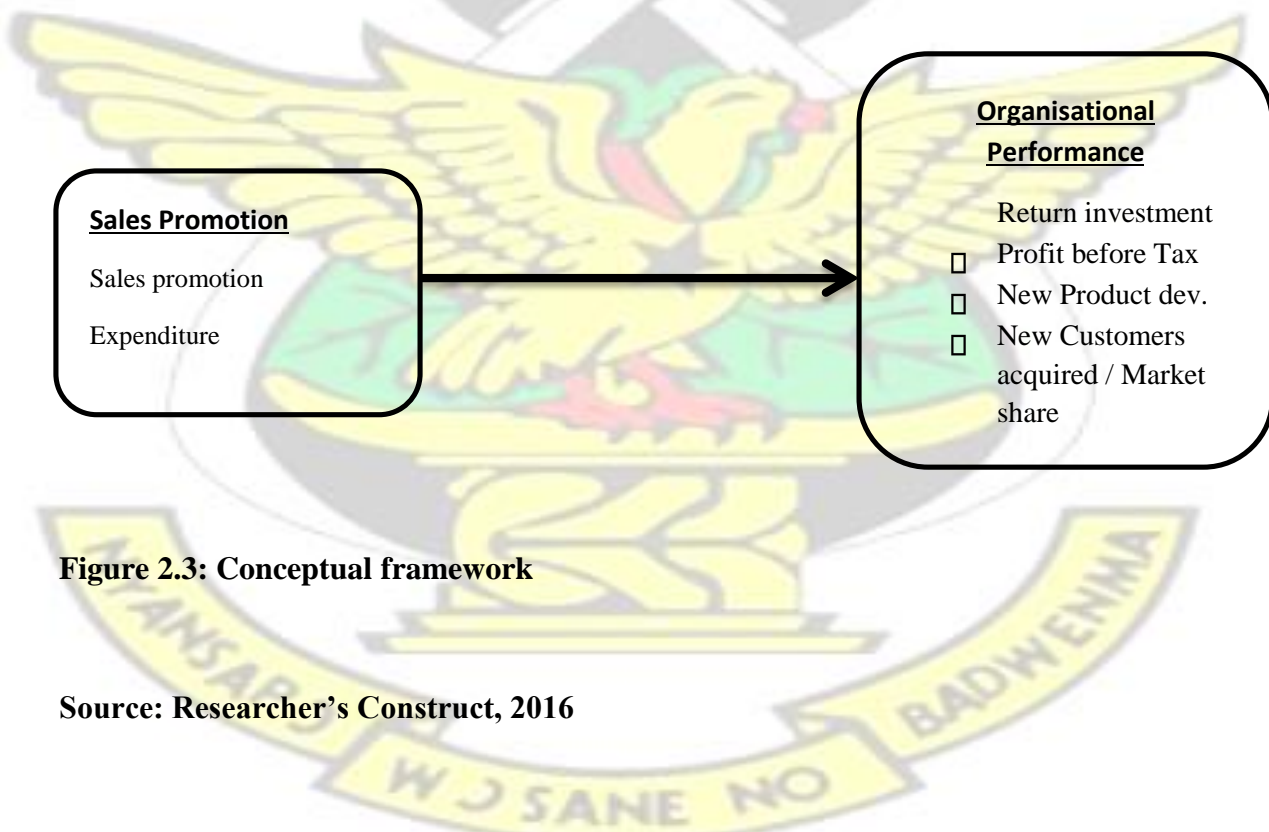


Figure 2.3: Conceptual framework

Source: Researcher’s Construct, 2016

Figure 2.3 above illustrates a conceptual framework that models a relationship between the independent variable of “sales promotion” and the dependent variable of organisational

performance. It however omits an interception of a unilateral causal relationship by spurious associations which result from business environment related challenges including legal regulations, cultural receptiveness and image differences. The framework also shows how this unilateral relationship affects organisational performance in terms of market share, shareholders' returns and profit margin.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The first chapter addressed issues regarding background of the study, problem statement, research objectives and scope of the study. In the second chapter, the attention was on reviewing empirical work on the effect of Sales Promotion and Performance. The current chapter provides information on the methodology used for the study. This includes the research design, population, sample and sampling techniques, data collection methods and analysis, validity and reliability tests as well as profile of the case study area.

3.2 Research Design

A research design influences the choice of analysis and sampling technique to use. It refers to the overall strategy chosen to integrate the different components of the study in a coherent and logical manner (Brown, 2006). Three main types of research designs identified by Saunders et al. (2007) include exploratory, descriptive and explanatory studies.

Exploratory research, as the name suggests, intends merely to explore the research questions and does not intend to offer final and conclusive solutions to existing problems. It is conducted in order

to determine the nature of the problem, exploratory research is not intended to provide conclusive evidence, but helps to have a better understanding of the problem (Brown, 2006). Saunders et al. (2007, p.134) warn that when conducting exploratory research, the researcher ought to be willing to change his/her direction as a result of revelation of new data and new insights.

Exploratory research design does not aim to provide the final and conclusive answers to the research questions, but merely explores the research topic with varying levels of depth.

“Exploratory research tends to tackle new problems on which little or no previous research has been done” (Brown, 2006, p.43). Moreover, it has to be noted that “exploratory research is the initial research, which forms the basis of more conclusive research. It can even help in determining the research design, sampling methodology and data collection method” (Singh, 2007, p.64).

Explanatory research sometimes referred to as analytical study seeks to identify any causal links between the factors or variables that pertain to the research problem (Saunders et al., 2007). Such research is also very structured in nature.

Descriptive research on the other hand can either be quantitative or qualitative. It can involve collections of quantitative information that can be tabulated along a continuum in numerical form, such as scores on a test or the number of times a person chooses to use a-certain feature of a multimedia program, or it can describe categories of information such as gender or patterns of interaction when using technology in a group situation (Hakes & Neal, 1994). Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection (Glass & Hopkins, 1984). It often uses visual aids such as graphs and charts to aid the reader in understanding the data distribution. Because the human mind cannot extract the full import of a large mass of raw data, descriptive statistics are very important in reducing the

data to manageable form. When in-depth, narrative descriptions of small numbers of cases are involved, the research uses description as a tool to organize data into patterns that emerge during analysis. Description emerges following creative exploration, and serves to organize the findings in order to fit them with explanations, and then test or validate those explanations (Krathwohl, 1993).

This study adopts a descriptive design because it allows for both quantitative and qualitative methods. The use of descriptive design yields rich data that leads to appropriate analysis. This method also helps to address questions like “what is the effect of sales promotion on performance”.

3.3 Population

A population is a complete set of items that share at least one property in common that is the subject of statistical analysis (Vaus, 2001). In line with the current study, the population comprised of management and staff of Guinness Ghana Limited (GGBL). The population is estimated at **865** (see table 3.1 below).

Table 3.1: Population distribution

Description	Population
Management	85
Staff	700
Key distributors	80
Total	865

Source: GGBL, 2016.

3.4 Sample and Sampling technique

A sample is a subset containing the characteristics of a larger population. Samples are used in statistical testing when population sizes are too large for the study to include all possible members.

Table 3.2 presents the sample selection. As shown in the table, GGBL has staff strength of 865 with several outlets across the country.

Table 3.2: Sample size selection

Description	Population	Sample size
Management	85	5
Staff	700	95
Key distributors	80	60
Total	865	160

Source: Author, 2016.

Two main types of sampling techniques have been identified by researchers. This includes probability and non-probability. Probability sampling is a sampling process that utilizes some form of random selection (Salant & Dillman, 1996). In probability sampling, each unit is drawn with known probability (Yamane, 2001) or has a nonzero chance of being selected in the sample. Such samples are usually selected with the help of random numbers (Cochran, 1998). With probability sampling, a measure of sampling variation can be obtained objectively from the sample itself. Examples of probability sampling include stratified sampling, cluster sampling, simple random sampling and multi-stage sampling.

Nonprobability sampling or judgment sampling depends on subjective judgment (Salant, 2001).

The nonprobability method of sampling is a process where probabilities cannot be assigned to the

units objectively, and hence it becomes difficult to determine the reliability of the sample results in terms of probability. Examples of non-probability sampling include; convenience sampling, purposive sampling, quota and snowball sampling.

In general, researchers prefer probabilistic or random sampling methods to non-probabilistic ones, and consider them to be more accurate and rigorous (Salant, 2001). However, in applied social research there may be circumstances where it is not feasible, practical or theoretically sensible to do random sampling like in the current study.

This work combines both purposive and convenience sampling techniques. Purposive technique was used in selecting officers with the right knowledge of the company's promotional activities whilst other staff members selected using convenience sampling.

3.5 Sources of Data

Two main data sources were explored for this research; primary and secondary. The essence is to allow for new information that is likely to enrich the current research. Again, secondary data was also used to ensure that where information available already addressed some objectives, they were adequately harnessed. For instance, sale promotion expenditure from 1985 to 2014 was used as against profits over the same period.

Primary data refers to data obtained from first-hand experience whilst secondary data refers to data collected by third parties. One advantage of using primary data is the fact that it allows the researcher to gather specific information that addresses the objectives of the research. It is also more reliable compared to secondary since the researcher has the opportunity to test the validity and reliability of the data gathered. The study used primary data to examine the non-financial

benefits of undertaking sales promotional activities (objective 3) and challenges surrounding sales promotion activities undertaken by GGBL (objective 4).

3.6 Data Collection Instrument

The main instrument used was questionnaires. Questionnaires were used to gather information on Sales promotion activities. The questionnaires were administered to selected staff and management members. The questionnaires were basically closed-ended questions with few opened questions. In all, 160 questionnaires were administered. The advantage of using questionnaire includes the fact that it allows for quantitative analysis and also ensures that all respondents are asked the same set of questions. Questionnaires are also characterized with high confidence interval and high response rate.

3.7 Unit of Analysis

In research, measurement comes before analysis, and the process of moving from one to the other is often complicated. In social science research occurring in a field setting, many variables may be measured. In addition, the variables often are measured at different levels (Burstein, Linn, & Capell, 1999). For example Sales promotion may be measured at different levels: staff, management and even from customers' perspective.

While the unit of measurement may be simple to determine, issues related to the unit of analysis are not as straightforward. Here, the researcher must determine the appropriate way to prepare data for use in statistical analyses (Adler, 1991). The unit of analysis is the level at which data are used to represent one data point in an analysis. This is a complicated issue, because often the data are at different levels, and the research design and the assumptions of the analysis may demand analysis units that are different from the measurement units. The unit of analysis chosen has consequences

for research design, the number of participants and the confidence we can place in the results and conclusions.

For this study, the researcher is interested in sales promotion activities of GGBL and its impact on performance.

3.8 Data Analyses methods

Analysis of data is a process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, suggesting conclusions, and supporting decision making. Data analysis has multiple facets and approaches, encompassing diverse techniques. To ensure data is processed into meaningful information, factors analysis, correlation and regression analysis would be performed to examine the relationship between sales promotion and performance.

3.9 Reliability and Validity Tests

Very simply, validity is the extent to which a test measures what it is supposed to measure. The question of validity is raised in the context of the three points, the form of the test, the purpose of the test and the population for whom it is intended (Cronbach, 1990). Reliability is the degree to which a test consistently measures whatever it measures. Errors of measurement that affect reliability are random errors and errors of measurement that affect validity are systematic or constant errors. According to Cronbach (1990), an alpha coefficient of 0.70 is considered acceptable. All results shall be significant at 5% (0.05) margin of error (95% confidence level).

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

The purpose of this chapter is to analyze the study data and interpret the results so as to answer the research questions. The study sought to examine the effect of sales promotion on profitability and non-financial performance measures such as new product development and customer acquisition. To address the study objectives, both primary and secondary time series data over 30 years span was collected and analyzed. Thus objective 1 and 4 were addressed using primary data whilst objective 2 and 3 were addressed with secondary.

4.2 Sample Characteristics (primary data)

To address the research objectives, the researcher collected data on the sales promotional activities of Guinness Ghana Brewery Limited (GGBL). Respondents include staff and distributors of GGBL. The study also collected data on how long respondents have worked with GGBL and their departments. Sample characteristics are presented in Table 4.1 below.

Table 4.1 Characteristics of respondents

Variables	Categories	Frequency	Percentages (%)
Respondent	Staff of GGBL	100	62.5
	Distributors	60	37.5
Experience	Under 5 years	20	12.5
	5 – 10 years	80	50.0
	10 – 15 years	20	12.5
	More than 15years	40	25.0
Department	Marketing	60	37.5
	Operations	20	12.5
	Retail	20	12.5
	N/A	60	37.5

Source: Author, 2016.

As shown on Table 4.1 above, 62.5 per cent of respondents were direct staff of Guinness Ghana Brewery Limited whilst the other groups of respondents were distributors. A significant number of respondents have worked with GGBL for a period between 5-10 years. Approximately 28 percent have worked with GGBL for more than 10 years. Again, 37.5 per cent of respondents were drawn from the marketing department and 12.5 per cent from operations and retail units respectively. The sample characteristics presented above shows that respondents possessed the relevant experience and are familiar with sales promotional activities of GGBL.

4.3 Sales Promotional Activities of Guinness Ghana Limited (GGBL)

This part of the study provides information on the promotional activities of Guinness Ghana Limited using one sample t-test. The hypothesized mean was 3.

Table 4.2: Sales Promotion activities (Primary data)

Sales Promotional activities	Mean	Mean Difference	t	P-value
Before new products are launched, we provide free samples to consumers for pre-testing (sampling)	2.97	-0.03	-0.60	0.549
We sometimes reduce prices to boost sales during offseasons (Price-off offer)	2.33	0.10	2.76	0.007
We provide gifts to our distributors and retailers to maintain a good relationship (Dealer gift)	3.37	0.30	6.22	0.000
We provide attractive materials at sales point (i.e fridges, openers etc) to reinforce purchase	3.30	0.37	5.66	0.000
We use display contest to encourage dealers to buy a minimum quantity to display in shops	3.43	0.43	6.21	0.000
We use draws and scratch cards to reward customers who emerge winners	3.70	0.70	14.52	0.00
We encourage consumers to buy more a save some	2.33	-0.67	-9.22	0.000

cash

We use coupons to reward loyal customers	3.20	0.20	3.11	0.00	We use roadshows
to promote consumption of our	3.43	0.43	8.46	0.00	brand
New products are promoted with point of sales	3.43	0.43	8.46	0.00	displays

Test value = 3

Source: Author, 2016.

Out of the 10 promotional items identified, the one sample t-test result indicates that one was not significant as its p-value was higher than 0.05. This item was before new products are launched, we provide free samples to consumers for pre-testing (sampling). The one sample t-test result indicates that average ratings were statistically higher than 3 for the “We provide gifts to our distributors and retailers to maintain a good relationship (Dealer gift), We provide attractive materials at sales point (i.e fridges, openers etc) reinforce purchase, We use display contest to encourage dealers to buy a minimum quantity to display in shops, We use draws and scratch cards to reward customers who emerge winners, We use coupons to reward loyal customers, We use roadshows to promote consumption of our brand and New products are promoted with point of sales displays”

The t-test result showed positive mean difference for majority of the items and their corresponding p-values were less than 0.05. This suggests that the respondents agree to the use of such sales promotional by Guinness Ghana. The three highest mean values were: “We use draws and scratch cards to reward customers who emerge winners (3.70), We use roadshows to promote consumption of our brand (3.43) and New products are promoted with point of sales displays (3.43). Their t-values were significant at 1%.

Figure 4.1 below presents a graph of sales promotional activities used by GGBL.

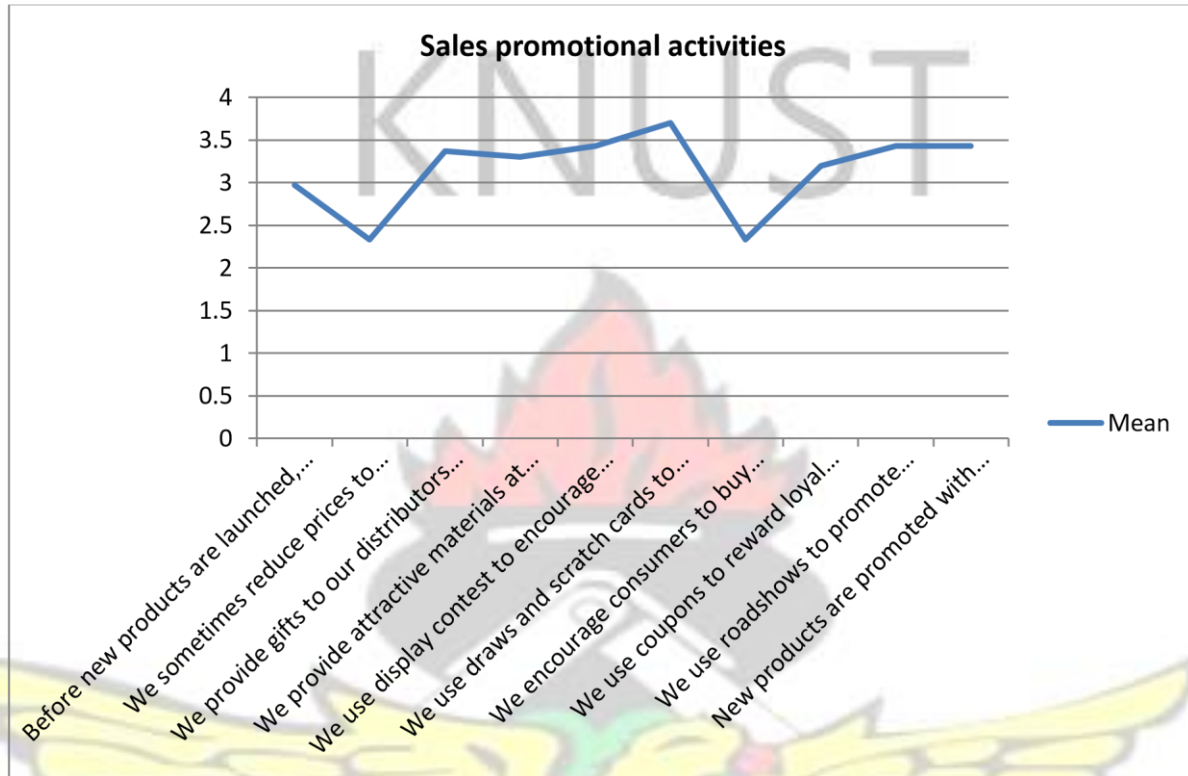


Figure 4.1: Sales promotional activities of GGBL.

4.4 Descriptive Summary (secondary data)

The descriptive summary of the variables of interest are presented here. The study obtained yearly expenditure on sales promotion, turnover, gross profit, customer acquired, and new product developed. Table 4.3 below presents the descriptive summary of these variables over time. The average sale promotion expenditure over the 30 year period under consideration was 40343670 with a minimum of 4840000 and a maximum of 130699000 Ghana Cedis. On turnover, average turnover was 5513493000 Ghana Cedis.

Table 4.3: Data Summary

Variable	Obs.	Mean	Std. Dev.	Min	Max
Sales Promotion	30	40343.67	39579.54	4840	130699
Turnover	30	5513493	20200000	15361	89100000
Gross Profit	30	108358.70	117357.20	6817	344854
Customer Acquired	30	1288677	4550155	4840	18900000
New Product Development	30	3.47	0.97	2	5

Source: Author, 2016

The average annual gross profit for Guinness Ghana Brewery Ltd over the 30 years was 108358700 Ghana cedis with a minimum of 6817000 Ghana cedis and a maximum of 344854000 Ghana cedis. The average number of customers acquired annually was 1288677000 with a minimum of 4840000 and 18900000000 people. The variable new product developed represents the number of new products made available to the market in a given year. From the descriptive summary, there average number of new products developed in a year was 3.47 with a minimum of 2 and a maximum of 5.

4.5 Unit Root Test

This study examines the relationship between sales promotion expenditure on both financial and nonfinancial performance measures using time series data from 1987 to 2014. The dataset has 30 observations. That is it span over a 30 year period. In order to avoid finding spurious relationship between sales promotion and performance measures, there is therefore the need to ascertain the stationarity of the variables. The study adopts the Augmented Dickey Fuller unit root test. This procedure has been developed by Dickey and Fuller (1979) for testing whether a variable has a

unit root or that the variable follows the random walk. The null hypothesis of the ADF test is that the variable has a unit root or the variables in not weakly stationary.

Table 4.4 presents the unit root test results for the variables in this study. The results consist of the test statistics, the 1%, 5% and 10% critical values and the P-value of the test statistics. The null hypothesis is rejected if the test statistic is less than the critical value (5% Critical Value given alpha of 5 percent). From the results, the test statistic of sales promotion expenditure is $-4.794 < -3.723$. This implies that at 1 percent level of significance, the null hypothesis has been rejected. In other words, the variable sales promotion expenditure is stationary. It does not have a unit root.

Table 4.4 Augmented Dickey Fuller Unit Root Test Results

Variables	Test Statistic	1% Critical Value	5% Critical Value	10% Critical Value	P-value
Sales Promotion Expenditure	-4.794	-3.723	-2.989	-2.625	0.0001
Turnover	-3.200	-3.723	-2.989	-2.625	0.0200
Gross Profit	-2.707	-3.723	-2.989	-2.625	0.0728
Gross Profit (First Difference)	-4.524	-3.723	-2.989	-2.625	0.0002
New Product Dev.	-0.439	-3.723	-2.989	-2.625	0.9034
New Product Dev. (First Dif.)	-5.292	-3.723	-2.989	-2.625	0.0000
Customer Acquired	0.646	-3.723	-2.989	-2.625	0.9887
Customer Acquired (First Dif.)	-4.695	-3.723	-2.989	-2.625	0.0001

Source: Author, 2016.

The test statistic of Turnover of -3.200 is less than the 5% critical value of -2.989 . Thus at 5 percent level of significance, we reject the null hypothesis of unit root. The variable Turnover is therefore stationary.

However, Gross Profit is not stationary given its test statistic of -2.707 , which is higher than the 5% critical value of -2.989 . We therefore cannot reject the null hypothesis of a unit root. The variable Gross Profit is therefore non-stationary. In order to ensure that this variable is stationary,

we take the first difference of it, which is given as Gross Profit (First Difference). The ADF unit root test of this variable was conducted and the result showed the test statistic to be -4.524 with 1% and 5% critical values of -3.723 and -2.989 respectively. This implies that, the first difference of Gross Profit is stationary.

Similarly, the variable New Product Development was not stationary given its test statistic of 0.439, which is higher than all critical values from 1% to 10%. Its p-value is also not less than 0.05, so the null hypothesis could not be rejected. The first difference of this variable however was stationary given its test statistic of -5.292 which is less than even the 1% critical value of -3.723 and its p-value of 0.0000 is less than 0.05.

The case of Customers Acquired is similar. The level of the variable is non-stationary given that the test statistic of 0.646 is higher than even the 10% critical value of -2.625 and its p-value is higher than 0.05. The null hypothesis of unit root could not be rejected. Hence the variable is non-stationary in the level. Its first difference however is stationary given the test statistic of 4.695, which is less than even the 1% critical value of -3.723 and its p-value of 0.0001 is less than 0.05.

4.6 Effects of Sales Promotion on Financial Performance Measures

This section examines the effect of sales promotion expenditure on financial performance measures such as gross profit and sales turnover.

4.6.1 Effect of Sales Promotion on Gross Profit

This section using the simple regression model, examine the impact of sales promotion on Gross Profit. Before the regression result, a number of diagnostic results are reported below the

regression results. The study examined the homoscedasticity assumption by using the BreuschPagan/Cook-Weisberg Chi-square statistic of 0.020. The null hypothesis of this test is that, there is constant variance. Given the p-value of 0.8906, we failed to reject the null hypothesis and therefore conclude that, there is homoscedasticity.

Time series variables are very likely to be autocorrelated. This violates one of the linear model assumptions. The study investigates if the error terms of the regression model are serially correlated using the Breusch-Godfrey LM test. The chi-square test statistic was 0.015 and its pvalue was 0.9041, which is higher than 0.05. The null hypothesis of no serial correlation among the error terms has not been rejected. The model therefore meets the requirement that the error terms not be serially correlated. Also reported is the coefficient of determination. The Rsquared, indicates the percentage of variation in Gross Profit explained by the variation in the independent variable – Sales Promotion. The R-square value was 0.276 and it implies that 27.6 percent of the variation in Gross Product can be explained by variations in Sales Promotion (see Table 4.5 below).

Table 4.5: Regression Results: Effects of Sales Promotion on Gross Profit

<u>Variables</u>	<u>Estimate</u>	<u>Standard Error</u>	<u>t</u>	<u>P-value</u>
Constant	-54609.8	24695.62	-2.21	0.036
Sales Promotion	1.398889	0.4355864	3.21	0.003
F(1, 27)		29		0.0034
R - squared		0.276		
Breusch-Godfrey LM Chi2	0.015	0.9041	Breusch-Pagan/Cook-Weisberg Chi2	0.020 0.8906

Source: Author, 2016.

To the actual coefficients, the estimated effect of sales promotion on gross profit is 1.399 with a p-value of 0.003, which is less than 0.05. This implies that, even at 99 percent level of confidence, the coefficient 1.399 is statistically different from zero. This means that sales promotion positively

and significantly impact on Gross Profit. In terms of magnitude, the result implies that, one thousand Ghana cedi increase sales promotion expenditure increases Gross profit by 1399 Ghana cedis.

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4.6.2 Effect of Sales Promotion on Turnover

In this section, the study examines the effect of sales promotion expenditure on turnover. Given the magnitude of the observations, the natural log was taken to reduce the scale for convenience. The regression results are reported in Table below. The serial correlation and heteroscedasticity test results are also reported in Table 4.6 below. From the results, the null hypothesis of no autocorrelation was not rejected at the 5 percent level of significance given Breusch – Godfrey LM test statistic of 0.037 with its p-value of 0.6741. This implies that, the residuals of this regression model were not serially correlated. The constant variance requirement has also been met given the Breusch – Pagan test statistic of 1.32 and its p-value of 0.0720.

Table 4.6 Regression Results: Effect of Sales Promotion on Turnover (Sales)

<u>Variables</u>	<u>Estimate</u>	<u>Standard Error</u>	<u>t</u>	<u>P-value</u>
Constant	7.810	3.71	2.11	0.044
<u>Sales Promotion</u>	<u>0.4436</u>	<u>0.364</u>	<u>2.22</u>	0.023
F(1, 27)		4.48		0.023
R - squared		0.1503		
Breusch-Godfrey LM Chi2	0.037	0.6741	<u>Breusch-Pagan/Cook-Weisberg Chi2</u>	
	<u>1.32</u>	<u>0.0720</u>		

Source: Author, 2016.

To the regression results, the coefficient of determination was 0.1503 and implies that 15 percent of the variation in logged turnover can be explained by variations in sales promotion. To the actual results, the coefficient of sales promotion was 0.4436 and this is elasticity. It is statistically

different from zero given the p-value of 0.023. It implies that a 1 percent increase in sales promotion was associated with 0.44 percent increase in sales turnover. In other words, a 100 increase in sales promotion was associated with a 44 percent increase in sales turnover. This result makes intuitive sense and also meets a priori expectation. The result here agrees with the findings of Anderson et al (1999) who studied how the depth of price promotion affects sales. Anderson et al (1999) also found a positive and significant influence of promotion on sales. Kumar et al (2005) studied the impact of coupons on brand sales and further examined the decays over time using time series data. Although this study did not investigate the error correction model, it found that promotions positively and significantly impact on sales over time.

4.7 Effect of Sales Promotion on Non-Financial Performance Measures

This section examines the effect of sales promotion expenditure on non-financial performance measures. The study considered new product development, number of customers acquired and productivity. This section examined how sales promotion expenditure impact on new product development, and customers acquired.

4.7.1 Impact of Sales Promotion on New Product Development

The study use simple regression to examine the effect of sales promotion expenditure on new product development. Given that the level of new product development was not stationary, the first difference was used. The natural logs of these variables were used in the regression. The diagnostic results of autocorrelation and heteroscedasticity are also presented in the table. The pvalues for the Breusch-Godfrey LM test for serial correlation and Breusch-Pagan test for heteroscedasticity were all higher than 0.05. This means that there was no autocorrelation and heteroscedasticity in the regression residual.

Table 4.7: Regression Result: Effect of Sales Promotion on New Product Development

<u>Variables</u>	<u>Estimate</u>	<u>Standard Error</u>	<u>t</u>	<u>P-value</u>
Constant	0.0611416	0.324112	1.89	0.070
<u>Sales Promotion</u>	<u>-0.00000107</u>	<u>0.000000572</u>	<u>-1.87</u>	0.072
F(1, 27)		3.51		0.071
R - squared		0.1151		
Breusch-Godfrey LM Chi2		0.425		0.5143
Breusch-Pagan/Cook-Weisberg Chi2		0.93		0.3342

Source: Author, 2016

To the actual regression results, the coefficient of sales promotion -0.00000107 was not statistically different from zero at the 5 percent level of significance given the p-value of 0.072 which is higher than 0.05. It indicates that sales promotion does not significantly affect new product development.

This however failed to meet a priori expectation. It was expected that sales promotion expenditure will positively and significantly influence new product development.

4.7.2 Impact of Sales Promotion on Customer Acquisition

To ascertain the effect of sales promotion in customer acquisition, the study used a simple regression with time series data over 30 year period. The first difference of customer acquisition was used given that its level was not weakly stationary. The regression result is presented in Table below.

Diagnostic results revealed that, given the Breusch-Godfrey LM test statistic of 0.025 and its pvalue of 0.9743, and Breusch-Pagan test statistic of 0.883 and its p-value of 0.4242, both serial correlation and heteroscedasticity has been cleared. The simple regression model does not have problems with autocorrelation and heteroscedasticity.

The coefficient of determination of the model is 0.097 and it implies that 9.7 percent of the variation in customer acquisition has been explained by variations in sales promotion expenditure (see Table 4.8 below).

Table 4.8 Regression Result: Effect of Sales Promotion on Customer Acquisition

<u>Variables</u>	<u>Estimate</u>	<u>Standard Error</u>	<u>t</u>	<u>P-value</u>
Constant	9.713	3.980	2.44	0.021
<u>Sales Promotion</u>	<u>0.0953</u>	<u>0.039</u>	<u>2.54</u>	0.029
F(1, 27)		3.26		0.029
R - squared		0.097		
Breusch-Godfrey LM Chi2		0.025		0.9743
Breusch-Pagan/Cook-Weisberg Chi2	0.883	0.4242		

Source: Author, 2016

To the actual coefficient, the coefficient of sales promotion is 0.0953 with a p-value of 0.029, which is less than 0.05. This means that at the 5 percent level of significance, the coefficient 0.0953 is statistically different from zero. It implies that, sales promotion positively and significantly influences customer acquisition. The coefficient is elasticity and it implies that, a percent increase in sales promotion expenditure associates with 0.09 percent increase in customer acquisition. This result meets a priori expectation. That increase in sales promotion expenditure will mean the ability to reach out to more customers and hence increase in the number of the firm's customer base. Findings in this section are in line with the findings of studies such as Mela et al (1997) and Grover et al (1992) all have found evidence to suggest that sales promotion has the tendency to increase customer based of firms either by improving customer loyalty or through brand loyalty.

4.8 Sales promotion challenges

This part of the study sought to explore sales promotional challenges facing GGBL. Respondents were allowed to list key challenges facing the company. The study compared sales promotional expenditure against gross profits over the years.

As shown in figure 4.2, there was no consistent relationship between sale promotion expenditure and gross profit. This has been a major problem for the marketing department as many managers question the expected returns for committing huge company resources to sales promotional budget (see Figure 4.2 below).

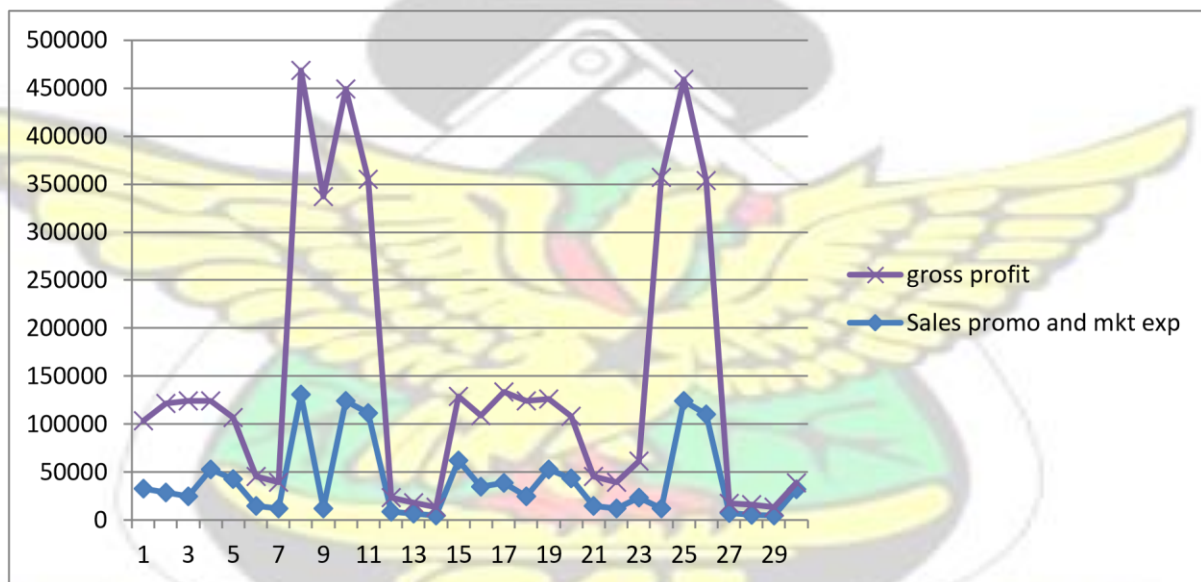


Figure 4.2 Sales promotion and gross profit Source:

Author, 2016.

The study also found that sales promotional activities have not been well integrated. As shown in the previous analysis (Table 2.), respondents could not agree on main sales promotional tools used by the company.

Management also disclosed that GGBL is forced to invest more in sales promotion budget because of stiffer competition from other players. Finally, consumers are becoming less enthused with promotional gimmicks used by brewery companies.

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CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings, conclusion and recommendations for the study.

Specifically, the study sought to examine sales promotional activities used by Guinness Ghana Brewery Limited (GGBL), the relationship between sales promotion and financial performance of GGBL, examine the effect of sales promotion on non-financial performance of GGBL and identify challenges affecting sales promotion activities undertaken by GGBL.

5.2 Summary of Findings

Summary of findings from the previous chapter are presented as follows.

5.2.1 Sales Promotional Activities of Guinness Ghana Limited (GGBL)

Study used one sample t-test to examine sales promotion activities of GGBL using 10 items. The found that average ratings were statistically higher than 3 for items such as: “We provide gifts to our distributors and retailers to maintain a good relationship (Dealer gift), We provide attractive materials at sales point (i.e fridges, openers etc) reinforce purchase, We use display contest to encourage dealers to buy a minimum quantity to display in shops, We use draws and scratch cards to reward customers who emerge winners, We use coupons to reward loyal customers, We use roadshows to promote consumption of our brand and New products are promoted with point of sales displays”

The t-test result showed positive mean difference for majority of the items and their corresponding p-values were less than 0.05. This suggests that the respondents agree to the use of such sales promotional by Guinness Ghana. The three highest mean values were: “We use draws and scratch cards to reward customers who emerge winners (3.70), We use roadshows to promote consumption of our brand (3.43) and New products are promoted with point of sales displays (3.43).

5.2.2 Effects of Sales Promotion on Financial Performance Measures

This section used simple regression model to examine the impact of sales promotion on Gross Profit. The R-squared, indicates the percentage of variation in Gross Profit explained by the variation in the independent variable – Sales Promotion. The R-square value was 0.276 and it implies that 27.6 percent of the variation in Gross Product can be explained by variations in Sales Promotion.

The estimated effect of sales promotion on gross profit was 1.399 with a p-value of 0.003, which is less than 0.05. This implies that, even at 99 percent level of confidence, the coefficient 1.399 is

statistically different from zero. This means that sales promotion positively and significantly impact on Gross Profit. In terms of magnitude, the result implies that, one thousand Ghana cedi increase sales promotion expenditure increases Gross profit by 1399 Ghana cedis.

With respect to the effect of sales promotion on turnover, the coefficient of determination was 0.1503 and implied that 15 percent of the variation in logged turnover can be explained by variations in sales promotion. The coefficient of sales promotion was 0.4436 and this is elastic. It is statistically different from zero given the p-value of 0.023. It implied that 1 percent increase in sales promotion was associated with 0.44 percent increase in sales turnover. In other words, a 100 increase in sales promotion was associated with a 44 percent increase in sales turnover.

5.2.3 Effect of Sales Promotion on Non-Financial Performance Measures

This study also examined the effect of sales promotion on non-financial performance measures. The study considered new product development, number of customers acquired and productivity. The study used simple regression to examine the effect of sales promotion expenditure on new product development. Given that the level of new product development was not stationary, the first difference was used.

The coefficient of sales promotion (-0.00000107) was not statistically different from zero at the 5 percent level of significance given the p-value of 0.072 which is higher than 0.05. It indicates that sales promotion did not significantly affect new product development.

Again, the effect of sales promotion on customer acquisition was examined. The coefficient of determination of the model was 0.097 and it implies that 9.7 percent of the variation in customer acquisition has been explained by variations in sales promotion. The coefficient of sales promotion was 0.0953 with a p-value of 0.029, which is less than 0.05. This means that at the 5 percent level of significance, the coefficient 0.0953 is statistically different from zero. It implies that, sales promotion positively and significantly influences customer acquisition.

5.2.4 Sales promotion challenges

In investigating sales promotional activities facing GGBL, the study found that there was no consistent relationship between sale promotion and financial performance. This has been a major problem for the marketing department as many managers question the expected returns for committing huge company resources to sales promotional budget.

The study also found that sales promotional activities have not been well integrated. Management also disclosed that GGBL is forced to invest more in sales promotion budget because of stiffer competition from other players.

Finally, management hinted that consumers are becoming less enthused with promotional gimmicks used by brewery companies as a result, the company is exploring new options to cut down cost.

5.3 Conclusion

Whilst some researchers found a positive relation between sales promotion and financial performance (Anderson et al (1999; Kumar et al (2005), others found otherwise (Vecchio et al. 2006). For this study, the researcher found a positive and significant relationship between sales promotion and profitability. The study concluded that 1 percent increase in sales promotion was

associated with 0.44 percent increase in sales turnover. In other words, a 100 increase in sales promotion was associated with a 44 percent increase in sales turnover. However, when it comes to non-financial performance, the study found that sales promotion did not significantly affect new product development. Finally, the relationship between sales promotion and customer acquisition was positive and significant. The coefficient is elastic and implied that, 1 percent increase in sales promotion expenditure is associated with 0.09 percent increase in customer acquisition.

5.4 Recommendation

Based on the above findings, the researcher recommends the following.

Management of GGBL should ensure effective integration of communication tools to ensure that the intended objectives for all promotional tools are achieved.

It is equally important for management to fully utilize technology to attract consumers to the Guinness brand. Social media tools have become more appealing to the youth hence GGBL must explore its full benefits.

To deal with the question of whether sales promotion affects financial performance, the study supported the position that sales promotion has a positive and significant effect on profitability. However, it is recommended that management periodically evaluates the contribution of sales promotion relative to other promotional tools.

Finally, the study recommends that management of GGBL involves key distributors and supply chain members in sales promotional activities if they need to meet the goals stipulated for such campaigns. This is because distributors and retails deal directly with consumers hence they can give adequate feedback on promotional activities used.

5.5 Areas for future research

The following are suggested for further investigation.

1. The interactive effect of sales promotion and advertising on profitability
2. The effect of sales promotion on brand equity
3. The effect of sales promotion on new customer acquisition.

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APPENDIX QUESTIONNAIRE

This study seeks to examine the effect of sales promotion on the performance of Guinness Ghana Brewery Ltd. The study forms part of the requirement for the award of an MBA in Marketing. Respondents are assured that no information provided would be used at the detriment of the organisations. I shall be grateful if you could spend few minutes of your time to complete this questionnaire. The questionnaire is expected to take approximately 10 minutes maximum to complete. Thank you.

PART A: BACKGROUND INFORMATION

1. Category of respondent: Distributor Staff
2. Department:
3. Working tenure (years): less than 1yr 2-5yrs 6-9yrs 10yrs and above
4. Respondent's job position:

PART B: SALES PROMOTION ACTIVITIES

Which of the following sales promotion activities are undertaken by your organisation? The likert scale to use is: **SD=Strongly disagree D=Disagree N=Neutral A=Agree SA= Strongly agree**

		SD	D	N	A	SA
1.	Before new products are launched, we provide free samples to consumers for pretesting (sampling)					
2.	We sometimes reduce prices to boost sales during off-seasons (Price-off offer)					
3.	We provide gifts to our distributors and retailers to maintain a good relationship (Dealer gift)					
4.	We provide attractive materials at sales point (i.e fridges, openers etc) to reinforce purchase					
5.	We use display contest to encourage dealers to buy a minimum quantity to display in shops					
6.	We use draws and scratch cards to reward customers who emerge winners					
7.	We encourage consumers to buy more a save some cash					
8.	We use coupons to reward loyal customers					

9.	We use roadshows to promote consumption of our brand					
10	New products are promoted with point of sales displays					

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PART C: SALES PROMOTION CHALLENGES

1. What are the main promotional challenges facing GGBL?

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2. How has management of GGBL addressed the challenges enumerated above?

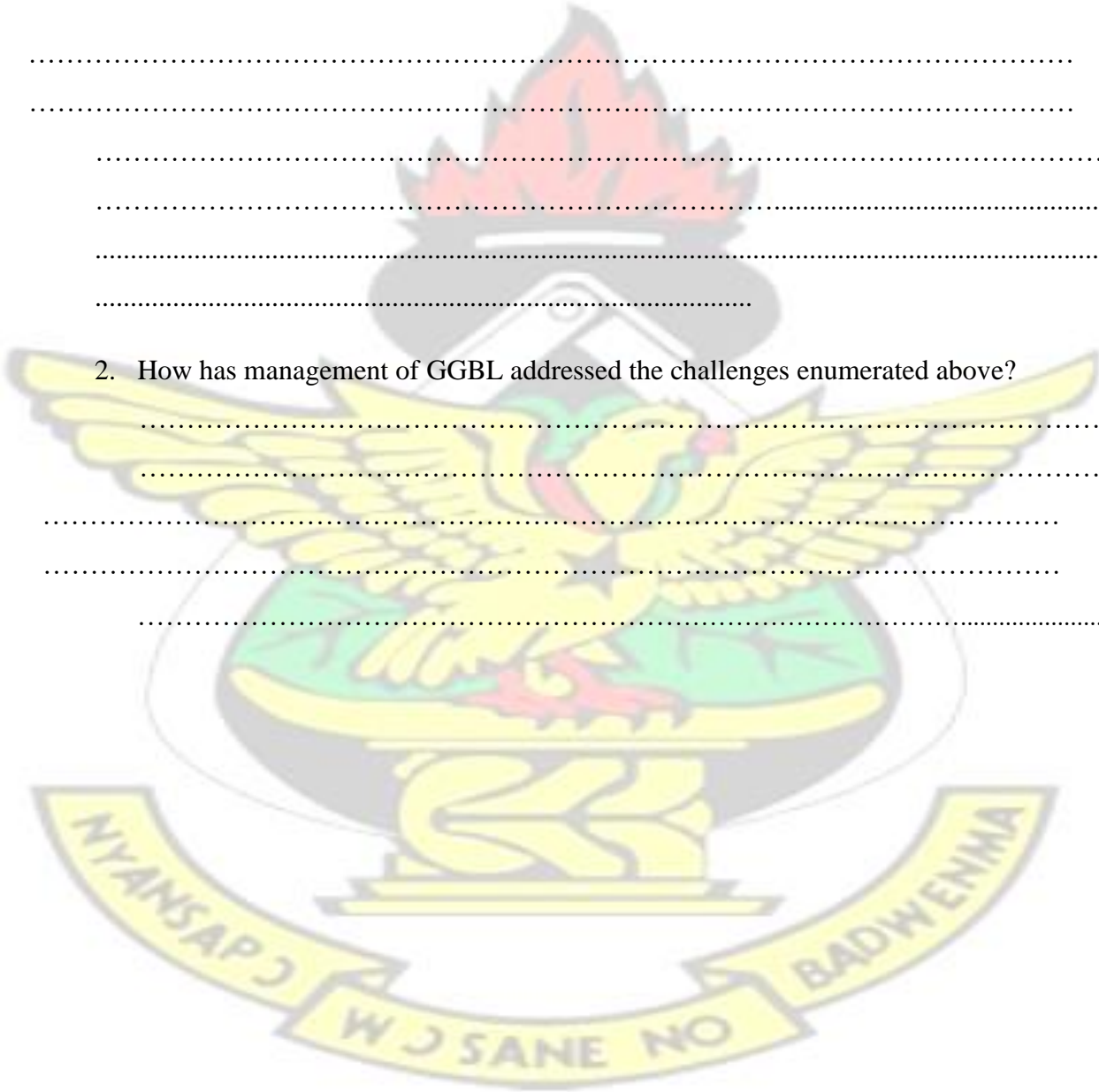
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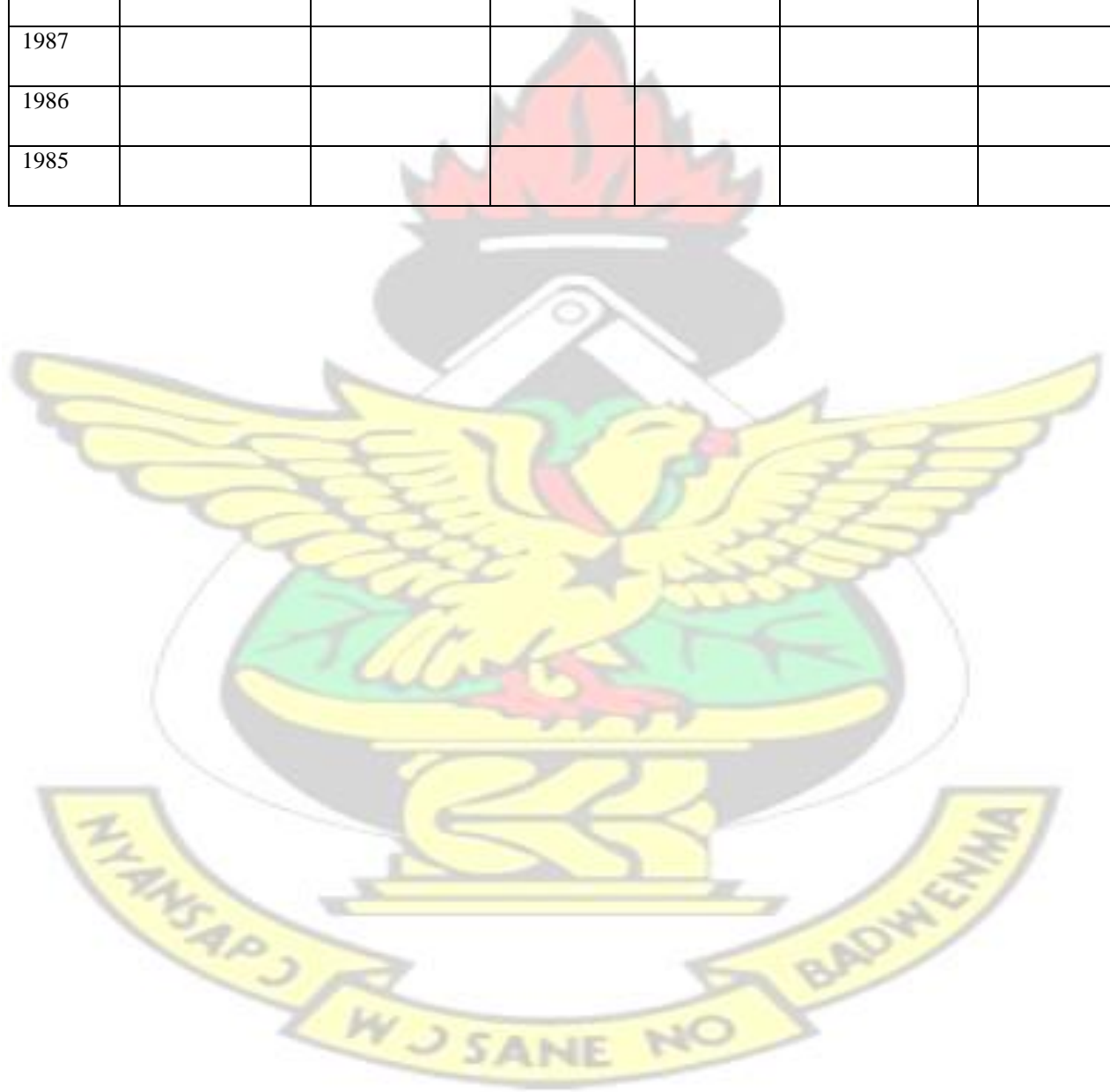
PART D: PERFORMANCE MEASURES

Kindly provide information on the performance of your organisation using the template below.

Year	Sales promotion Expenditure	Turnover	Gross profit	Profit before Tax	New Customers acquired	New Product dev.
2014						
2013						
2012						
2011						
2010						
2009						
2008						
2007						
2006						
2005						
2004						
2003						
2002						
2001						
2000						
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1993			62			
1992						
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1990						
1989						
1988						
1987						
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