

# **Chapter I**

## **Introduction**

### **1.1 Background of the Study**

The complexity of business is increasing day by day. Competition in every field is increasing pervasively high. In this situation, companies; especially manufacturing companies find the situation very tough to produce, promote and distribute their product in the market smoothly. So, the businesspeople are using various tools and techniques to enhance the well transaction of their products and production.

Nepal is a developing country sand-witched between two big countries China and India. So the business complexity in Nepal is doubled comparison to others. After the establishment of democracy in 1951, new industries emerged and production quality and quantity also increased. It is a positive indication for the nation because it boosts in the development of national economy. Different types of industries are producing different products to fulfill the diverse needs of the consumers. Production of goods and services only, does not guarantee success in business world. When the goods have been produced people must be communicated about the products and persuade them for their acceptance. People do not accept the product unless they realize about the benefits from the usage of the products. This offering of the products or services to the consumers is only possible through promotion and publicity. Sales do not occur automatically but has to be pushed and accelerated towards the consumers through the use of different tools of the promotion blend.

Market today is growing so rapidly. Many products are being introduced in the market day by day. Few decades back situation was not like this; market was limited to few people and products. Market was growing in such a way that a plentiful of supply of new customers and company could attract those new costumers without worrying of losing old ones. But now competition is tough and market is sophisticated and

companies are facing some marketing realities. In fact, market of today does demonstrate the real characteristics of marketing.

In such situation, whether it is to retain their current customers or to attract new one, there is need to apply promotion tools. Sales promotion is one of the promotional tools which is very popular marketing technique, is becoming very popular among the manufacturers. The concept of consumer promotion/sales promotion is not new. This technique is being used by the manufacturers since as early as 19th century. This technique for the first time was used by John H. Palton of United States, a founder of the National Cash Register Company (NCRC). He thinks that sales of the product can be increased if monetary advantages are given to the consumers. Since then the technique, consumer promotion is being used by many companies. Several researches have been conducted by experts on consumer's promotion. The conclusions derived by them showed that the consumers get attracted and act to buy the product if extra advantages are given to them with the product. These activities of consumers forced manufacturers to make frequent use of different new and attractive promotional tactics. In fact in any business cost of inventory holding has become expensive as a result of high cost of storage's warehouses, interest rates and sky rocketing cost of raw materials. So, the manufacturers want the fast sales of their products. For this, they always seek new techniques and ways to sell their products. Sales promotion has come as a panacea for all before-said marketing problems.

A review of sales promotion as conceived here suggested that it is an important sector of marketing activities the amount allocated to sales promotion often is hidden in advertising budget, field sales budget and various kinds of service funds. Nevertheless, studies indicate that manufacturer spend as 50% of their marketing-money on sales promotion. As example of the amount of money spent for sales promotion, the following are indicative: A leading food manufacturer spent \$42 million in media advertising plus and addition \$54 million in sales promotion activity. A leading radio and television manufacture budget 80% of its promotional budget for sales promotion activities. So importance of sales promotion is increasing day by day.

Many business people opine that there are not any fundamental differences between advertisement and consumer promotion. Very few business organization, which are supported to be leading organization in Nepal, who are applying this (sale promotion)

marketing tools for promotion of product. For example: instant noodles, tea, beer, cold drink (beverages) etc. Sales promotion is very important to attract consumer towards the product in a highly competitive market.

### **1.1.1 Meaning**

The term sales promotion is widely used in business but with a great confusion. To some business men it is synonymous with the entire marketing function while to other only a minor activity related to either personal selling or advertising. Different scholars have defined sales promotion differently. Sales promotion may be defined as any device or arrangements that are not formally classifiable as advertising, personnel selling or publicity, used by a firm at some cost intended to draw the attention of potential buyers to its products and services. Consumer promotion basically concentrated on the consumer to buy products. The promotion activities are mostly short-term, designed to stimulate quicker and / or greater purchase of product / services by consumers.

Sales promotion is fairly broad term embracing a variety of marketing techniques. The principal purpose of sales promotion is to stimulate sales; but the activities also include methods of introducing new products or consolidating the market, for example, by providing goods after sales services.

For our purpose, sales promotion is define as those activities that supplement personal selling, advertising and publicity, coordinates them, and helps to make them and helps to make them more effective. It concludes relationship between a manufacture and his consumers intended to assist them in purchasing more intelligently and to maintain customer satisfaction with his products thereby stimulating further sales.

Some marketing men describe the differences between sales promotion and advertising. Advertising "brings the consumer to the product" whereas sales promotion "brings the products to the consumer" in other words, advertising aims at creating a demand even before the consumer enters shop, according to well known lecturer and author of Dictionary of Marketing Gopal Thapa, "Advertising is the paid, public, non-personal announcement of a persuasive message by an identified sponsor; the non personal presentation or promotion by a firm of its products to its existing and

potential customers. Promotion of a product, service, or message by an identified sponsor using paid-for media"<sup>1</sup>. While sales promotion will generally seek to make the product more interesting and attractive once the consumer sees it. Most sales promotion activities take place at the point of sale. So advertising is essentially a method of influencing customers indirectly through public media, while sales promotion is regarded as a direct method in the sense that it usually presents the products directly to the consumer.

### 1.1.2 Ways of promotion

As sales promotion is being frequently done to boost the market sales for consumer products, manufacturers select various ways of promotion. It is not true that one way mode of consumer is used on only type of product. In contrast, manufacturers use the mode of promotion according to the consumer's demand and other factors. Generally the following mode/ways of consumer's promotion are in use:-

- \* Displays
- \* Premiums
- \* Samplings
- \* Price of rebates
- \* Fashion show or parades
- \* Exhibition cum sales
- \* Advertising specialties
- \* Rebates
- \* Coupons

The discussions in brief of above modes hereunder:-

1. **Displays**:- Any displays at shop which offer the product in reduction price is known as 'display'.
2. **Coupons**:- A coupon is assurance provided by the manufacturer to the consumer which contains a promise from manufacturer that the prize is awarded if demanded, in any retail outlets showing that coupon.
3. **Premiums**:- Premium is an offer of a specific product without cost or even reduced price if consumer makes a certain level of purchase of that product.

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<sup>1</sup> Thapa Gopal, Dictionary of Marketing, Buddha Academic publishers & distributors Ltd, Ktm, p 7

4. **Samplings:-** Sampling is word refers to the free distribution of the product to have taste of that product on trial basis.
5. **Price off:-** This is an offer given by the manufacturers of the product to its consumer if consumers make purchase of same product. They get the size, height, of the product in cheap price.
6. **Fashion shows and parade:-** This is an demonstration of the product by the manufacturer where consumer has multiple choice of the product and consumer get the product in discounted price.
7. **Exhibition-cum-sales:-** This is a demonstration of the product by the manufacturer where consumer has multiple choice of the product and consumer get the product in discounted price.
8. **Advertising specialties:-** Specialty advertising offers articles of merchandise and some typical gifts as pen, T-shirts etc. to the users. Manufacturers use these techniques with many objectives for example on the occasion of opening branch or new product launching or in the anniversary of the company or the product.

These techniques are not proper for mass propaganda but can be on a supplement for other tool.

This way the manufacturer use suitable tools of promotion. The tools modes of promotion are not constraint but promotion can develop new according to the needs and necessity of the manufacturers or the products.

### **1.1.3 Introduction of Pepsi-Cola**

Pepsi-Cola is a carbonated beverage that is produced and manufactured by PepsiCo. It is sold in stores, restaurants and from vending machines. The drink was first made in the 1890s by pharmacist Caleb Bradham in New Bern, North Carolina in the United States. In 1898, “Brad’s drink” was changed to ‘Pepsi-Cola’ and later trademarked on June 16, 1903. There have been many Pepsi variants produced over the years since 1903, including Diet Pepsi, Crystal Pepsi, Pepsi Twist, Pepsi Max, Pepsi Samba, Pepsi Blue, Pepsi Gold, Pepsi Holiday Spice, Pepsi Jazz, Pepsi X (available in Finland and Brazil), Pepsi Next (available in Japan and South Korea), Pepsi Raw, Pepsi Retro in Mexico, Pepsi One, and Pepsi Ice Cucumber in Japan<sup>2</sup>. There are

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<sup>2</sup> <http://www.pepsico.com>

several theories on the origin of the word “Pepsi”. The word PEPSI is often referred to as Pay Every Penny to Save Israel in Pakistan<sup>3</sup>.

Pepsi-Cola is now one of the leading multinational companies operating in Nepal too. Pepsi-Cola is produced and distributed in Nepal by Varun Beverages (Nepal) Pvt. Ltd.(VBPL), Sinamangal, Koteshwor, Kathmandu. The principle activity of Varun beverages is to manufacture and sale soft drink under the registered trademark of Pepsi-Cola Company. Soft drink like Pepsi-Cola, Mirinda and 7up are manufactured and distributed in market for sale. The company was established under the technical and financial aid of PepsiCo., USA and still it is getting same cooperation from that company. The company continued to invest heavily in expanding the domestic business. The company has products of truly international standard.

The company provides employment to hundreds of Nepalese citizens and indirect employment for thousands of peoples through its network of supplier, distributors and local agencies. There have been many innovative marketing initiatives focused on growing the domestic business. Promotion activities have also been focused on building long-term equity for brands.

## **1.2 Statement of the Problem**

Nowadays, Nepalese cold drink market is very competitive. Cold drinks are easily available in the market and accessible by every level of people. All the competitors want to achieve the high market and go ahead than competitors. From this purpose they spend large amount of money for advertisement and sales promotions. Besides, Pepsi has its own remarkable history of sales promotion and advertising. Only advertising is not working these days, since various brands of cold drinks as well as juice are easily available and accessible to every level of people in Nepalese market.

Consumers have many options to choose their favourable brand. A part from this, consumers are very much aware of the quality and durability of the product they are going to purchase. Because of these situations the producers find very tough to sell

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<sup>3</sup> <http://www.pepsico.com>

their products in the competitive market. So they started to use sales promotion techniques to capture large market share.

Nepalese business, commercial and industrial management is still in underdevelopment state. Manufacturers can not say definitely that their promotion is effective or not. Still psychological and psychographic study is not given priority by the producers. Hence the study will focused on following problems related to the subject chosen.

1. What are the impact being seen in the sales of cold drinks due to the use of promotion?
2. What sort of promotional tools is effective to enlarge the market share?
3. Why are sales promotion needed in Nepalese context?
4. What are the major challenges and opportunities of sales promotion?
5. Is favourable environment exists for the sales promotion?

The present study is trying to answer all above questions.

### **1.3 Objectives of the Study**

Sales promotion concept is now not new in Nepal. But still the sales promotion concept is not reached to the mind of all producers and consumers. There is lot of things to search and find out the practice of sales promotion. The following are main objectives of the present study.

1. To analyze which promotional activities of Pepsi-Cola is effective and convincing among the consumers.
2. To evaluate the impact of sales promotion activities in sales of Pepsi-Cola in Kathmandu valley.
3. To evaluate and analyze the relationship between sales promotion package and consumers behaviours towards Pepsi-Cola in Kathmandu valley.
4. To recommend future course of actions for better performance in sales promotion of Pepsi-Cola.

#### **1.4 Significance of the Study**

Today's market had become very competitive because of globalization, whether marketers are facing the problem of not getting target market share, over stocking and competition. Different types of product with a large number of alternative brands are available in Nepalese cold drink market. In this situation sales promotion is one of the short-term incentive tools which helps to increase sales and achieve target in the Nepalese market, There are different brand of cold drinks existing in the Nepalese market. Every brand has their own promotion strategy for increasing the sales. But there is not fixed define sales promotion tools. So there is need to find out the impact of different sales promotional tools to increase sales of cold drinks.

The finding of this study may provide guideline for making strategies of successful marketing activities and sales related activities. This study also provides valuable references to the students and researchers who are in tested in conducting further researchers on sales promotion.

#### **1.5 Limitations of the study**

Although an extent have been made to measure the impact of sales promotion of Pepsi-Cola in Kathmandu Valley to the extent possibilities. The study is entangled in some limitations. The limitations are mentioned below:

1. Lack of adequate time so not able to reach the depth of study.
2. Limited sample information & data.
3. Focuses only one Company.
4. Examines only one topic sales promotion.
5. Not availability of plentiful literature on the subject has handicapped the study to extent.
6. The sample size taken for this study is small in comparison to the population of the study.



## **1.6 Plan of the work**

According to the generally prescribed format the whole study will be divided into five chapters in order to make easy and understandable. Each chapter deals with the specific aspects of the study which will be as follows:

- Chapter I: Introduction
- Chapter II: Review of Literature
- Chapter III: Research Methodology
- Chapter IV: Presentation, Analysis and Interpretation
- Chapter V: Summary, Conclusion and recommendation

The first chapter deals with the introduction that includes background, meaning, ways of promotion, statement of the problem, objective of the study, organization of the study.

The second chapter is for literature review, this chapter, discusses about the theoretical concepts of sales promotion.

In the research methodology chapter, methodology employed in the present study is described. This chapter includes introduction, research design, nature and sources of data, population and sampling data collection procedures: Data processing, tabulation and data analysis technique.

The fourth chapter is the pivotal chapter of this study. This chapter deals about the presentation, tabulation interpretation and analysis of data. This chapter also presents major findings of the study.

In the last chapter, we present the summary of the study, conclusions and suggestion and recommendation.

## Chapter II

### Review of Literature

#### 2.1 Introduction to Promotion

Promotion is persuasive communication. It is a highly visible component in the marketing mix. It tells the target customers about product, price and place. It is also known as marketing communication. Promotion consists of activities that facilitate exchanges with target customers through persuasive communication. It stimulates demand. It is that stimuli which motivate people demand about the certain product or services. "Promotion includes all the activities the company undertakes to communicate and promote its products to the target market."<sup>4</sup>

Promotion is an element in an organization, marketing mix that serves to inform, persuade and remind the market of the organization or its products. Basically promotion is an attempt to influence whether a particular promotion activity is designed to inform persuade and remind. The ultimate objective is to influence the recipients' feelings belief or behaviour. In our socio-economic system, this is not only acceptable but has become essential as the whole modern marketing world is passing through cut-throat competition. Demand will grow. But these days it is believed that if company can retain its current customers and build lasting relationship, its demand will automatically grow whether it is to attract new customer or the old one. Promotion played a vital role as the marketing grew lager and the number of customers increased along with the innumerable number of products in the market. The important of attracting them grew. In such situation, different methods of promotion like sales promotion can help a lot. Similarly in case when company need to retain its current customers in this competitive market, they need to be reminded with the products presence through advertisements and other means of promotion time and again. So promotion is supporting component in a marketing mix.

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<sup>4</sup> Kotler Philip, Marketing Management, Prentice Hall of India Pvt. Ltd., New Delhi, 1997, p. 691

In modern marketing, promotion is a must. A good product, an attractive price and an accessible distribution must be supported by an effective promotion to satisfy customer needs.



Fig. 1 (Marketing mix)

Promotion has its own objectives and functions. Basically promotion has four objectives which play a vital role in the marketing of any products. This direct contact in personal selling is a method which is different from other forms of promotion.

- a. Informing
- b. Persuading
- c. Reminding
- d. Reinforcing/Reassuring

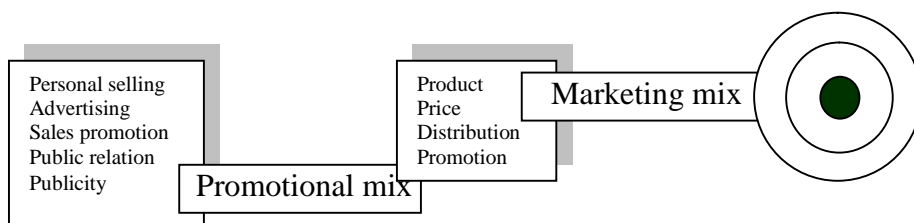


Fig. 2 (Promotion mix)

**Informing:**

One of the most important objectives of promotion is to inform consumers about the usage, benefits and features of the product. The information may include the name and address of the advertiser or the seller also. If a new product is to be launched, pre-information may be communicated to the consumers in the market.

**Persuading:**

Only informing the consumers about the products may not influence the consumers towards the products. In order to influence them, the advertiser must be able to assure consumer satisfaction. In a competitive market, communication to the consumer is very important. This type of communication is known as persuasive communication.

**Reminding:**

The advertiser can not rest after communicating the information about the product consumer may forget about the availability of the product in the market. So the advertiser should repeat the communication process to remind consumer that the product are still available and can still fulfill their desires. The major reason of reminding consumers is to retain their preference for the products.

**Reinforcing/Reassuring:**

Promotion is important in the post-purchase stage of the buying process. Customers may feel anxiety (cognitive dissonance) over their purchase decision. Promotion reassures them about the product's benefits to reduce their anxiety. Repeated reinforcement leads to brand loyalty. It also builds image of the organization.

For the purpose of effective marketing, it is imperative that there are promotion efforts from the side of the advertiser. The advertisers aspire to check their performance by promoting their products in the competitive market.

A product can be presented and promoted in a variety of ways and advertising is one of them. Advertising as compared to other aspects of promotion, reaches a large group of consumers through the vehicles of mass communication. The advertisement

message is directed towards a large group of services who are scattered in different markets. It is a decisional factor for the marketing manager to blend all promotion tools like advertising, personal; selling, publicity and sales promotion to arrive at a right promotion mix. Each element of the promotional tools has its unique characteristics and each is complementary and supplementary to each other.

### **Advertising:**

Advertising is a non-personal presentation of marketing message through various medias such as newspapers, magazines, cinema, outdoor posters and signs, direct mail, radio, television catalogues etc.

Advertising is both a means of communication as well as an important tool of promotion. Communication is an integral part of daily life of the human being. In the business world, effective transmission of communication is a vital need. A manufacture needs to communicate with the present and potential consumers. He has to have information about the market relating to what terms. With this information, he could inform the consumers about the availability of the products. In absence of this information, producer can not produce as per the demands of the consumers who will only buy the products they already know.

Advertising is one of the important tools of promotion and it is also the most important aspect of marketing program. The products offer benefits and distributors create place utility.

Price indicates the value of the products and promotion communicates these aspects to the potential buyers. "Promotion is any form communication used by a firm to inform, persuade or remind people about its products, services, images, ideas, community involvement or impact on society."

Similarly, "promotion is the element in an organization's marketing mix that serves to inform, persuade and remind the market of a product and/or the organization selling it, in hope of influencing the recipients' feelings, beliefs or behaviour".<sup>5</sup>

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<sup>5</sup> Stanton, William J.

**Personal Selling:**

Personal selling uses salesman to communicate verbally with the prospective customers. In addition salesmen may use various means like the telephone, mail, internet E-commerce or other media to send receive messages. The basis of personal selling is the face to face presentation between the salesman and the customer.

**Sales promotion:**

It covers other sales activities that supplement the function of personal selling and advertising. It includes displays, shows and exhibition demonstrations, sales contests samples and other activities which are usually non-recurrent in nature but it is geared to generate new sales and create market demand. According to well known lecturer and author of Dictionary of Marketing Gopal Thapa, Sales promotion is a form of promotion which encourages customers to buy products by offering incentives, such as contests, coupons, sweepstakes, samples, free gifts and so on; one of the four major elements (with advertising, personal selling and publicity) of the promotion mix. A collection of incentive tools, mostly short term, designed to stimulate quicker or services by customers or the trade"<sup>6</sup>.

**Publicity:**

Publicity is that form which cultivates goodwill towards products or creates company image. To gain goodwill, advertiser should supply the media with interesting news items about a company or its products which has commercial significance involving non-payment for space or time given by such media. Evaluation the various tools of the promotional blend this study tries to answer, what role does advertising play in the promotion of two products viz. Pepsi cola product by Pepsi-Cola Co. Ltd. and bottlers Nepal.

Sales promotion is one of the most useful result oriented technique in business. Different executive are applying various sorts of sales promotion tools. First, they research about target consumers need, demand

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<sup>6</sup> Thapa Gopal, Dictionary of Marketing, Buddha Academic publishers & distributors Ltd, Ktm, p 283

## **2.2 Concept of Sales Promotion**

Sales promotion refers to activities of non-recurrent nature that are used to reinforce personal selling and advertising for stimulating consumer purchasing and dealer effectiveness. “Sales promotion consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker and/or greater purchase of particular products/services by consumers or the trade.”<sup>7</sup> This definition suggests the following features of sales promotions.

### **a. Short Term:**

The duration of sales promotion should be neither too short nor too long from launching to close. Generally, it lasts from seven days to three months. Generally, it lasts from seven days to three months. It could be seasonal as well. We should consider that unlike advertising and personal selling, sales promotions are normally implemented for a short period of time. Most of the sales promotion schemes are non-cyclical and are normally not repeated within the same year.

### **b. Incentives:**

Sales promotion provides “deals” or incentives to the buyers. The size of incentive should be attractive. Benefits in terms of economy or money saving are directly reaped by the buyers. Unlike other promotional tools it does not use the means of communication that provides customers with reasons to buy a product. On the other hand, sales promotion is more aggressive and provides the direct incentives to buy the product.

### **c. Quicker response:**

Sales promotion aims at quicker results in terms of faster sales and higher sales volume. Existing customers buy more of the product. New customers buy the product. However, sales temporarily decline after the close of sales promotion and stabilize gradually. So we can conclude that sales promotion schemes are basically targeted to

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<sup>7</sup> Kotler Philip, Marketing Management, Prentice Hall of India Pvt. Ltd., New Delhi, 1997, p. 630

achieve either faster sales or higher sales volumes of a product. Various sales promotion incentives induce new customers to buy the product and existing customers to buy more of the product.

**d. Target audience:**

Sales promotion is either directed at consumers or at the dealers. Consumer promotions include sample, premiums, contests, demonstrations, coupons, special displays, temporary price reductions. Dealer promotions include cash discount, quantity discount, displays and advertising allowances, gifts and prizes and extra free products. So the target audience of sales promotion can be consumers, trade channels and sales personnel. Sales promotion tools differ according to the target category.

Philip Kotler further describes, "Companies uses sales promotion tools to create a stronger and quicker response. Sales promotion can be used to dramatize product offer and boost sagging sales. Sales promotion effects are usually short run brand preferences"<sup>8</sup>. He has rightly quote that any promotion aims at getting quicker response. In real promotions are very short run manufactures use promotions if they want to change their sales within very short time period.

Frank Jefkins says in his book "Advertising today", "Sales promotion is sometimes described as the bridge between advertising and sales"<sup>9</sup>. In real sales promotion have a method of making communication other than advertising and personnel selling. Although in marketing communication mix, the entire element like advertising, personal selling, publicity and sales promotion come together. However, sales promotion activities are entirely different from these all.

C.B Mamoria and R.L Joshi in his book "Principles and Practice of Marketing in India" describes the objectives of sales promotion as "Sales promotion serves as a bridge between advertising and personal selling and it supplements and coordinates efforts in these two areas"<sup>10</sup>. In modern time, the importance of sales promotion has increased tremendously. Sales promotion device are often the only promotional materials available at the point of purchase. Advertising media reach the consumer at their homes, office or while in travel and they may soon be forgotten but sales

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<sup>8</sup> Ibid, No. 1

<sup>9</sup> Jefkins Frank, Advertising today, International Textbook Company, GlasGlaw, 1998, p.258.

<sup>10</sup> Mamoria & Joshi principles & practice of marketing in India, Kit a Mahal Allahabad,1982, P.274



promotional devices at the point of purchase remind or stimulate the consumer to make purchase promptly on the spot.

"Sales promotion refers to activities of a non recurrent nature which is used to reinforce personal selling and advertising for stimulating consumer purchasing and dealer effectiveness"<sup>11</sup> says Kundan Dutta Koirala in his book "Marketing Decisions". Sales promotion is usually directed to the two different points, one at consumer point and other at dealer's/retailer points. Sales promotion that is directed towards consumer is called consumer promotion whereas the promotion that is done the traders is called trade promotion. He again says, "it is (consumer promotion) often to retaliate against a competitor's sales promotions or to reduce a seasonal decline in sales. Consumer promotion is either aimed at reaching the consumer at his home or place of business or in the store"<sup>12</sup>.

Don E. Schultz and William A. Robinson have defined sales promotion as "Promotion as a directed inducement or incentive to the sales force, the distributors, or the consumers, with the primary objective of creating an immediate sales"<sup>13</sup> in fact sales promotion have short term tool, it provide incentive.

### **2.3 Brief History of Sales Promotion in Nepal**

Sales promotion refers to activities of non-current nature. Sales promotions are used in order to reinforce personal selling and advertising. The main purpose of sales promotion is to stimulate consumer purchasing and dealer effectiveness. Thus, sales promotions are directed at both the consumers and the dealers. Consumer promotion methods include sample, premiums, contests, demonstrations, coupons, special displays and temporary price reductions. Dealer promotions include cash discount, quantity discount, displays and advertising allowances, gifts and prizes and extra free products

Sales promotion is one of the promotional tools which is very popular marketing technique, is becoming very popular among the manufacturers. The concept of consumer promotion/sales promotion is not new. This technique is being used by the manufacturers since as early as 19th century. This technique for the first time was

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<sup>11</sup> Koirala Dr. K.D., Marketing decisions, MK Publishers & Distributors. Kathmandu 1991, p.165

<sup>12</sup> Ibid, No. 5.

<sup>13</sup> Don E. S & William A. R., Sales Promotion Management, 740 Rush Street. Chicago 1987, p.341

used by John H. Palton of United States, a founder of the National cash Register Company. He thinks that sales of the product can be increased if monetary advantages are given to the consumers. Since then the technique, consumer promotion is being used by many companies. Several researches have been conducted by experts on consumer's promotion. The conclusions derived by them showed that the consumers get attracted and act to buy the product if extra advantages are given to them with the product. These activities of consumers forced manufacturers to make frequent use of different new and attractive promotional tactics. In fact in any business cost of inventory holding has become expensive as a result of high cost of storage's warehouses, interest rates and sky rocketing cost of raw materials. So, the manufacturers want the fast sales of their products. For this, they always seek new techniques and ways to sell their products. Sales promotion has come as a panacea for all before-said marketing problems. Nepali industry has also adopted the principles of sales promotion for the enhancement of their business. Some of the sales promotion activities practiced in Nepalese business arena is mentioned below<sup>14</sup>:

- a. Pepsi and Coke caps carry various prizes. Pepsi offered one kg gold in latest sales promotion.
- b. Glasses, key chains, peanuts are offered free for beer and liquor purchase. Several caps needed for getting glass.
- c. Mabacos bread provided free steel plate for 30 bread wrappers.
- d. Wai-Wai and Mayos noodles put cash and coupons in its package. Hulas Biscuits also put coupon in biscuit pack. Horlicks biscuits have 25% extra quantity.
- e. Kantipur newspaper organized a contest for new customers. Prizes for lucky winners included: Motor bike, Television set, washing machine, free air tickets, carpets, suit length, dinners etc. The prizes were sponsored by various organizations. One free calculator was given on the spot to each new customer.
- f. Gorkhapatra provided "Yuva Manch" or "Muna" free to new customers.
- g. Himalayan Bank Ltd. (HBL) insures its saving account holders for Rs. 50,000 for accidental death.
- h. Kissan soap provided one free soap for 12 wrappers.
- i. Liril soap provided one soapcase free with two bars of soap.

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<sup>14</sup> Agrawal, Govinda Ram, Marketing in Nepal, Educational Enterprises (Pvt.) Ltd, Ktm 1999, p.323

- j. Exhibitors provide door prizes consisting of free tickets to Bangkok, Hong Kong, and London to lucky winners as gate prizes.
- k. Airlines provide 10% discount for round-trip travel.
- l. Many shops in Kathmandu give price-off (special discount 10% or sale) during festivals.

The above are the historical evidence of sales promotion in Nepalese business arena, which highlight the major characteristics of sales promotion.

## 2.4 Methods of Sales Promotion

Sales promotion methods differs according to the target audience. They can be directed at consumer promotion, trade promotion and sales force promotion<sup>15</sup>.

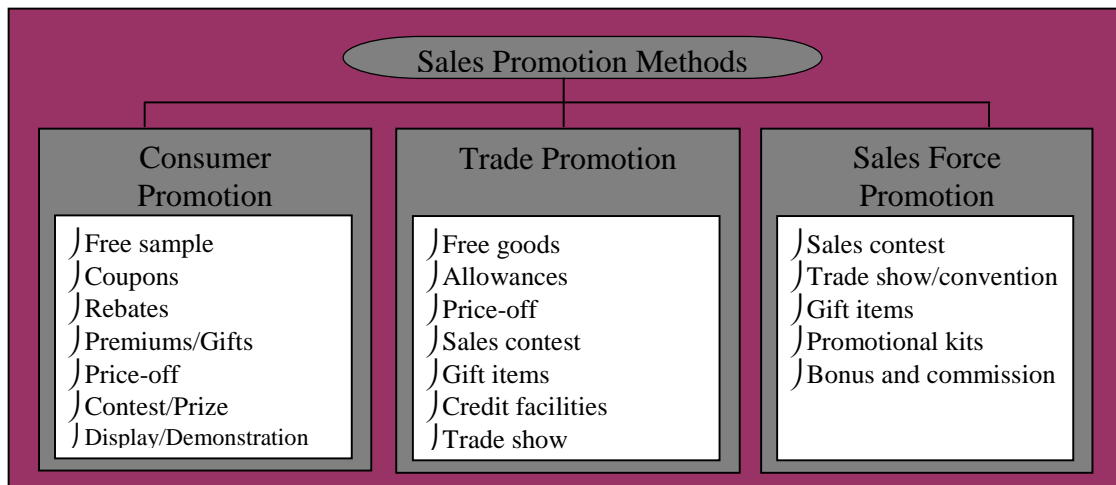


Fig. 3 (Sales Promotion Methods)

### 2.4.1 Consumer Promotion Methods

They are directed at consumers. They consist of:

#### i. Free samples:

Offer of a free amount of a product. Free samples can be mailed, delivered door to door, handed out in stores and attached to another product. They are effective to introduce a new product. This method is expensive.

<sup>15</sup> Agrawal, Govinda Ram, Marketing in Nepal, Educational Enterprises (Pvt.) Ltd, Ktm 1999, p.315

**ii. Coupons:**

They are certificates that can be redeemed into cash or other product. They can be enclosed in the product, package, mailed, inserted in newspaper ads or handed out at purchase time. They are effective for established products. About 2% to 20% coupons are generally redeemed. They should provide 15% to 20% saving to be attractive.

**iii. Rebates:**

Money refunds or rebates that provide price reduction after the purchase. Consumers mail proof-of-purchase to manufacturers to get rebates.

**iv. Premiums (Gifts):**

They are free gifts or low cost offers for purchasing a particular product. They could be “with pack premium” (inside the package or on the package). Reusable packages serve as a premium. Free glasses come with beer bottles.

**v. Price-off:**

The product is offered at a reduced price. The packages or newspaper ads announce such reductions. They can be ‘reduced-price pack’ or ‘branded pack’ having two related products in one pack (tooth brush with toothpaste). They stimulate off-season sales.

**vi. Contest and Prizes:**

They provide chance to win cash, trips or products. Consumers submit an entry for the contest filling questionnaire or giving suggestions. Lotteries require consumers to submit their names in a lucky draw. Conditions for participation in contests are specified.

**vii. Displays and Demonstrations:**

Point of purchase display (poster, cutout) to attract consumer attention. They persuade consumers for impulse buying. Product demonstration in trade fairs and exhibitions persuade consumers for purchase. Free trials can be given to the consumers. Products can be displayed in counters, floors and points of check out.]

## **2.4.2 Trade Promotion Methods**

They are directed at resellers. They consist of:

### **i. Free goods:**

Offer of free goods for buying certain quantity during specified periods. Coca-Cola provides free goods to retailers who buy specified cases. This method encourages greater reseller's inventories.

### **ii. Allowances:**

Advertising allowance is given for local advertising or cooperative advertising of manufacturer's product. Display allowances can be given for special displays.

### **iii. Price-off:**

This is temporary discounts from the list price. This is also called buying allowance. They encourage quantity purchase and off season purchase. The time period for price-off is specified.

### **iv. Sales contest:**

They recognize or reward resellers through contests between them for greater sales or best displays. They can be cash, trips, gift items like watch, refrigerator, fan etc. Conditions for participation in contests are specified.

### **v. Gift items:**

Small gift items which bear company name can be provided free to channel members. They can be ballpoint pen, calendars, diary, key chain, lighters, ashtrays etc. They are known as specialty advertising.

### **vi. Credit facilities:**

Manufacturers provide extended credit facilities to channel members. This provides inducement to carry new products and greater inventories.

### **vii. Trade show:**

Various trade shows and exhibition are done where several products related booths are set and products are demonstrated. They attract channel members.

### **2.4.3 Sales Force Promotion Methods**

They are directed at sales force. They can be used by manufacturers and resellers.

They consist of:

#### **i. Sales contests:**

They induce sales force to increase sales over a stated time period. The prizes can be cash, trips or gifts. The indicators should be measurable for sales contests to be effective. Conditions for participation in contest should be made clear.

#### **ii. Trade shows and conventions:**

The products are demonstrated at trade shows. Sales force develop customer contacts to get sales orders during trade shows. Conventions of sales force are also organized. They provide an opportunity to sales force to interact with the management and colleagues.

#### **iii. Gift items:**

Sales personnel are provided with small gift items like pen, pencils, diary, key chain, calendar, and lighters etc. which bear company name. They distribute them to customers free of cost.

#### **iv. Promotional kits:**

Sales personnel are provided with promotional kits that contain catalogues, brochures and other information about the product. Demonstration model of the product may also be provided. They facilitate selling.

#### **v. Bonus and commissions:**

They are cash awards to sales force to increase sales over specified volumes. They induce extra efforts by sales personnel.

### **2.5 Objectives of Sales Promotion**

Sales promotion is targeted to the enhancement of the sales quantitatively. Thus, the basic objectives of sales promotion are to achieve faster and higher sales. The specific objectives vary with the target audience. They can be consumer, channel members and sales force.

### **2.5.1 Objectives for Consumer Promotion**

The objectives of sales promotion regarding the consumers' point of view are mentioned as follow:

#### **i. Encourage greater purchase volume:**

Sales promotion encourages purchase of larger size units by existing consumer. By providing various tempting facilities or schemes it tries to lure customers in large volume. It also trains and encourages greater use of the product.

#### **ii. Attract new customers:**

Sales promotion is used to attract new customers by adopting various techniques and tactics. Some of the prevailing methods of sales promotion to attract new customers are to:

- ) Encourage trial for the production among non users.
- ) Attract brand switchers from competitors' brands.
- ) Increase impulse buying. Sales promotion incentives persuade consumers' for impulse buying.
- ) Increase brand awareness.

#### **iii. Introduce new products:**

Sales promotion is used to introduce new products. For example, samples may be inserted in the package of existing products for introduction of new products. The objective is to educate consumers rather than to increase sales.

### **2.5.2 Objectives for Trade Promotion**

The objectives of sales promotion regarding the trade/traders point of view are mentioned as follow:

**i. Carry and push new items:**

Sales promotion persuades channel members to carry new brands. They also stimulate them to push the brand to the consumers.

**ii. Increase inventories:**

Sales promotion persuades wholesalers and retailers to carry higher levels of inventory by providing certain level of concession and bonus. It also encourages off-season buying.

**iii. Attract new channel members:**

Sales promotion incentives attract new channel members to carry the brand. In this it provide more attractive and advantageous schemes are introduced to the channel members, comparison to the competitors' brand.

**iv. Offset competitive promotions:**

Sales promotion is used to offset incentives provided by competitors. This discourages brand switching and increase brand loyalty.

**v. Better store displays:**

Sales promotion induces retailers to make better display of the product in the store. They also provide more shelf space.

**2.5.3 Objectives for Sales Force Promotion:**

The objectives of sales promotion regarding the sales force point of view are mentioned as follow:

**i. Motivate sales force:**

Sales promotion motivates sales force for greater effort to get orders from existing and new customers. It also stimulates them to make off-season sales.

**ii. Support new products:**

Sales promotion supports the efforts of sales force to push new products.



## **2.6 Review of Article**

**2.6.1** In a article published in web page [www.marketingteacher.com](http://www.marketingteacher.com) sales promotion is presented and described in as follow:

Sales promotion is any initiative undertaken by an organization to promote an increase in sales, usage or trial of a product or service (i.e. initiatives that are not covered by the other elements of the marketing communications or promotions mix). Sales promotions are varied. Often they are original and creative, and hence a comprehensive list of all available techniques is virtually impossible (since original sales promotions are launched daily!). Here are some examples of popular sales promotions activities:

### **a. Buy-One-Get-One-Free (BOGOF)**

which is an example of a self-liquidating promotion. For example if a loaf of bread is priced at \$1, and cost 10 cents to manufacture, if you sell two for \$1, you are still in profit - especially if there is a corresponding increase in sales. This is known as a PREMIUM sales promotion tactic.

### **b. Customer Relationship Management (CRM)**

Incentives such as bonus points or money off coupons. There are many examples of CRM, from banks to supermarkets.

### **c. New media**

Websites and mobile phones that support a sales promotion. For example, in the United Kingdom, Nestle printed individual codes on KIT-KAT packaging, whereby a consumer would enter the code into a dynamic website to see if they had won a prize. Consumers could also text codes via their mobile phones to the same effect.

### **d. merchandising**

additions such as dump bins, point-of-sale materials and product demonstrations.

### **e. Free gifts**

For e.g. Subway gave away a card with six spaces for stickers with each sandwich purchase. Once the card was full the consumer was given a free sandwich.

#### **f. Discounted prices**

For e.g. Budget airline such as EasyJet and Ryanair, e-mail their customers with the latest low-price deals once new flights are released, or additional destinations are announced.

#### **g. Joint promotions**

Joint Promotions between brands owned by a company, or with another company's brands. For example fast food restaurants often run sales promotions where toys, relating to a specific movie release, are given away with promoted meals.

#### **h. Free samples**

Free samples (aka. sampling) e.g. tasting of food and drink at sampling points in supermarkets. For example Red Bull (a caffeinated fizzy drink) was given away to potential consumers at supermarkets, in high streets and at petrol stations (by a promotions team).

#### **i. Vouchers and coupons**

Vouchers and coupons are often seen in newspapers and magazines, on packs.

#### **j. Competitions and prize draws**

Competitions and prize draws, in newspapers, magazines, on the TV and radio, on The Internet, and on packs.

#### **k. Cause-related and fair-trade**

Cause-related and fair-trade products that raise money for charities, and the less well off farmers and producers, are becoming more popular.

#### **l. Finance deals**

Finance deals for example, 0% finance over 3 years on selected vehicles.

Many of the examples above are focused upon consumers. Don't forget that promotions can be aimed at wholesales and distributors as well. These are known as **Trade Sales Promotions**.

Examples here might include joint promotions between a manufacturer and a distributor, sales promotion leaflets and other materials (such as T-shirts), and incentives for distributor sales people and their retail clients.

## 2.7 Review of Related Studies

**2.7.1 Koirala, Parasar**, has conducted research study on "**Sales Promotion in Nepal Policies and Practices**" in 1991 for his doctoral study sales promotion is presented and described as follow

The increasing importance of sales promotion in marketing, as compared with media advertising, over the past fifteen years is the result of success achieved through sales promotion. The reason behind this has been the challenge of competition faced by business and industry during the latter part of this century. Sales promotion refers to the use of different promotion tools to stimulate or to create immediate sales. They are varied in from, so, no single purpose can be attributed to them.

The study was undertaken with the following objectives:

1. Sales promotion designed to stimulate, support and provide incentives for the sales force in its merchandising and selling efforts.
2. Sales promotion designed to motivate middlemen toward providing active and enthusiastic support in marketing the company's products.
3. Sales promotion designed to provide consumers with incentives aimed at stimulating, trial or continued use of specific products.

Major findings of the study are as follows:

1. Promotional incentives could be very useful means of communication in the affective stage of consumer behaviour in Nepal. But, that was not offered in appropriate manner through retailers.
2. The manufacturers were found using advertising at cognitive and affective levels. So, the effect of consumer deals on market share was negatively significant at 25 percent level.
3. The effect of advertising should be aimed at evoking consumer response. And it was continuously used at every stage of the product life cycle, it was offered some times in place of sales promotion tools.

4. Consumer deals are normally offered to consumers through trade channels in the later stages of introduction and growth stage. For effectiveness, it requires the right kind of relation of manufacturers with retailers, retailers' knowledge about the product, their behaviour towards consumers, and the controlling mechanism of manufacturers.
5. Free goods offered to ultimate consumers through retailers was not generally effective at any stage of the product life cycle, but in practice it was used as an effective promotion tool to serve different objectives.
6. Samples were offered to consumers mostly at the introduction stage. This proved to be an effective tool. But the effect of sampling on market share was significant negatively at 5 percent level.

Conclusions of the study are as follows:

1. Promotional incentives is very useful means of communication in the affective stage of consumer behaviour in Nepal. But, that was not offered in appropriate manner through retailers.
2. Free goods offered to ultimate consumer seem ineffective at any stage of the product so these tools of sales promotion should be improved.
3. Samples were offered to consumers mostly at the introduction stage. This proved to be an effective tool. Some innovative ideas should be added in the free sampling tools.
4. Samples were offered to consumers mostly at the introduction stage. This proved to be an effective tool. But the effect of sampling on market share was significant negatively at 5 percent level.
5. Advertising specialities are normally expected to be used at the introduction stage. Most of the companies used advertising specialities at the introduction stage to serve specific. Its impact on market share was significant at 50% level.

**2.7.2 Bhatt, Shreechandra,** has conducted research study on "**Sales Promotion and its Effects on Sales** " in 1991.

A case study of Beer Market with the objectives of analyzing the sales promotion and its effect on sales is the main focus of the study. Though the concept of sales promotion is relatively new in Nepal, there are lots of things to be researched and find out on the practice of sales promotion. The study had the following specific objectives.

1. To find out whether the sales promotion does impact on sales of beer.
2. To find out what mode of sales promotion is more acceptable by the Nepalese consumers.
3. To find out what mode is more wisely used by the manufactures as a sales promotion tools.
4. To evaluate effectiveness of sales promotion activities in the sales of beer in Nepal.
5. To find out which media is suitable to advertise about the sales promotion.
6. To predict the sales of coming year if every factors would be the same.

Major findings of the study are as follows:

1. The people with high income group highly educated and from business people tend to drink beers more.
2. The people drink beer at restaurants for relaxation rather than other cause. For this cause people prefer Sanmiguel brand.
3. In the case of sales promotion the cash prizes out of all the tools insists people. Sales promotion has direct impact on sales of the product. In advertising, electronic media is very popular.
4. Uneducated people are not loyal towards any particular brand. Due to this, the sales promotions easily quench the attention of those beer drinkers and as a result the sales of the beer will increase.

Conclusions of the study are as follows:

1. Electronic media seems the most effective tools of sales promotion, so these tools of sales promotion should be effectively and meaningfully presented.
2. The sales promotion is very powerful tools which can easily boosts the sales. The study has recommended that low-income group as well as low education group should be launched beer.
3. The company should launch the sales promotion programmes at least for 6 months.
4. For the advertising purpose heavy media coverage is recommended for its effectiveness.

**2.7.3 Shrestha, Purushottam** has conducted research study on "**The Role of Advertising in Sales**" (study of Bottlers Nepal Ltd., bottlers Nepal *Terai* Ltd. and Nepal Lever Ltd. in 2005 with following objectives.in 1991.

1. To measure the advertising expenditure of Bottlers Nepal Ltd, bottlers Nepal *Terai* Ltd. and Nepal Lever Ltd and its impact on sales.
2. To analyze the impact of advertising on total performance of Bottlers Nepal Limited, Bottlers Nepal (*Terai*) Ltd.
3. To measure the advertising expenditure as percentage of company sales.

Major findings of the study are as follows:

1. The sales of the company increases with the increase in the effective sales advertising.
2. The advertising expenditure is proportionately affected with the company's percentage sales.
3. The advertising and sales promotion campaign has positive impact on sales and towards society.

Conclusions of the study are as follows:

1. The only vital purpose of advertising is to sell something- a product, a service or an idea.
2. It is very powerful tool for the creation and retention of consumer demand and it is pivot of modern industry and commerce.

3. Sales have positive relationship with advertising expenditures and advertising plays a significant role on the total performance of company as well as concerned companies devoted a very small percentage of sales to advertising.

**2.7.4 Adhikari, Amita** has conducted research study on "**A Study on Promotion Effectiveness through Television**" with following objectives.

1. To assess the television viewing habits of Nepalese consumer and present a complete viewing profile of Nepalese consumer.
2. To identify top Nepalese programs broadcasted along with its comparison with foreign channels broadcasted through cable network.
3. To identify product promotion effectiveness through television.
4. To identify top Nepalese program being broadcasted so that organization and advertising agencies planning their media campaign through television can rightly identify the best time slots for promotion their product and services.
5. To suggest for people and institution for improvements based on research findings.

Major findings of the study are as follows:

1. That most of the people i.e. 98% have their own TV set there home and access to cable network.
2. Among the total sample about 81.33% have access to cable television justifying the popularity of the cable network in the country.
3. There are 53.7% of people who live in nuclear family and 42.3% in joint family.
4. The educational background of the sample seems impressive with 36.3% of respondents being at least bachelor level pass considering the overall education leveling the country.
5. Most of the people 53.3% are working as full time irrespective of their age group.

Conclusions of the study are as follows:

1. The effectiveness of TV advertisement heavily depends upon the viewership hence organizations and agencies need to be careful while showing advertisement.
2. The electronic media advertising should be done by identifying preferred time slots for the target audience is of utmost importance to the organization and advertising agencies.
3. Television viewing habits of consumers bears a direct relationship with when and how to promote products and services through television channels.

**2.7.5 Nyaupane, Navraj** has conducted research study on "**Impact of Sales Promotion on Sales of Coca-Cola in Kathmandu Valley**" with following objectives

1. To find out which promotion tools are widely practiced by Nepalese business organizations.
2. To evaluate the impact of sales promotion activities in sales of Coca-Cola in Kathmandu Valley.
3. To evaluate and analyze the relationship between sales promotion package and consumers behaviors towards Coca-Cola in Kathmandu Valley.
4. To recommend future course of actions for related organization.
5. To suggest for people and institution for improvements based on research findings.

Major findings of the study are as follows:

1. The person who drinks occasionally and prefers coke brand more than others.
2. People are aware about sales promotion activities out of them most people know about item prize than coupon than cash prizes. But cash prize is effective than other tools.
3. The sales of Coca-Cola increasing month by month but the ratio of sales is higher in the months when the companies launched sales promotion program. This indicated that is positive relationship between the sales and the sales



promotion. If expenses on sales promotion increases the sales increase in a high speed.

4. The sales of one brand does not affect negatively to the sales of other brands. As the observation shows that the trend of all two brands are increasing.
5. The Coca-Cola drinker's have not particular choice of brands. So the concept of brand loyalty is not founding Nepalese cold drink market. So they can easily be directed towards one particular brand through proper marketing net.
6. All media is not popular among the people. Only electronic media (specially) is very popular among the people and the people who watch and listen media notice the ads, the percentage of the people notice ads for entertainment are higher than for information.
7. It is found that Coca-Cola distributor generally conduct 3 months special promotion package one times in a year. In this time they achieve 50 percent sales target of year.
8. From the regression it is clearly seen that if the expenses on the sales promotion increases the sales of the product will be increases.
9. Large number of people is interested on promotional contests that the manufacturer launches various occasions.
10. Retailers are interested on promotional program. They are aware of cash prizes then other promotional work.
11. Sales promotion programmed has positive impact on retailers and most of them taken parts on contests and win prizes.

Conclusions of the study are as follows:

1. The sales promotion activities do positive impact on sales of Coca-Cola. From the regression analysis it became so clear that if sizeable amount is spent on promotional activities the sales would increase accordingly.
2. The studies find that besides other cash prize is most accepted as well as effective and widely used mode of sales promotion.
3. Electronic media is most accepted by the people. So for sales promotion purpose the electronic media is very suitable.

4. The consumers have no particular choice of brands. So the concept of brand loyalty is not found in Nepalese consumer. So, they can easily be directed towards one particular brand through proper promotional activities.
5. Increasing sales of one brand does not effect negatively to the sales of other brand. They all can increase their sales through promotional activities and create own separate new market.
6. The sales promotion is very powerful tools which can easily occur the sales. However, the study clearly prevails that the sales of coke would be very high and the sales of fanta and sprite would be lower than coke, provided every promotional activities would be the same.

## **Chapter III**

### **Research Methodology**

#### **3.1 Introduction**

Research methodology is the main body of the study; it is the way to solve about research problem systematically. It includes overall research process which the researcher conducts during his/her study. Research can be conducted on the basis of primary and secondary data.

Research design is plan structure and strategy of the investigations conceived to obtained answer to the problems and to control variance. The study is based on descriptive and analytical study in order to achieve the objective of the study. The relevant and needed data will be collected through journals, newspapers, periodicals, bulletins, magazines, published and unpublished reports from various sectors.

#### **3.2 Research Design**

The present study is based on the survey research design. The research was concentrate to find out whether the sales promotion affects the sales of cold drinks negatively or positively and what mode of sales promotions more effective for the sales of cold drink. In spite of above, this study is also trying to find out what media is effective to give the messages about the sales promotion, which tool is more acceptable for consumer to accomplish these works, and for this exploratory research method is use. As we are checking something in two different way i.e. sales data of consumer and direct observation of the cold drinkers. The exploratory research is more effective.

#### **3.3 Nature and Sources of Data**

Two types of data will be used in this study, one will be from consumers and other will be sales data from the manufacturers. Mainly the nature of this study will be based on the primary data. The primary data collected from the different places of

Kathmandu valley and secondary data are collected from the dealer of Pepsi-Cola Kathmandu office, and from the annual report of Varun Beverages (Nepal) Pvt. Ltd., Sinamangal, Koteshwor, Kathmandu.

### **3.4 Population and Sample**

The population of this study will be the whole drinkers of cold drink in the Kathmandu valley and some respondent will be sample. There will be 150 samples from the whole population of the study. Samples will be taken from different places of Kathmandu valley: Kakani, Chabahil, Koteshwor, Lagankhel and Bhaktapur. Different age group male as well as female and sales related personnel will be included in samples. The age of the sample will be among 18 to 45. The sample will be divided into illiterate, literate and highly literate. A random sampling method will be used and various brand of Pepsi-Cola such as Pepsi, Mirinda, 7up, Dew will be used for the study purpose.

### **3.5 Data Collection Procedures**

The data were collected from the primary source consist of extensive field survey containing application of questionnaire, personal contact, observation, interview and discussion with different persons in different responsible level. Some information was collected from published and unpublished documents. The techniques is used for collection is questionnaire and verbal communication with different person who consume cold drink and related persons.

### **3.6 Data Processing and Presentation**

The collected data were processed by different statistical measure such as mean, percentage, frequency. The data can be presented by using different table, chart, and figure and bar diagram.

### **3.7 Data Analysis Tools**

Data are analyzed by different statistical measure such as mean, percentage, frequency the data can be presented by using different table, chart and other

mathematical tools. The data can be analyzed by using different table, chart, figure and bar diagrams.

### 3.8 Data Analysis Techniques

The data collected from the consumers through questionnaire is analyzed through the percentage and chi-square ( $\chi^2$ ) test and the sales data of Pepsi-Cola have been analyzed using regression method.

#### Chi-Square Test

Chi square test of goodness of fit is used for this study. Chi-square test is analyzing more than two populations. It is helpful test whether a preference for a certain product differ from state to state and region to region. It also enables to determine whether a group data described by the normal distribution does conform to the patterns.

#### Use of Chi-Square Test

Chi-Square test is used to test whether more than two populations can be considered equal. Actually, chi-square test allows us to do a lot more than just test for the equality of several proportions. If population are classified in to several categories with respect to two attributes (for example advertisement and brand preference): One can use a chi-square test to determine if the two attributes are independent of each other.

Steps of the computation of chi-square ( $\chi^2$ ) test:

- i. Compute the expected frequencies  $E_1, E_2 \dots \dots E_n$  corresponding to the observed frequencies  $O_1, O_2 \dots \dots O_n$  under some theory of hypothesis.
- ii. Compute the deviations  $(O - E)$  for each frequency and then square them to obtain  $(O - E)^2$ .
- iii. Divide the square of the deviations  $(O - E)^2$  by the corresponding expected frequency to obtain  $\frac{(O - E)^2}{E}$

iv. Add the value obtained in step iii. To compute  $\chi^2 = \frac{\phi(O - ZE)^2}{E} = \frac{\phi O^2}{E} ZN$

v. Under the null hypothesis that the theory fits the data well, the above statistic follows  $\chi^2$  distribution  $v = nZ1df$

vi. Look up the tabulated (critical) values of  $\chi^2$  for  $(nZ1)df$ . At certain level of significance, usually 5 percent from the table of "significance value of  $\chi^2$ " given the table.

If calculated value of  $\chi^2$  obtained in is less than the corresponding tabulated value obtained in step IV than it is said to be non-significant at the required level of the significance i.e. fluctuation of sampling. In other words data do not provide us any evidence against the null hypothesis (given in the step v) which may therefore, be accepted at the required level of the significance and we may conclude that there is good correspondence or is fit between theory and experiment.

vii. On the other hand, if the calculated value of  $\chi^2$  is greater than the tabulated value. It is said to be significant. In other words, the discrepancy between the observed and expected frequencies can not be attributed to chance and are in the situation can reject the null hypothesis, this, we can conclude that the experiment does not support the theory.

### **Regression Analysis**

Regression is another popular tool in the statistics. This analysis is mathematical measure of the average relationship between two or more variables in term of original units of data. it also clearly indicates the cause and effect relationship between the variables. The variable corresponding to cause is taken as independent variable and the variable corresponding to effect is taken as dependent variables.

In our calculation, we denote x as expenses on sales promotion and y as sales as per actual basis.

Our required equation is  $yZy = byx (xZX)$

## Chapter IV

### Presentation and Analysis of Data

#### 4.1 Introduction

This research is mainly of exploratory type so the researcher tried to give more accurate picture of the impact of the sales promotion on actual sales. So two way of collection and interpretation of data is considered and given in this study. First type is a survey conducted in Kathmandu to explore what the consumer think about the promotional activities which have been doing by the Pepsi-Cola, promotional campaigns and its promotional activities impact on the sales of the Pepsi-cola in Kathmandu.

We first analyze and interpret the survey data and response taken from the market place from the real consumer.

##### 4.1.1 Respondents' Profile

Only 150 questionnaires distributed for collection data. The researcher has taken response from the market place from the real consumer. All 150 questionnaires distributive in Kathmandu and cent percent questionnaire collected, the following table given the details.

**Table No. 1**  
**Demographic Analysis**

Gender	No.	Percent
Male	90	60
Female	60	40
Total	150	100

Source: Survey 2008

The above table shows that out of total respondents male respondents are 60 percents and female respondents are 40 percent.

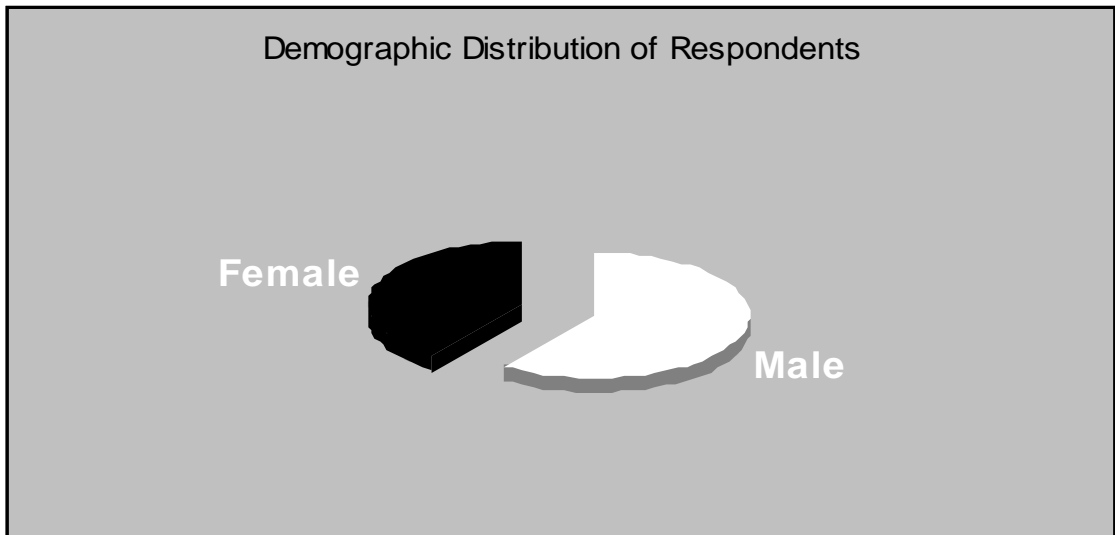


Fig. 4 (Demographic Distribution of Respondents)

**Table No. 2**

**Age Level Analysis**

Gender	No.	Percent
15-30	75	50
31-45	45	30
46-60	30	20
Total	150	100

Source: Survey 2008

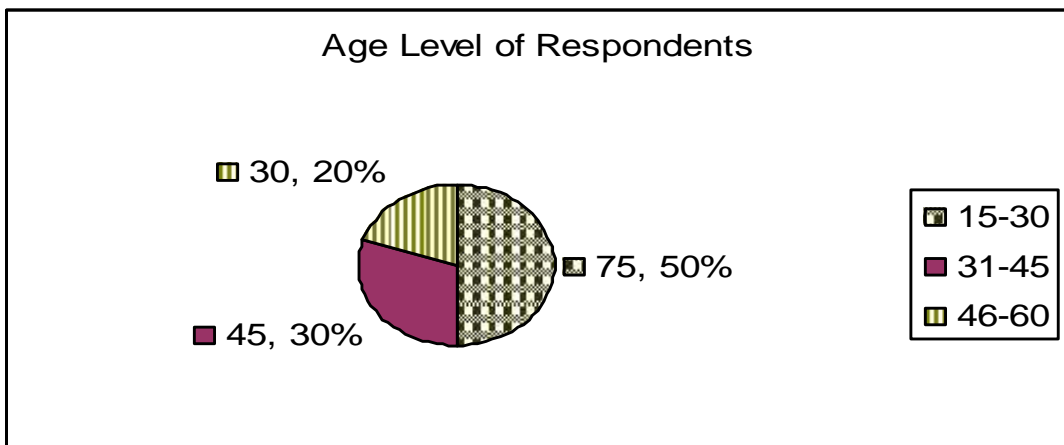


Fig. 5 (Age Level of Respondents)

The above table shows the age level of the respondents. As shown out of total 50 percent fall into the age group of 15-30, 30 percent fall into the age group of 31-45 and remaining 20 percent fall into the age group of 46-60.



**Table No. 3**  
**Education Level of Respondents**

Level	No.	Present
School	45	30
College	60	40
Others	45	30
Total	150	100

Source: Survey 2008

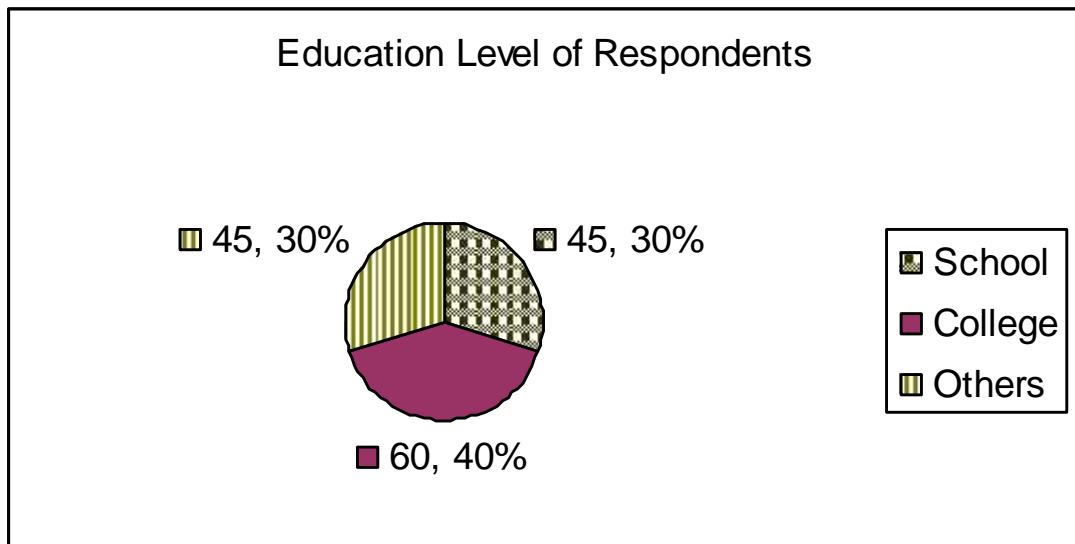


Fig. 6 (Education Level of Respondents)

The above table shows the education level of the respondents. As shown out of total 30 percent fall into the school level group, 40 percent fall into the college level group and remaining 30 percent fall into the other group like job holders and other workers or professional person.

#### **4.1.2 Consumers Cold Drink Drinking Habit and Behavior:**

To know about consumer habit the researcher start from very preliminary questions like "Do you drink cold drinks?" To the very specific question like "Do you stick on any special brand of cold drink?" The following series of table presents the response behavior.

**Table No. 4**  
**Drink Habits**

Particular	No.	Percent
Yes	144	96
No	6	4
Total	150	100

Source: Survey 2008

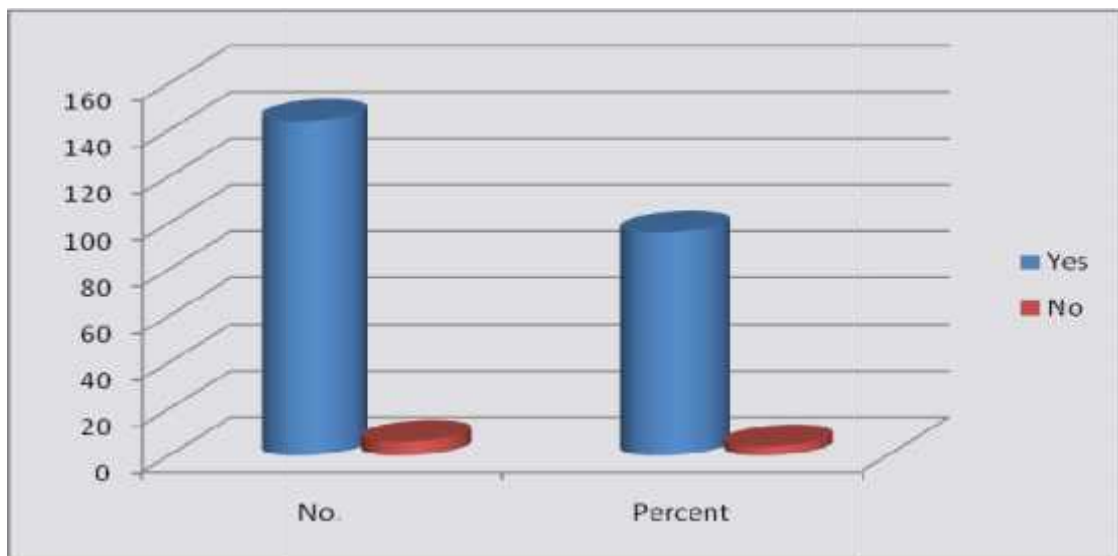


Fig. 7 (Drinking Habit)

The response on above table and chart shows that out of total respondents 96 percent drink cold drink and only 4 percent responded do not drink.

**Table No. 5**  
**Drinking Frequency**

Particular	No.	Percent
Daily	30	20
Once a week	54	36
Once a month	39	26
Occasionally	27	18
Total	150	100

Source: Survey 2008

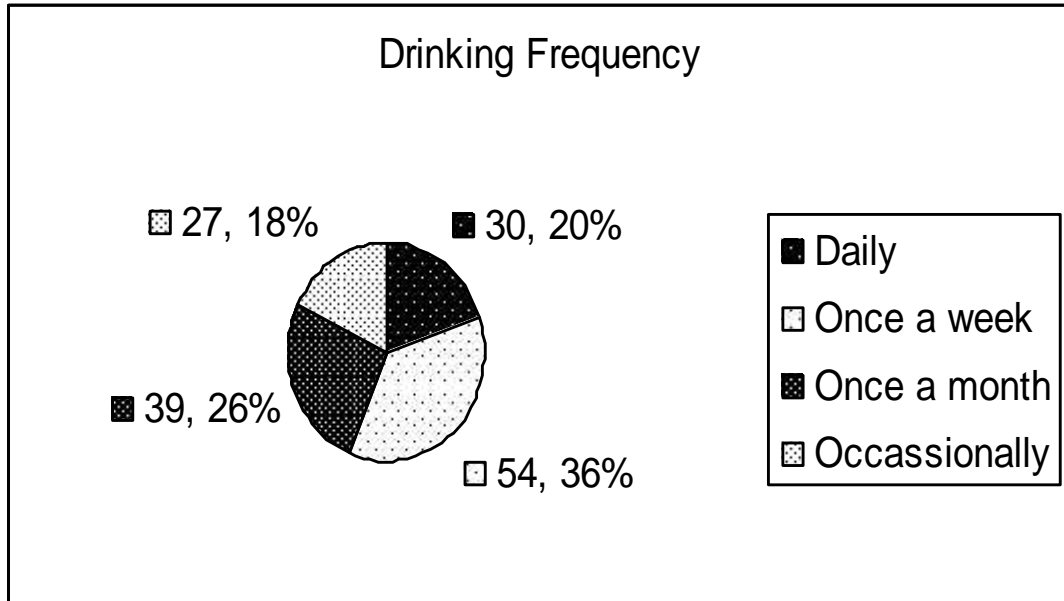


Fig. 8 (Drinking Frequency)

The table shows the frequency of drinking cold drink of the people 20 percent of the people drink daily, 36 percent people drink once a week, 26 percent people drink once a month and 18% of people drink cold occasionally in Kathmandu Valley.

**Hypothesis No. 1**

Ho: There are no significance differences among frequency of drinking.

H1: There are significance differences among frequency of drinking.

The tabulated value of  $\chi^2$  at 5% level of significance for 3df is 7.81. Calculated value 11.76 is greater than tabulated value (7.81). So, Ho is rejected. So we can say that there are significant differences among frequency of drinking.

**Table No. 6**  
**Brand Preference**

Product	No.	Present
Pepsi	90	60
7up	42	28
Mirinda & Others	18	12
Total	150	100

Source: Survey 2008

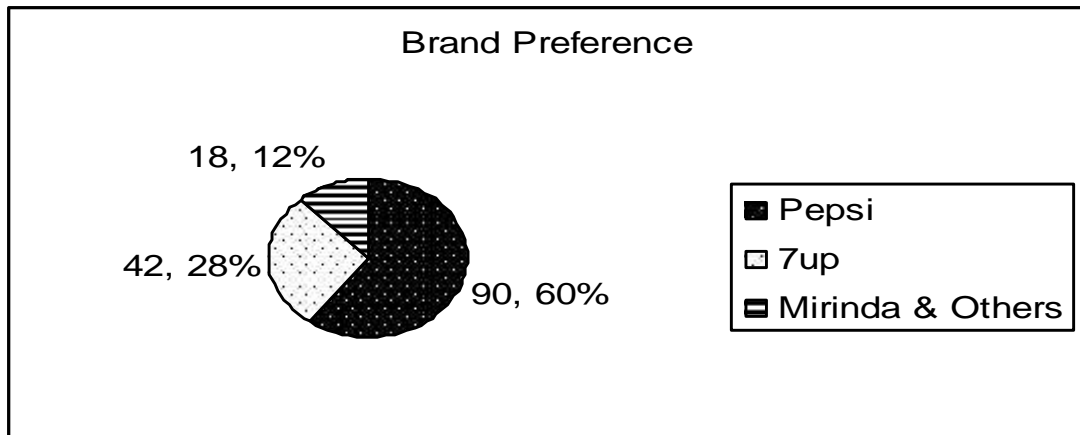


Fig. 9 (Brand Preference)

The above table and figure shows the brand preference of the individual. 60% choose Pepsi, 28% people choose 7up and 12% people choose Mirinda and others.

### Hypothesis No. 2

Ho: Consumer is brand loyal.

H1: Consumer is not brand loyal.

The calculated value is 53.92. The tabulated value of  $\chi^2$  at 5% level of significance for 2df is 5.99. Calculated value is much greater than tabulated value. So, Ho is rejected i.e. consumers are not brand loyal.

### 4.1.3 Sales Promotion of Cold Drinks (Pepsi Cola)

To know consumers opinion and their attitude about promotional work that cold drink company perform. The researcher has picked up the subject with very simple question such as "Do you know about the promotional work that cold drink manufacturers perform?" The following is the table relating with promotional work.

**Table No. 7**  
**Popularity of Promotion**

Particular	No.	Percent
Yes	135	90
No	15	10
Total	150	100

Source: Survey 2008

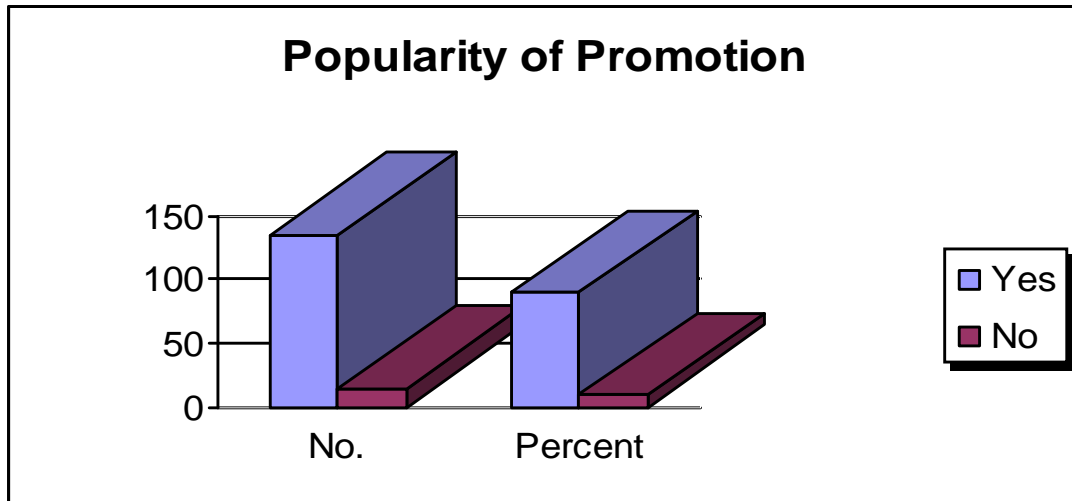


Fig. 10 (Popularity of Promotion)

The above table reveals the popularity of promotional work which is provided by manufacturer of cold drinks. According to the table 90% of people know about the promotional work and the only 10% of people are unknown about the promotion.

**Table No. 8**  
**Aware of Promotion**

Particular	No.	Percent
Item	48	32
Coupon	54	36
Cash Prize	42	28
Other	6	4
Total	150	100

Source: Survey 2008

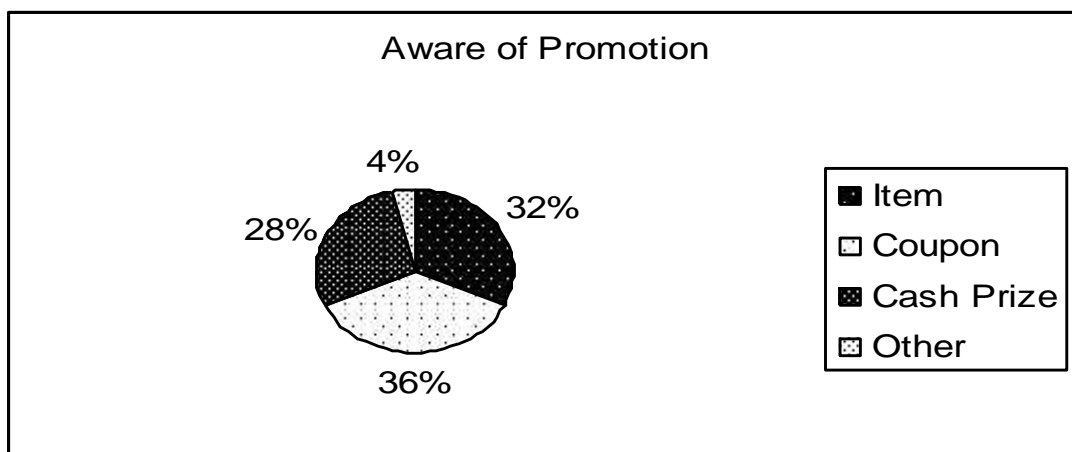


Fig. 11 (Aware of Promotion)

Out of the total respondents 36% people are aware of the item price, 32% aware of coupon, 28% cash and remaining 4% of people are aware of other promotional works.

**Table No. 9**  
**Effectiveness of the Promotional Tools**

Particular	No.	Percent
Cash	66	32
Item	33	36
Coupon	45	28
Others	6	4
Total	150	100

Source: Survey 2008

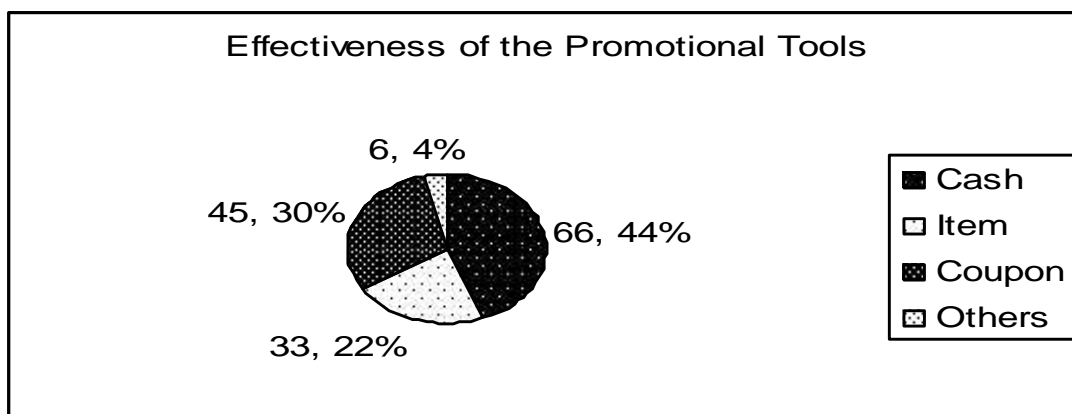


Fig. 12 (Effectiveness of the Promotional Tools)

The table and the figure show the effectiveness of the promotional tools. Out of the total respondents 44% of people choose cash price. 30% item, 22% coupon and 4% of people choose other promotional tools.

**Table No. 10**  
**Interest on Promotional Contests**

Particular	No.	Percent
Very much	90	60
A bit	27	18
Don't know	18	12
Don't like	15	10
Total	150	100

Source: Survey 2008

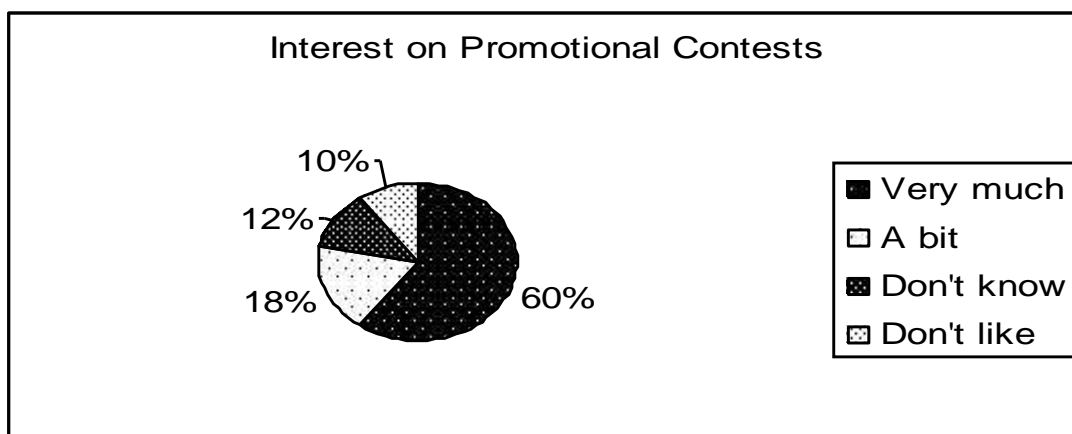


Fig. 13 (Interest on Promotional Contests)

The above table and figure shows the interest of the people on promotional contests. Out of the total respondents 60% of people like these contests very much. 18% like a bit, 12% of people are indifference of these contests and 10% of people are against of these contests.

### Hypothesis No. 3

Ho: There is no relationship between contests and consumer behavior.

H1: There is relationship between contests and consumer behavior.

Calculated value of  $\chi^2$  is greater than tabulated value ( $100.08 > 7.8$ ). So, null hypothesis (Ho) is rejected. So we can say that there is a relationship between contests and consumer behavior i.e. consumer like sales promotion contests.

**Table No. 11**

**Participation in contests**

Particular	No.	Percent
Yes	108	72
No	42	28
Total	150	100

Source: Survey 2008

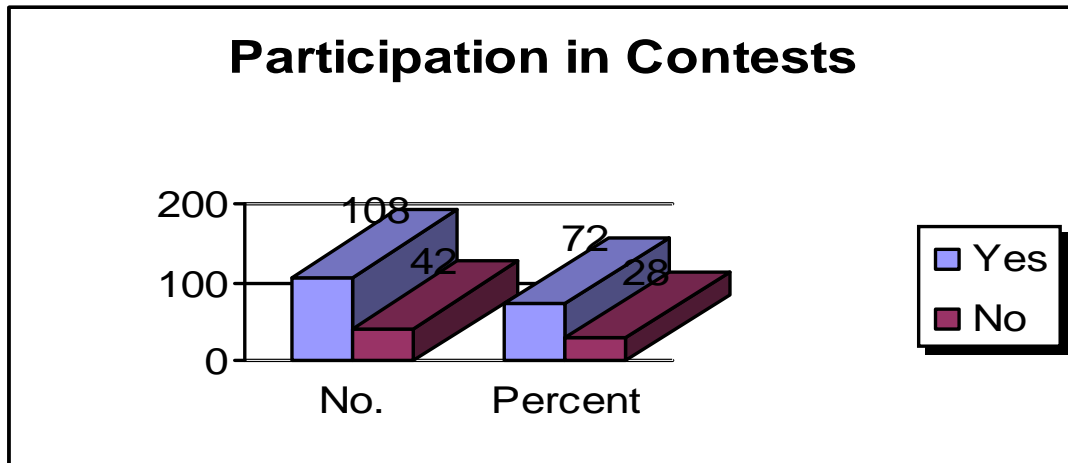


Fig. 14 (Participation in Contests)

The table and the figure depicts that 72 percent of people taking parts in contests and 28 percent of people do not taking any parts in contests.

**Table No. 12**  
**Win Prizes**

Particular	No.	Percent
Yes	36	24
No	114	76
Total	150	100

Source: Survey 2008

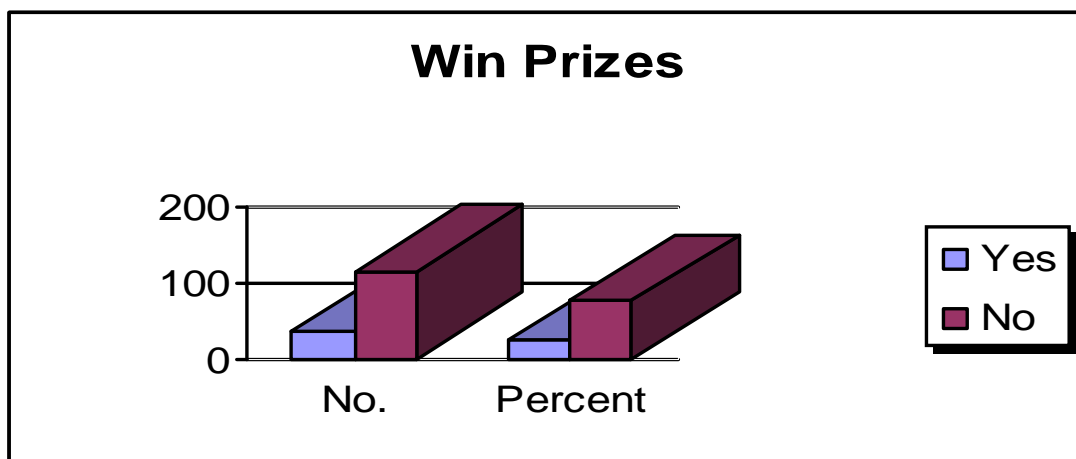


Fig. 15 (Win Prizes)

The table and the figure depicts that 24 percent of people taking parts in contests win prizes and 76 percent of people do not win any prizes in contests.



**Table No. 13**  
**Encourage to Consume More**

Particular	No.	Percent
Yes	84	56
No	66	44
Total	150	100

Source: Survey 2008

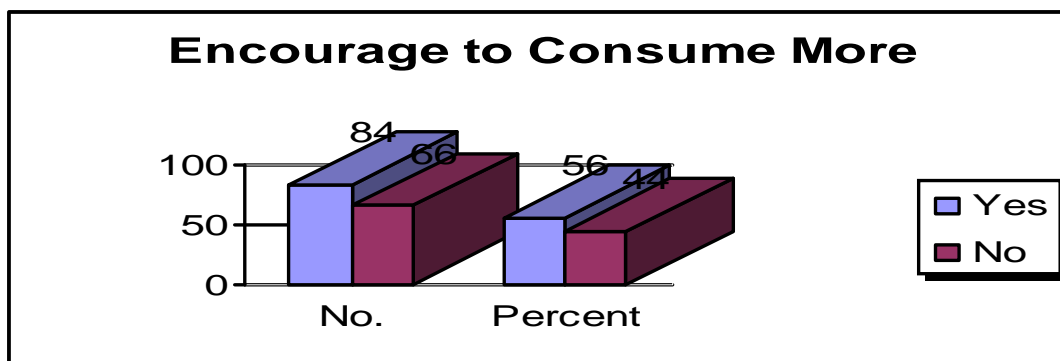


Fig. 16 (Encourage to Consume More)

The table and the figure depicts that 56 percent of people taking parts in contests are encouraged to consume more because of sales promotion and 44 percent of people are not affected by any kind of promotional scheme.

**Table No. 14**  
**Brand Switching**

Particular	No.	Percent
Yes	111	74
No	39	26
Total	150	100

Source: Survey 2008

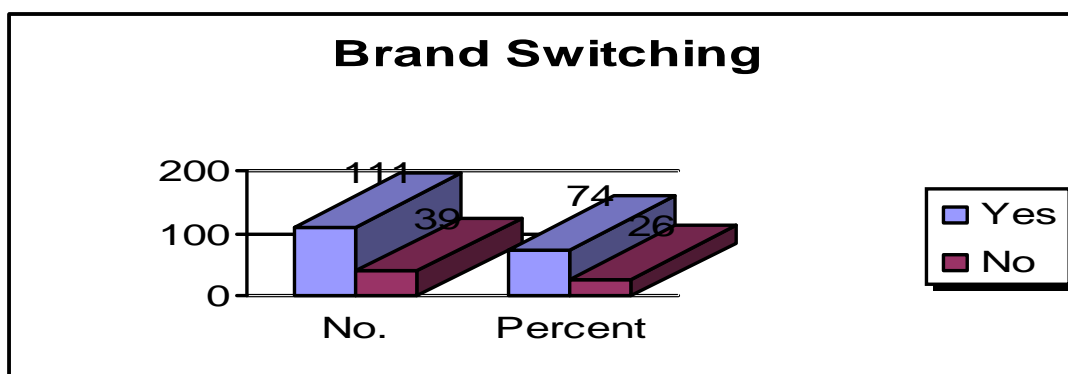


Fig. 17 (Brand Switching)

The above table and figure shows that 74 percent of people switch their brand if they do not provide any promotion package. And 26 percent of people are brand loyal so they do not change their usual brand.

#### 4.1.4 Media Graphic

To know which media is suitable to convey the messages of sales promotion, which media is more popular, the researcher wants to ask some question like, "Do you watch/read/listen the programs and news from T.V paper and radio?" The following is the table relating with media.

**Table No. 15**  
**Habit on Watching Programs**

Particular	No.	Percent
Yes	150	100
No	0	0
Total	150	100

Source: Survey 2008

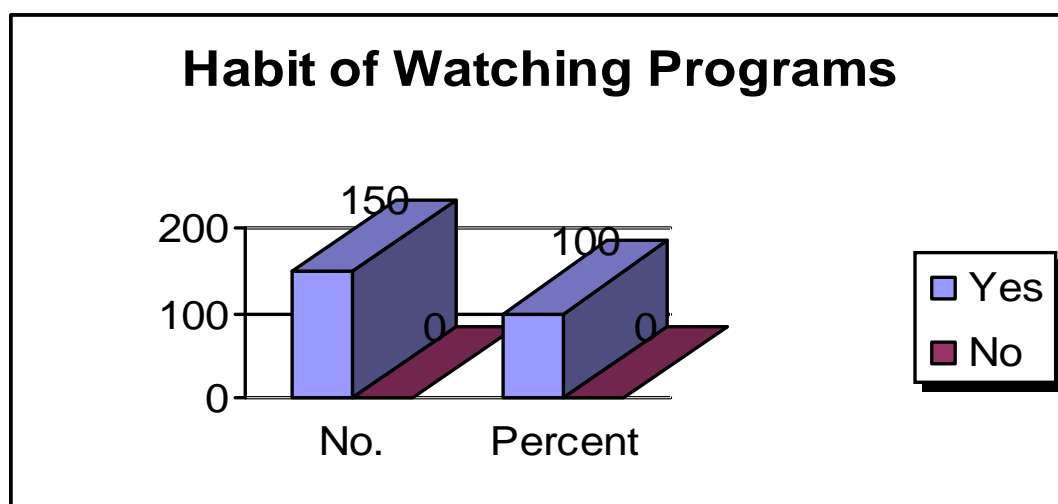


Fig. 18 (Habit of Watching Programs)

The above table and figure reveals that cent percent of people watch/listen/read the programs and news on T.V. radio and paper respectively.

**Table No. 16**  
**Media on Advertisement**

Particular	No.	Percent
T.V.	69	46
Radio	12	8
Newspaper	9	6
All	60	40
Total	150	100

Source: Survey 2008

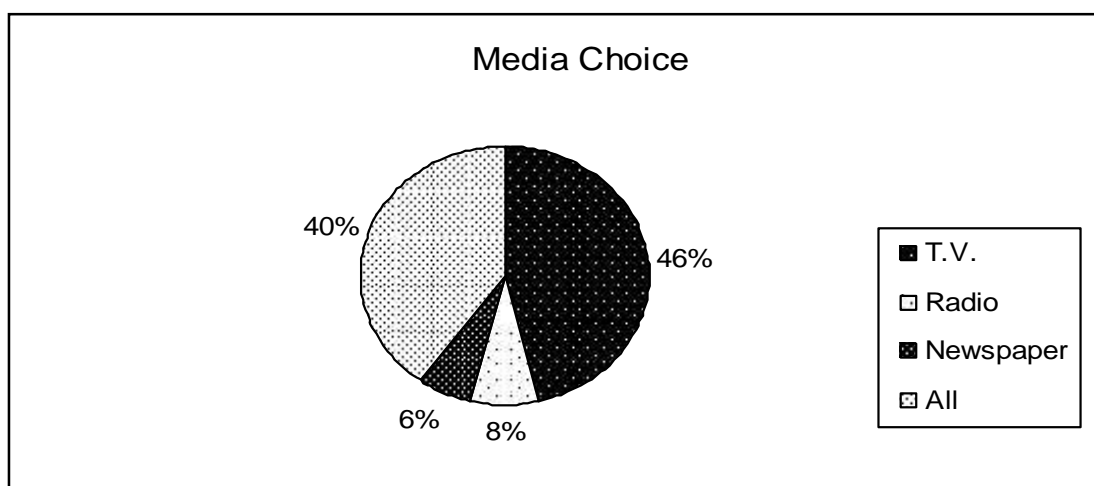


Fig. 19 (Media Choice)

The table and the figure shows that 46 percent of people choose T.V. 8 percent choose radio, 6 percent choose newspaper and 20 percent of people choose all these media to watch/listen/read the programs and news.

**Table No. 17**  
**Interest on Advertisement**

Particular	No.	Percent
Yes	135	90
No	15	10
Total	150	100

Source: Survey 2008

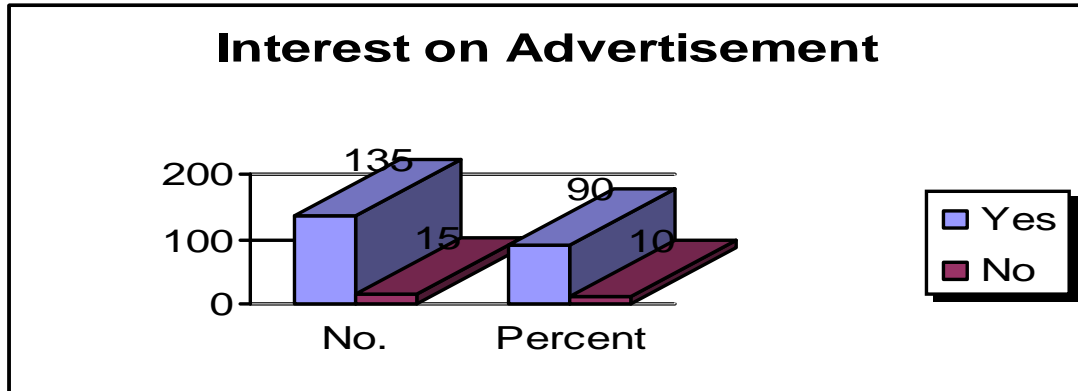


Fig. 20 (Interest on Advertisement)

The table and the figure show that out of total respondents 90% of people show interest on advertisement and 10% of people are not interested on advertisement.

**Table No. 18**  
**Media Selection**

Particular	No.	Percent
T.V.	66	44
Radio	18	12
Newspaper	15	10
All	51	34
Total	150	100

Source: Survey 2008

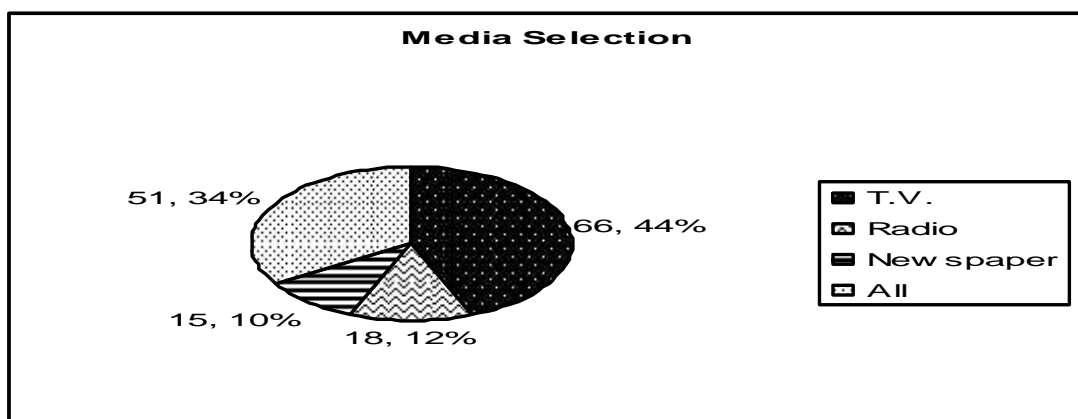


Fig. 21 (Media Selection)

The above table and figure indicates that 56 percent of people select electronic media (include T.V. and radio) 10 percent select print media (newspapers, bulletin, and souvenir) and 34 percent of people select both print and electronic media.

#### Hypothesis No. 4

Ho: There is no relationship between media selection and consumer habit.

H1: There is a relationship between media selection and consumer habit.

Tabulated value of  $\chi^2$  for 3df at 5 percent level of significant is 7.81. Calculated value of  $\chi^2$  is greater than tabulated value ( $50.16 > 7.81$ ). So null hypothesis (Ho) is rejected i.e. there is relationship between media selection and consumer habit.

#### 4.1.5 Retail Shopkeeper's Opinion

To know what shopkeeper think about sales promotion program the researcher ask some question to them. The following is the table relating with sales person.

**Table No. 19**  
**Know about Promotion Task**

Particular	No.	Percent
Yes	144	96
No	6	4
Total	150	100

Source: Survey 2008

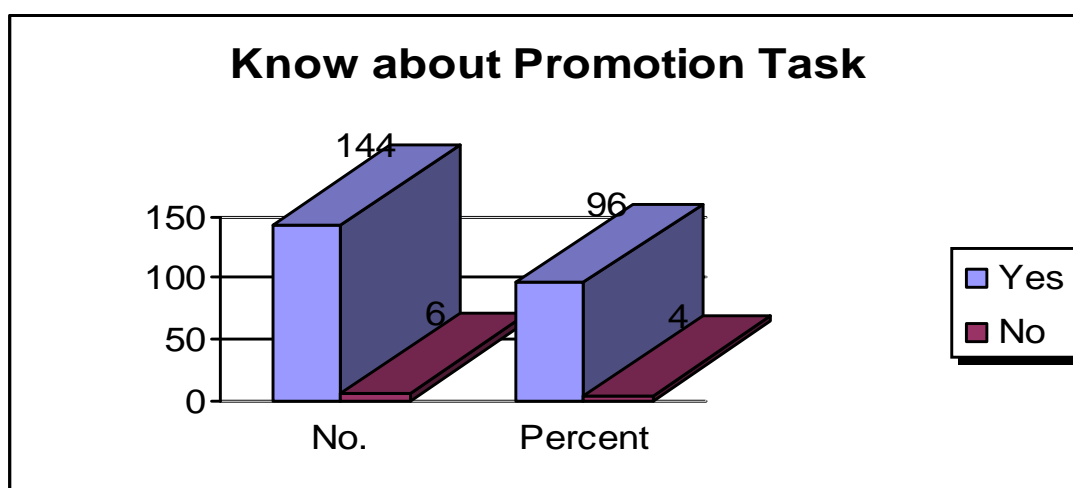


Fig. 22 (Know About Promotion Task)

The above table and figure reveals that the coverage of promotion 96 percent of people know about at any one promotional work that manufacture promote and only 4 percent of people do not know about promotion.

**Table No. 20**  
**Aware of Promotion**

Particular	No.	Percent
Cash Prizes	48	32
Discount	45	30
Coupon	36	24
Others	21	14
Total	150	100

Source: Survey 2008

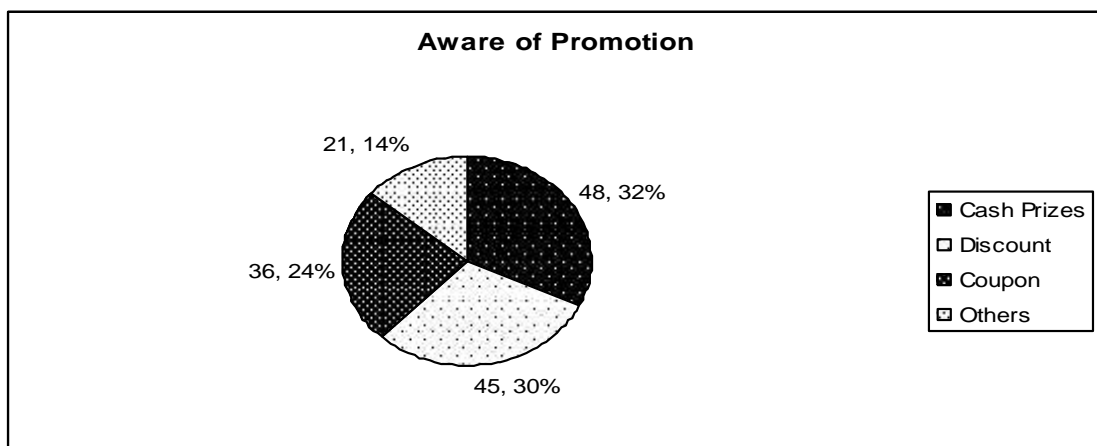


Fig. 23 (Aware of Promotion)

Out of total respondents 32 percent retailer are aware of cash prizes, 30 percent aware of discount, 24 percent coupon and remaining 14 percent of people are aware of others promotional works.

**Hypothesis No. 5**

Ho: There is no significance difference between promotion and retailer i.e, retailers are aware of promotion.

H1: There is signification difference between promotion and retailers i.e. retailers are not aware of promotion.

Tabulated value of  $\chi^2$  at 5 percent level of significance for 3df is not greater than calculated value (11.76>7.81). So we reject null hypothesis. (Ho) i.e. consumers are not aware of promotional tasks.

**Table No. 21**  
**Encourage to Sales Value**

Particular	No.	Percent
Cash Prizes	48	32
Discount	45	30
Coupon	36	26
Others	21	12
Total	150	100

Source: Survey 2008

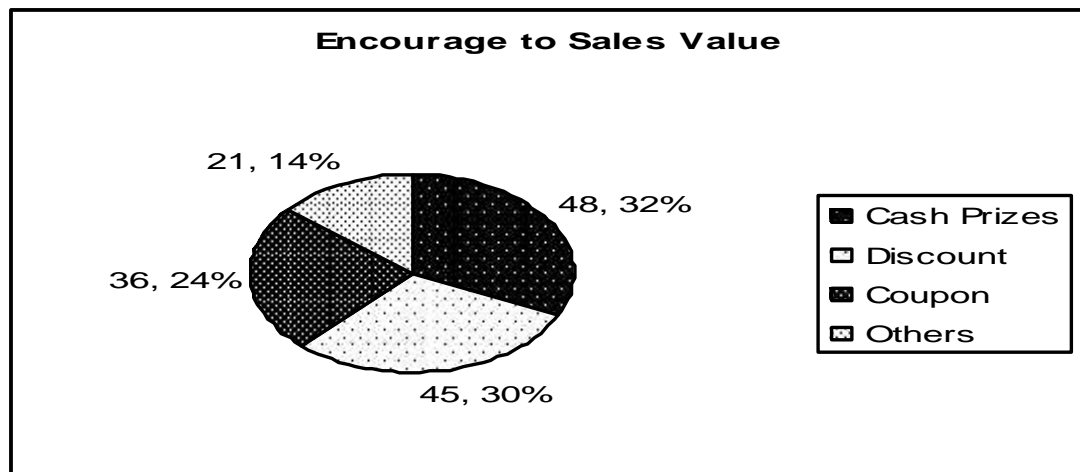


Fig. 24 (Encourage to Sales Value)

The above table and figure show the coverage of promotional tools. 32 percent of retailer is encouraged by cash prize, 30 percent encouraged by discount, 24 percent encouraged by coupon and remaining 14 percent of retailer are encouraged by others tools to sales more.

**Hypothesis No. 6**

Ho: There is no significances difference between promotion and sales.

H1: There is significance difference between promotion and sales.

Tabulated value of  $\chi^2$  at 5 percent level of significance for 3df is greater than its calculated value (7.81>3.90). Null hypothesis (Ho) is acceptable i.e. sales and sales promotion is related.

**Table No. 22**  
**Taken Parts on Contests**

Particular	No.	Percent
Yes	147	98
No	3	2
Total	150	100

Source: Survey 2008

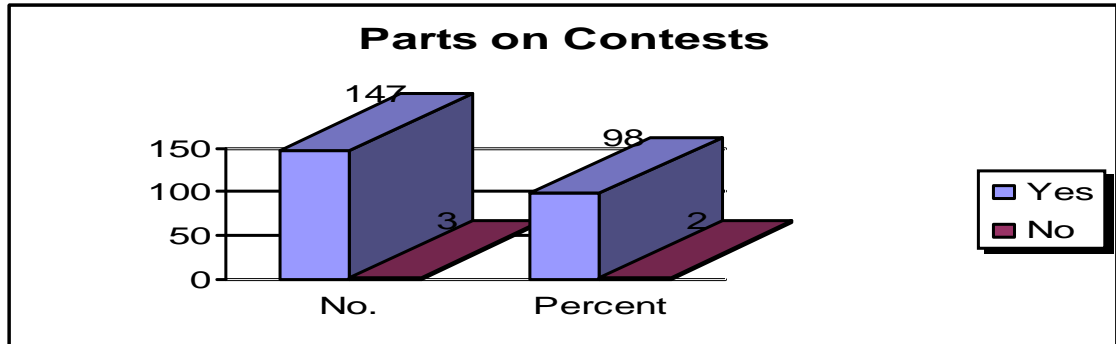


Fig. 25 (Parts on Contests)

The above table and figure reveals that 98 percent of sales person (shopkeepers) are involving at one contents and only 2 percent of are not taking parts on these contests.

**Table No. 23**  
**Win Prizes**

Particular	No.	Percent
Yes	138	92
No	12	8
Total	150	100

Source: Survey 2008

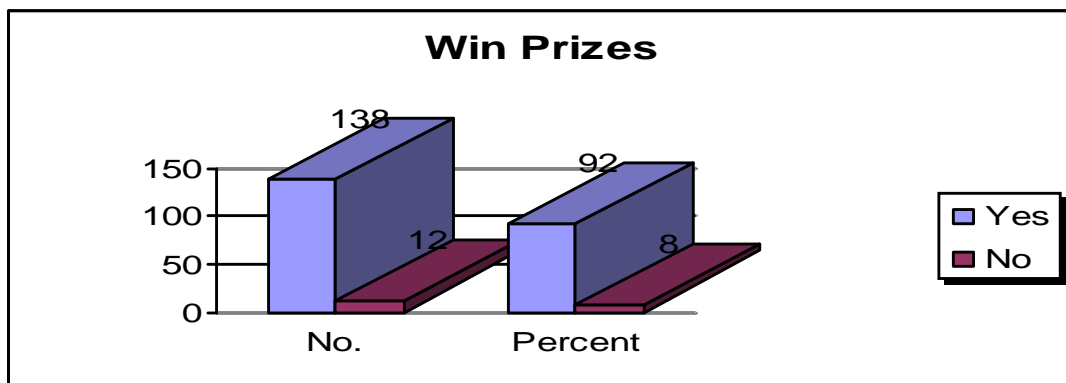


Fig. 26 (Win Prizes)



The above table and figure reveals that 92 percent of people win prize and only 8 percent of people do not win any prize.

**Table No. 24**

**Effectiveness of Sales Promotion**

Particular	No.	Percent
Yes	114	76
No	36	24
Total	150	100

Source: Survey 2008

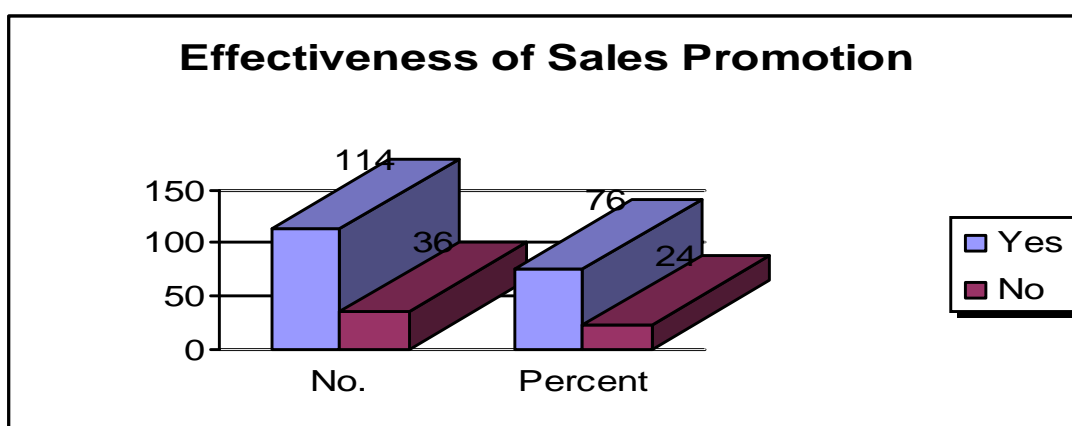


Fig. 27 (Effectiveness of Sales Promotion)

The above table and figure reveals effectiveness of sales promotion. 76 percent of retailers are affected by promotion but 24 percent of retailers are not affected by promotion.

**Table No. 25**

**Effect of Sales Promotion on Sales**

Particular	No.	Percent
Yes	120	80
No	30	20
Total	150	100

Source: Survey 2008

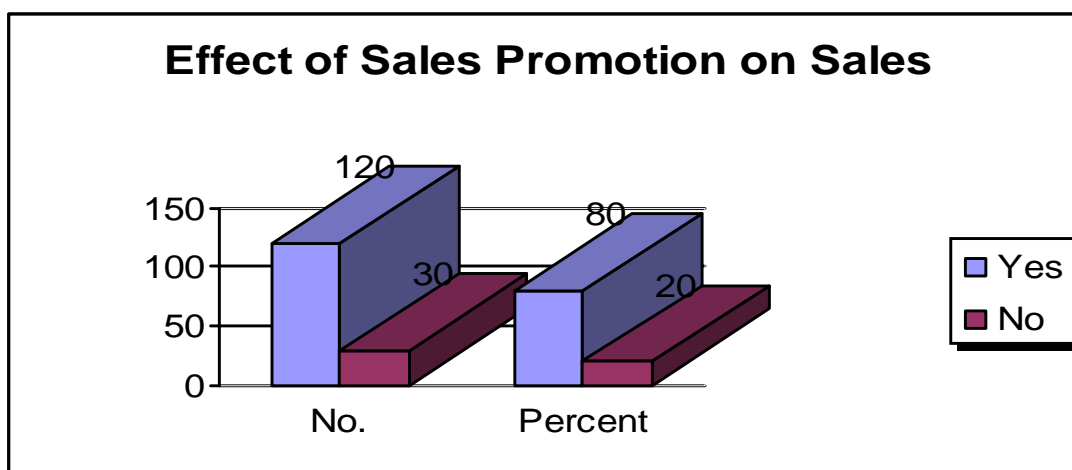


Fig. 28 (Effect of Sales Promotion on Sales)

The above table and figure reveals effects of sales promotion on sales. 80 percent of retailer says that they are affected by promotion work. If any product do not provide any promotion package they switch their brand but 20 percent of retailer are brand loyal.

#### 4.2 Trends of Sales of Pepsi-Cola Group:

Sales data of Pepsi-Cola has taken from distribution located in Kathmandu. Distributors have provided data on yearly basis not on monthly basis. So researcher has divided this data on monthly on the brand of distributor report and according to season.

All sales data of the Pepsi-Cola taken from distributors only. The researcher already presented the data taken from consumer in earlier part. In this part 9 percent and evaluate the data of sales of Pepsi-Cola. Out of total cold drink that has been in market the researcher took only there brand of Pepsi-Cola, for example Pepsi, 7up and Mirinda.

The collected data have been presented using group and bar diagram. Graph and bar diagram is simple and easy to understand actual picture. The researcher use only previous year's data.

#### 4.2.1 Sales Data of Pepsi Cola:

Table No. 26

Sales Data of Pepsi-Cola

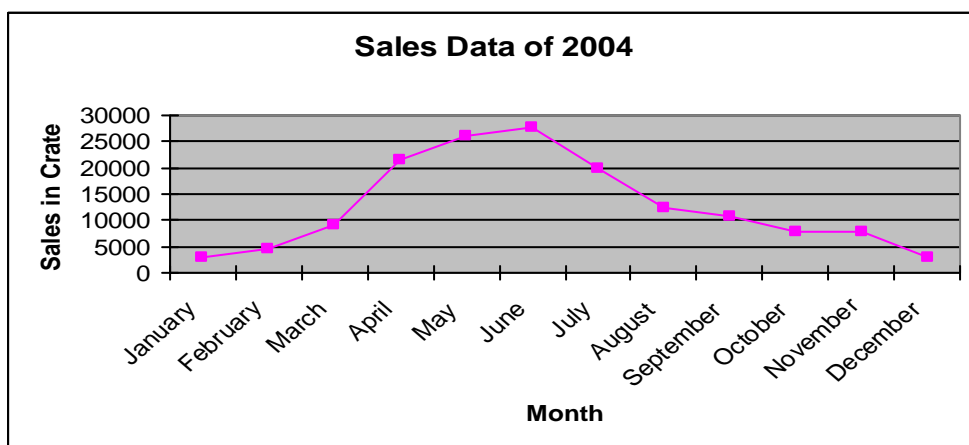
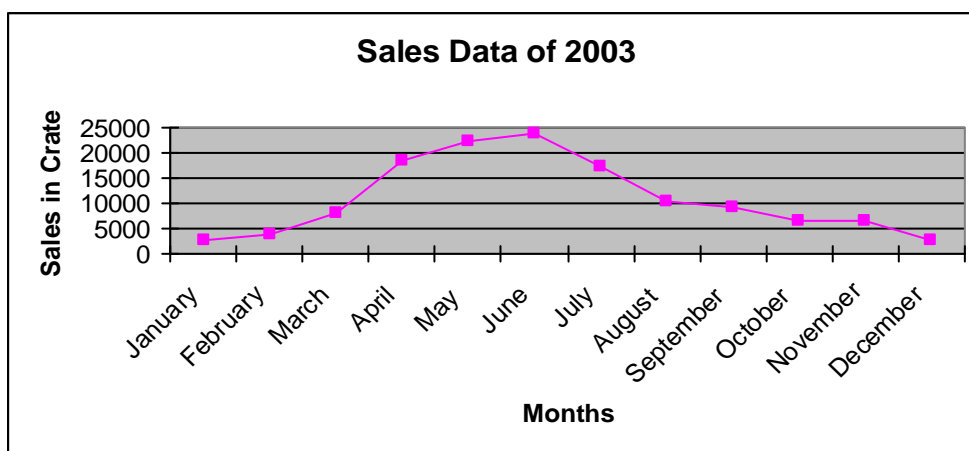
in crate

Year/Month	2003	2004	2005	2006	2007
January	2690	3080	3520	3540	4040
February	3960	4620	5280	5310	6060
March	7920	9040	10560	10620	12120
April	18480	21560	24640	24780	28250
May	22440	26180	29920	30090	34340
June	23760	27720	31680	31860	36360
July	17160	20020	22880	23010	23450
August	10560	12320	14080	14160	16260
September	9240	10780	12320	12390	15120
October	6640	7780	8820	8850	10100
November	6600	7700	8800	8850	10100
December	2600	3000	3500	3540	3900
Total	132050	153800	176000	177000	200100

Source: Pepsi Distributor Kathmandu

(One crate = 24 bottles)

#### Graphical Analysis of Sales Data of Pepsi



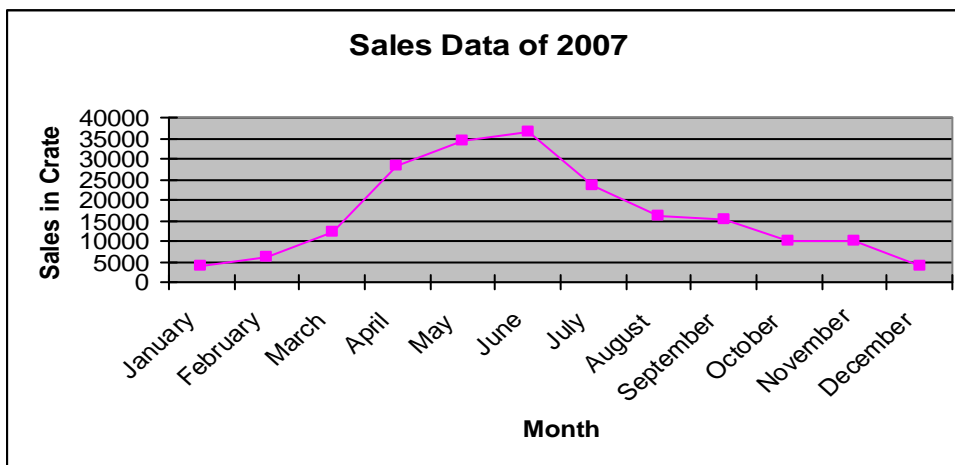
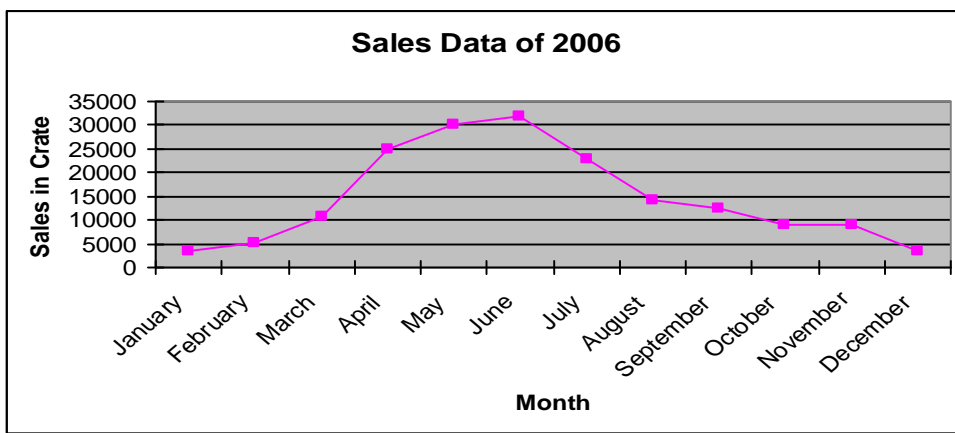
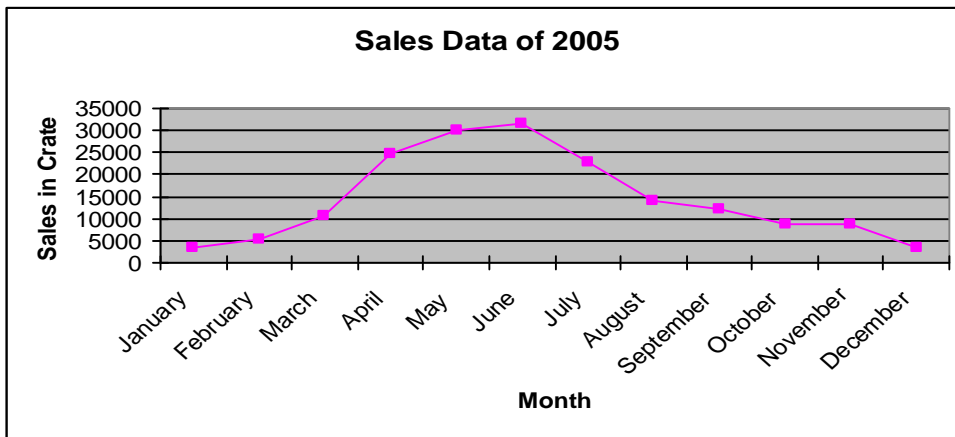


Fig. 29 (Graphical Analysis of Sales Data of Pepsi Cola)

Sales of Pepsi have gone same way on each year. Maximum sales month is April, May and June. Pepsi is consider as a cold drink and April, May and June are hot season. In this month company provide special promotional package and increased sales by upto 50 percent. First and last two month's sales are very low because of cold season. After March the hot season starts and so the sales of Pepsi also increases. On October the biggest festival of Hindu: Dashain and Tihar are observed. In this time

the sales increases than after decreases slowly. According to marketing manager of Pepsi April, May and June is the main season. In this time they achieve 50 percent sales target.

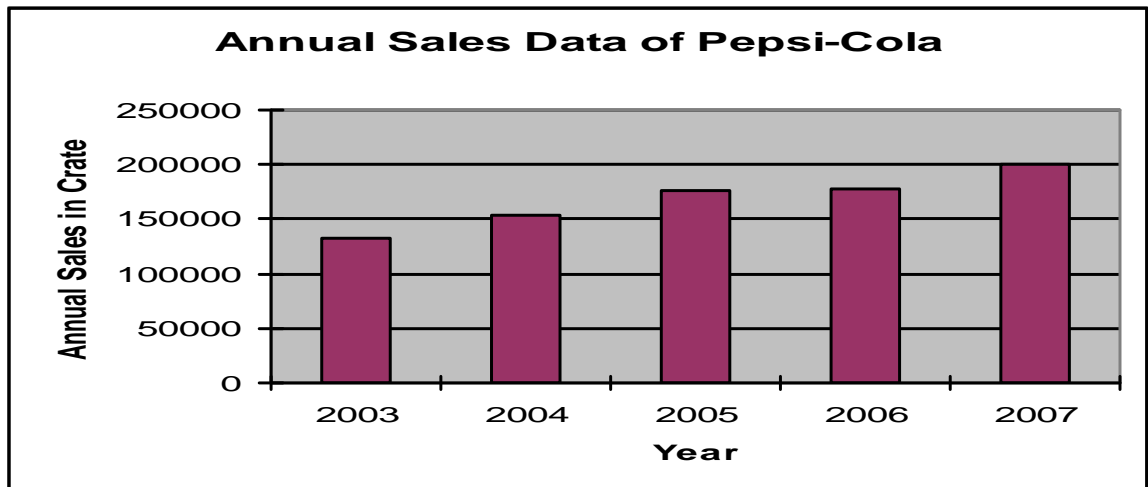


Fig. 30 (Annual Sales Data of Pepsi-Cola)

In 2003 Pepsi makes only 132050 crates of sales. In 2004 sales increases to 153800 crates, In 2005 sales of Pepsi reach to 176000. The sales ratio decreases in year 2006. The sales is only 177000 in the year 2006. The sales of Pepsi is maximum in the year 2007. In this year Pepsi makes the sales of 200100 crates. In the year 2006 company has not provide any new special promotional program. So sales has increased slowly. In 2007 Pepsi start special promotional campaign. It provides special freeze scheme, discount scheme, free coke scheme (liquid only), coupon scheme etc.

#### 4.2.2 Sales Data of 7up

Table No. 27

##### Sales Data of 7up

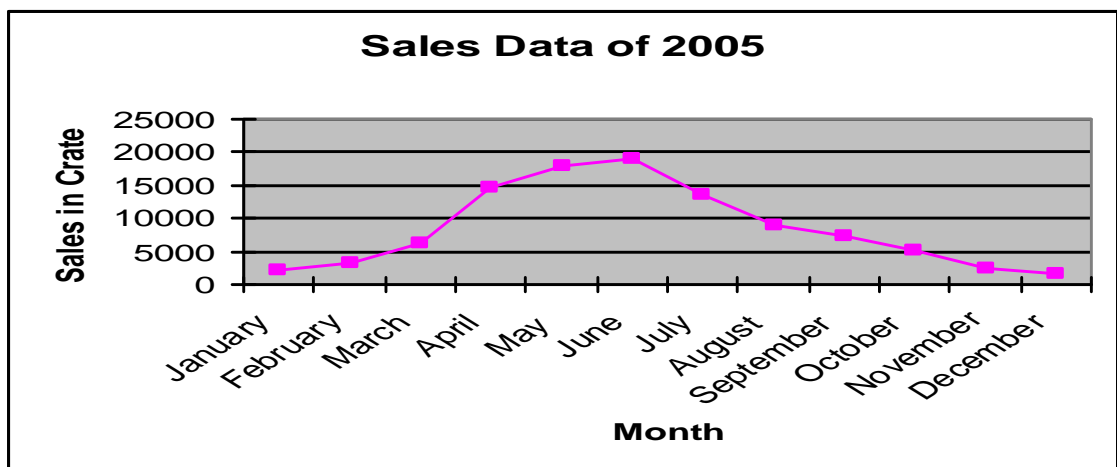
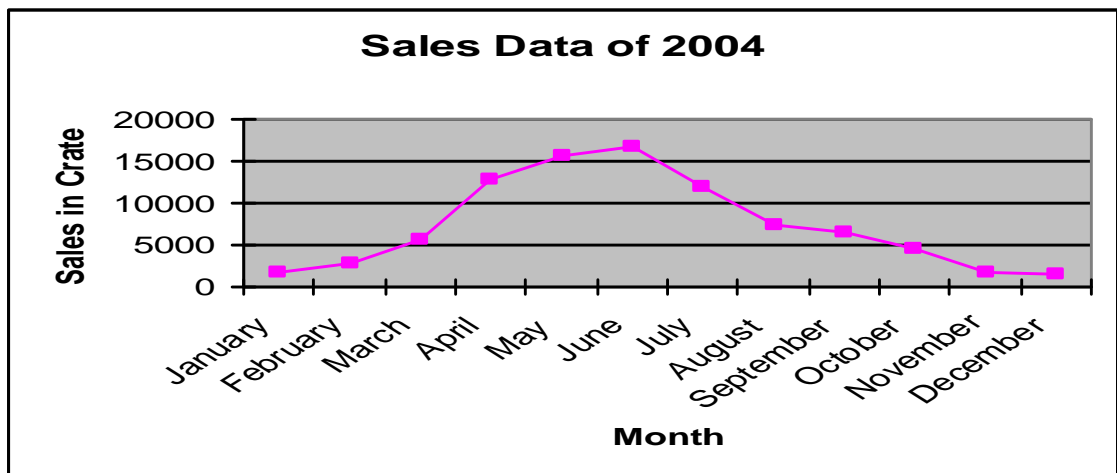
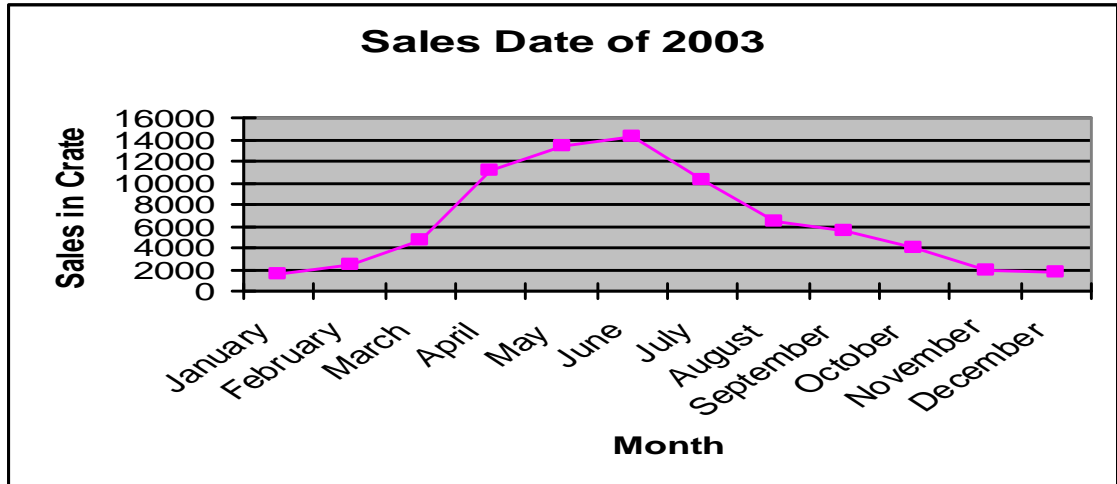
in crate

Year/Month	2003	2004	2005	2006	2007
January	1576	1844	2212	2086	2685
February	2384	2748	3136	3624	3950
March	4764	5572	6368	6372	7920
April	11056	12908	14752	14854	18475
May	13452	15736	17984	18068	22440
June	14288	16692	19128	19006	23755
July	10234	12032	13708	13816	17158
August	6396	7310	8840	8406	10560
September	5530	6460	7380	7434	9232
October	3960	4668	5292	5310	6640
November	2000	1820	2500	3900	6090
December	1660	1510	1500	2124	3095
Total	77300	89300	102800	105000	132000

Source: Pepsi Distributor Kathmandu

(One crate = 24 bottles)

### Graphical Analysis of Sales Data of 7up



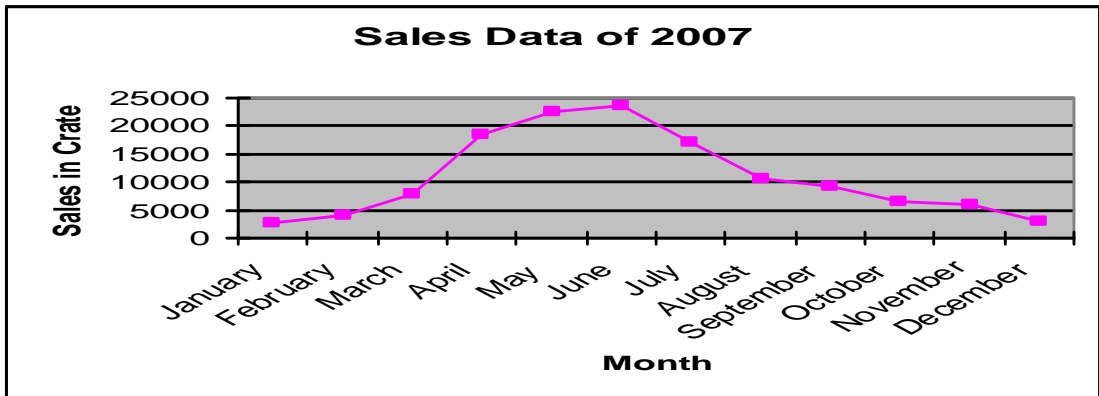
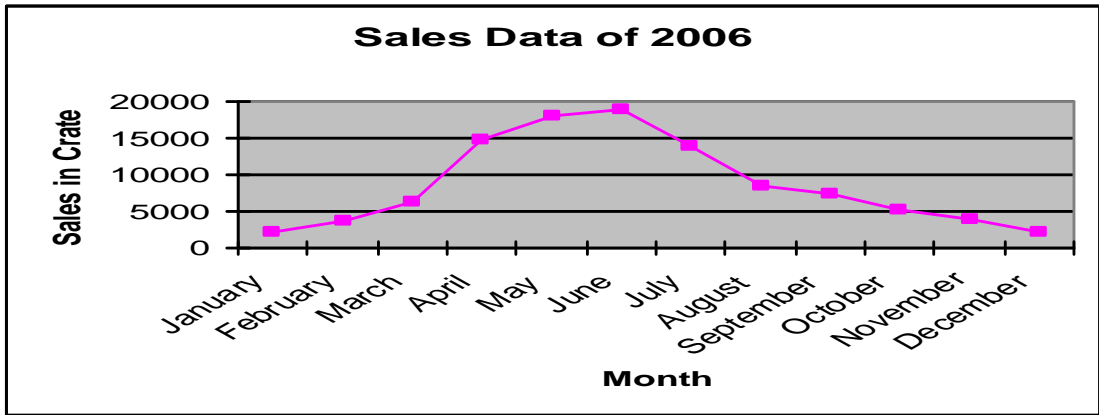


Fig. 31 (Graphical Analysis of Sales Data of 7up)

Sales of 7up have gone same way on each year. The company achieve maximum sales target on April, May and June. On this three months company sales reach above 50 percent out of total year's sales. In this season company provide various consumer and dealer promotion program has clearly show that sales are increased on April, May and June then decrease on October sales is again go up because of Dashain and Tihar, the biggest festival of Hindus.\

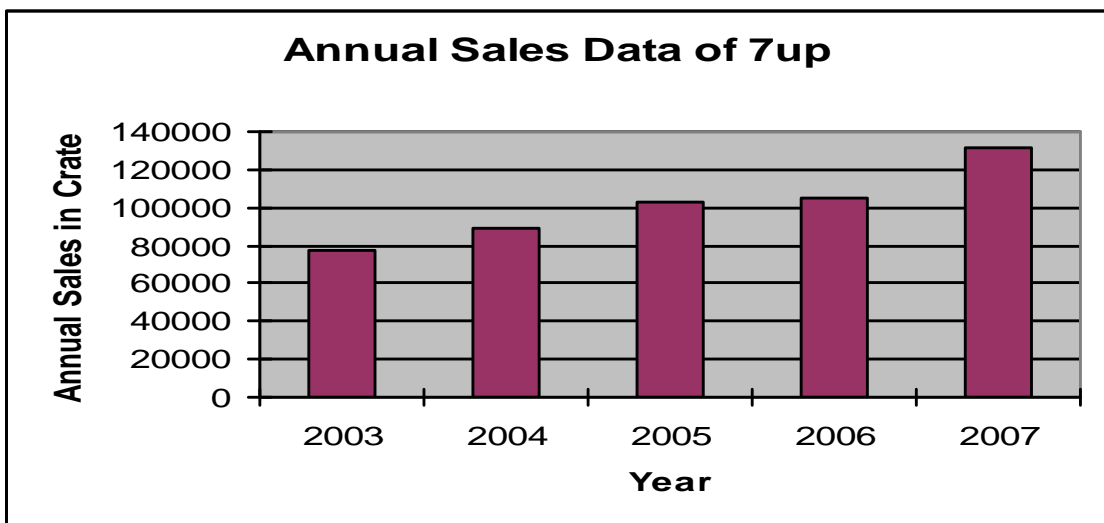


Fig. 32 (Annual Sales Data of 7up)

In 2003 sales of 7up is only 77300. In 2004 its sales reached to 89300 crates. Likewise in 2005 sales has increased to 102800. The sales of 7up reached to 105000 in the year 2006. In the year 2007 the sales of 7up reached to 132000. 7up is one of the major brands of Pepsico. Every year 7up also provide any one special promotion program freeze, free drink, coupon contest and other various programs has done by the company. So 7up has increased its sales every year.

#### 4.2.1 Sales Data of Mirinda:

**Table No. 28**

**Sales Data of Mirinda**

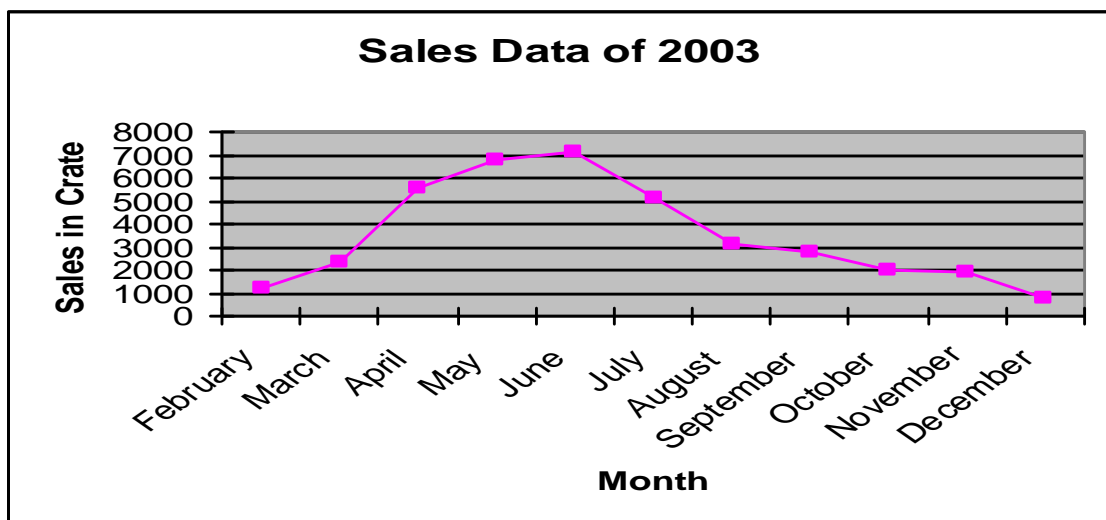
in crate

Year/Month	2003	2004	2005	2006	2007
January	876	1024	1084	1093	1118
February	1192	1372	1556	1562	1912
March	2388	2786	3192	3134	3675
April	5532	6354	7368	7486	8336
May	6744	7868	8904	9058	10402
June	7168	8306	9576	9527	10978
July	5108	6016	6824	7003	7808
August	3172	3634	4264	4148	4748
September	2768	3296	3596	3755	4342
October	1980	2310	2746	2617	3130
November	1892	2300	2630	2555	2942
December	780	1034	1060	1162	1209
Total	39600	46300	52800	53100	60600

Source: Pepsi Distributor Kathmandu

(One crate = 24 bottles)

#### Graphical Analysis of Sales Data of Mirinda





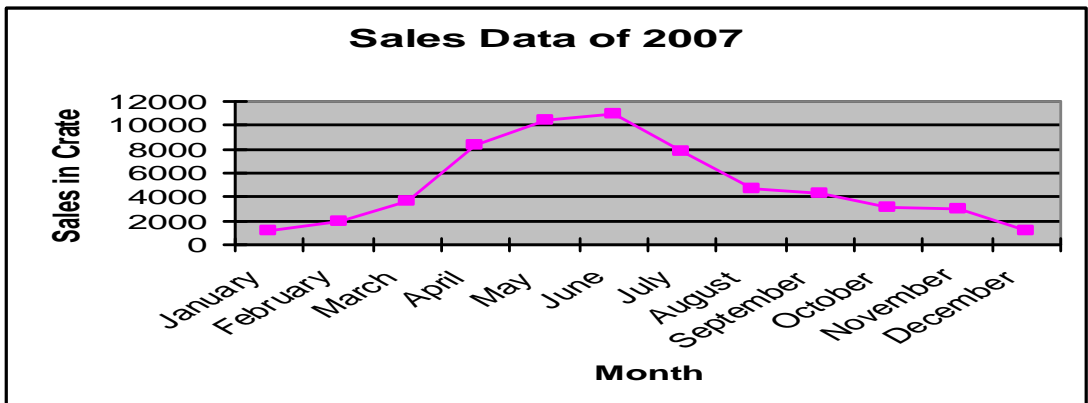
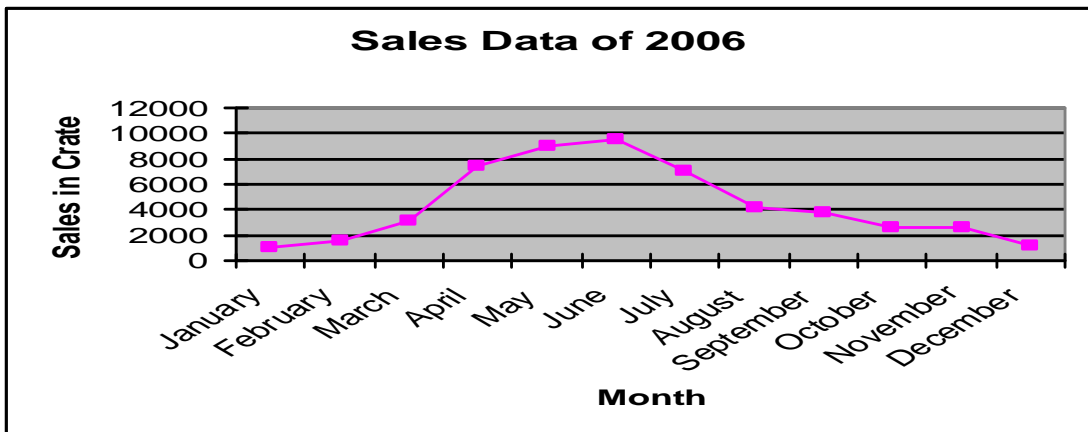
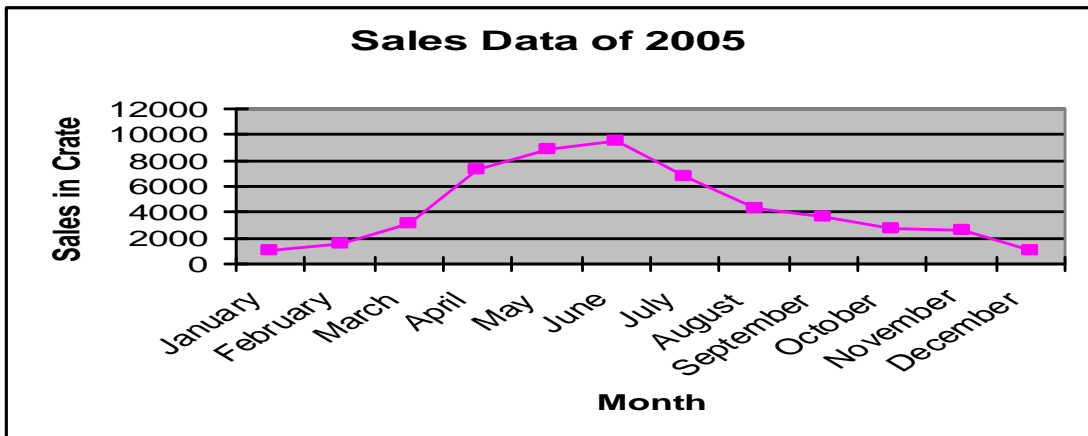
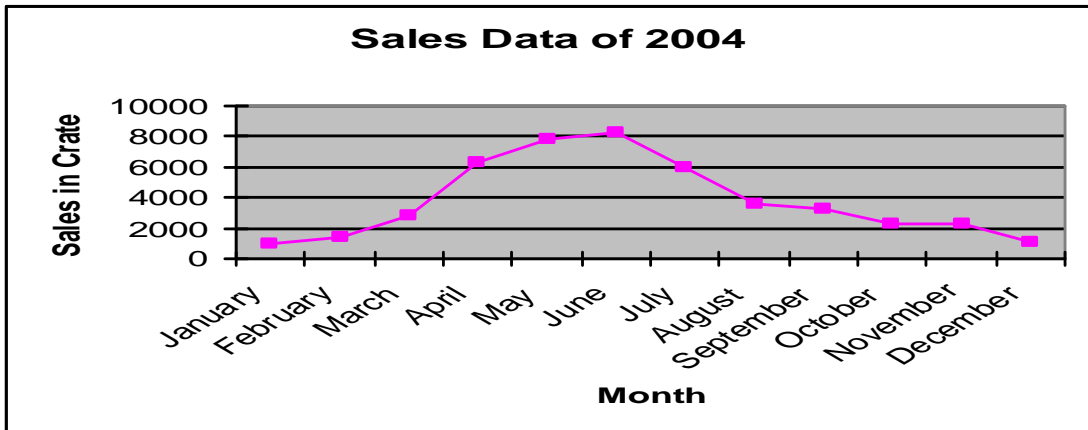


Fig. 33 (Graphical Analysis of Sales Data of Mirinda)

Sales of Mirinda have gone same way on each year. Maximum sales month is April, May and June. Mirinda is consider as a cold drink and April, May and June are hot season. In this month company provide special promotional package and increased sales by upto 50 percent. First and last two month's sales are very low because of cold season. After March the hot season starts and so the sales of Mirinda also increases. On October the biggest festival of Hindu: Dashain and Tihar are observed. In this time the sales increases than after decreases slowly. According to marketing manager of Mirinda April, May and June is the main season. In this time they achieve 50 percent sales target.

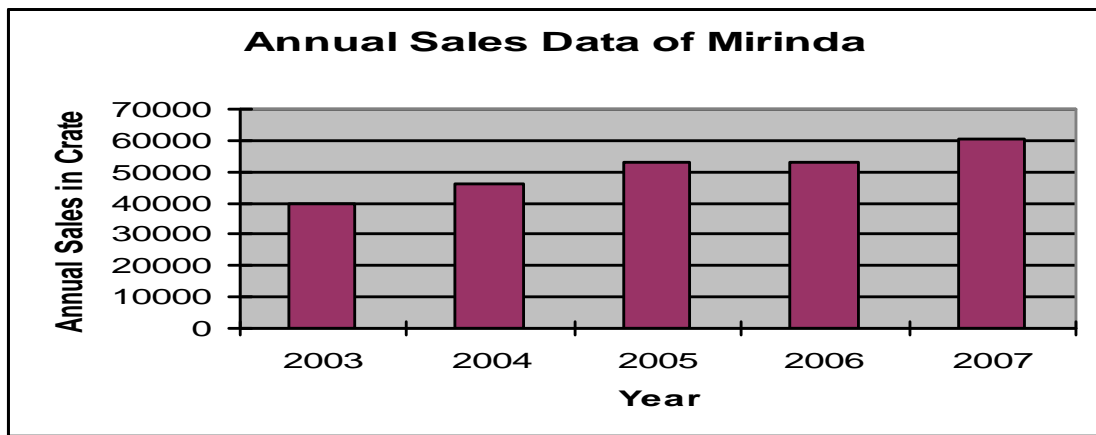


Fig. 34 (Annual Sales Data of Mirinda)

In 2003 Mirinda makes only 39600 crates of sales. In 2004 sales increases to 46300 crates, In 2005 sales of Mirinda reach to 52800. The sales ratio decreases in year 2006. The sales is only 53100 in the year 2006. The sales of Mirinda is maximum in the year 2007. In this year Mirinda makes the sales of 60600 crates. In the year 2006 company has not provide any new special promotional program. So sales has increased slowly. In 2007 Mirinda start special promotional campaign. It provides special freeze scheme, discount scheme, free coke scheme (liquid only), coupon scheme etc.

#### 4.3 Sales Promotion Expenses:

For the increment of sales of the company products every company carry out various promotional activities. For this purpose the organization has to bear lots of expenses too. Pepsi also does various promotional schemes and for it they spent lots of money and other materials.

All expenditure data of the Pepsi-Cola is taken from the head office of Pepsi-Cola. In this part the expenditure data is collected, evaluated, analyzed and presented in the various forms.

The collected data have been presented using group and bar diagram. Graph and bar diagram is simple and easy to understand actual picture. The researcher use only previous year's data.

#### 4.3.1 Sales Promotion Expenses of Pepsi Cola Group:

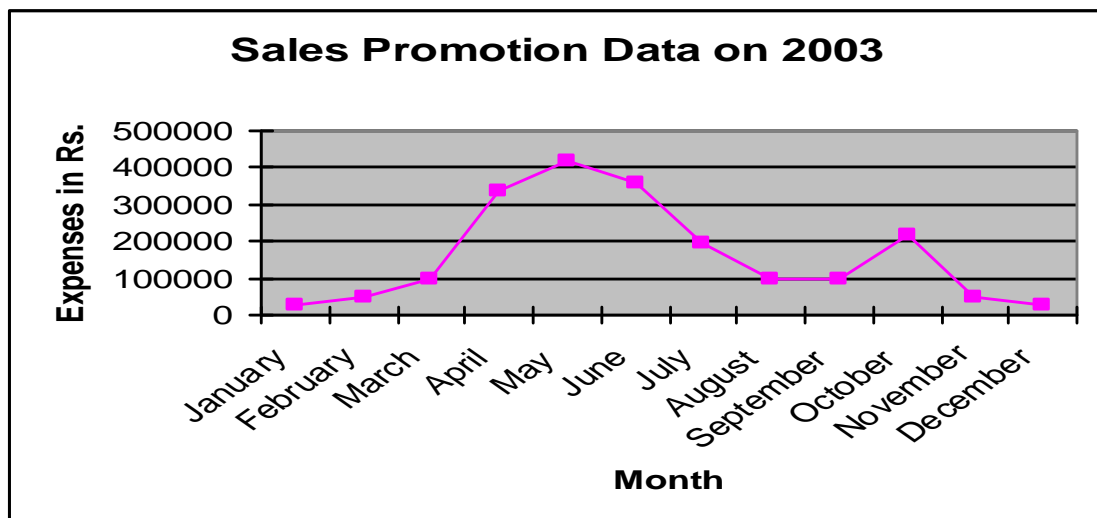
**Table No. 29**

Sales Promotion Expenses of **Pepsi-Cola** Group in crore

Year/Month	2003	2004	2005	2006	2007
January	29500	34750	39000	39375	45750
February	49700	57650	62000	66825	75450
March	99000	1155700	136600	130150	155100
April	335800	392000	448800	452750	511500
May	416600	485800	555200	557900	635400
June	358000	415100	474400	477550	546300
July	196400	235500	264000	262750	301500
August	99000	111000	132000	135500	153000
September	99000	113500	132000	132050	153300
October	219500	255500	296000	292750	331500
November	47800	57250	60400	66325	75450
December	29700	35750	39600	39875	45750
Total	1980000	3349500	2640000	2653800	3030000

Source: Varun Beverages

#### Graphical Analysis of Sales Promotion of Pepsi-Cola Group



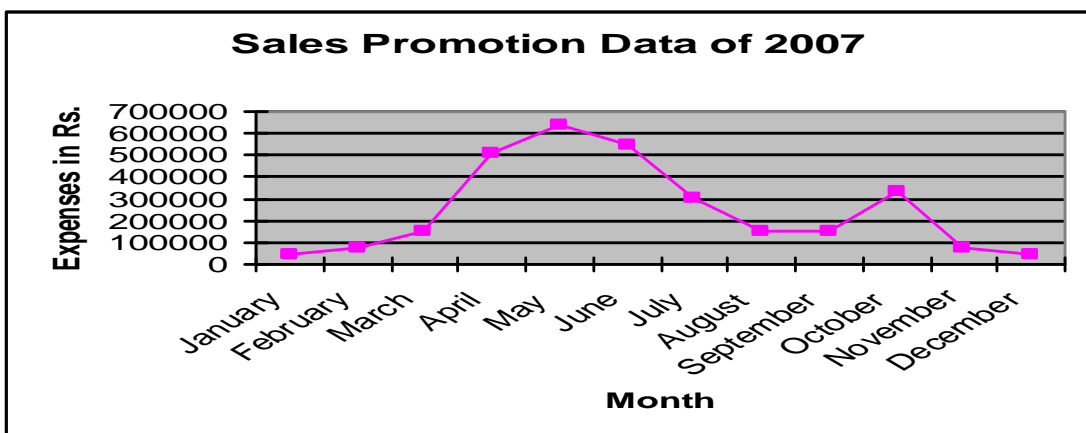
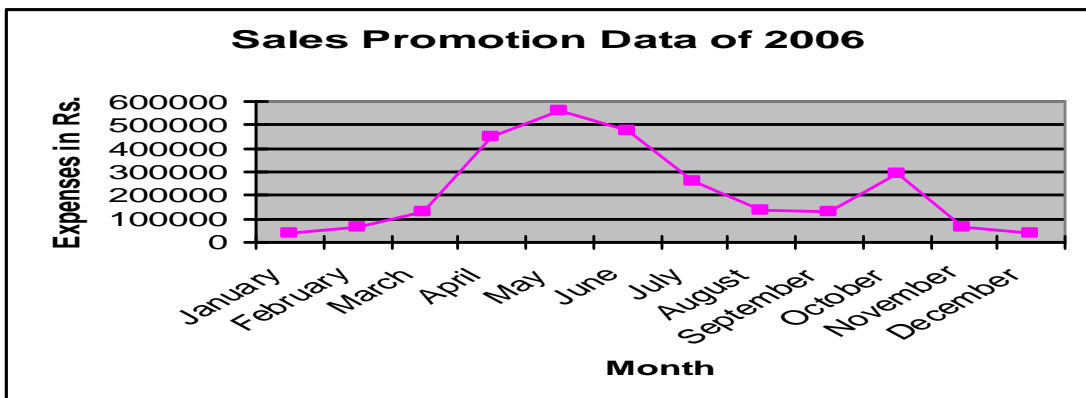
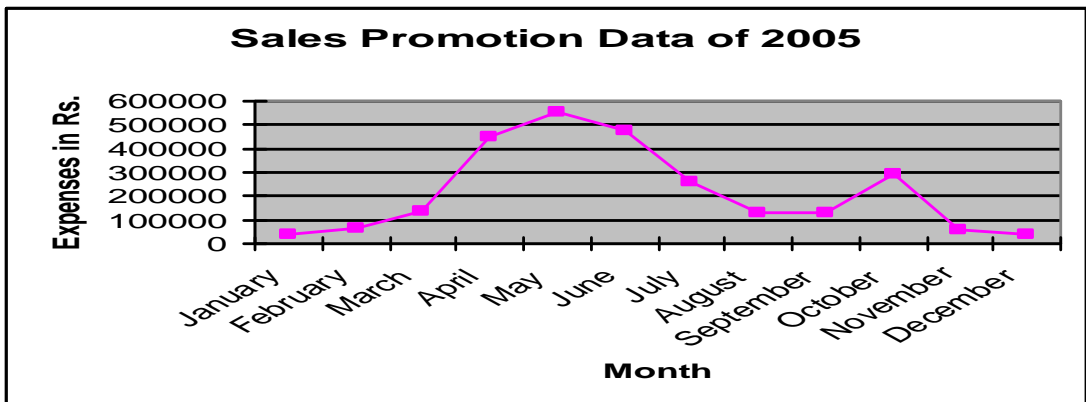
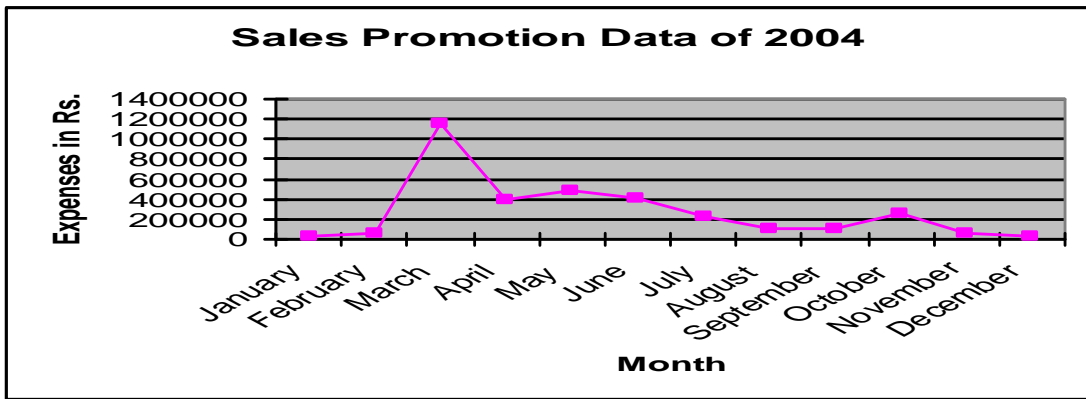


Fig. 35 (Graphical Analysis of Sales Promotion of Pepsi-Cola Group)

The Pepsi-Cola company spends on sales promotion program same schedule each year. Company provide special promotion package on April, May and June each year. This time is peak season for cold drinks. In this three month company want to achieve 50 percent sales target on overall year. For achieve this target distributor make sales schedule and provide various dealer and consumer promotion program. On October again company provide Dashain and Tihar special program. We can see on graph that the maximum sales months are April, May and June.

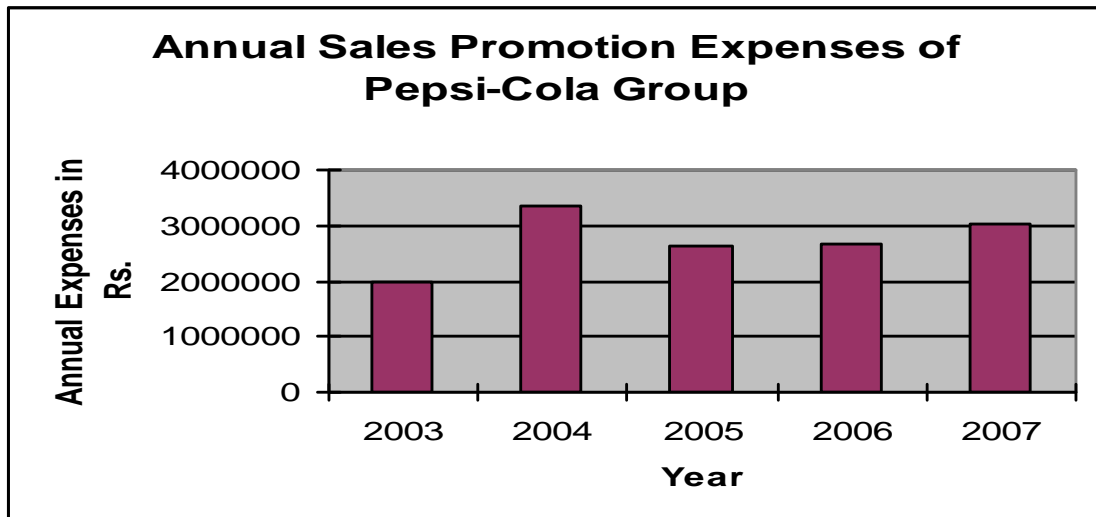


Fig. 36 (Annual Sales Promotion Expenses of Pepsi-Cola Group)

Pepsi-Cola is one of the largest selling company in Nepalese cold drink market. Pepsi-Cola spend large amount on its sales promotion program. In 2003 it spends Rs. 1980000. Likewise, it spends Rs. 3349500 in the year 2004. The sales promotion expenses decreases to Rs. 2640000 in the year 2005 and remain to the expenses amount of Rs. 2653800 in the year 2006. The expenses amount increases to Rs. 3030000 in the year 2007. The company already made schedule of sales and promotional expenses. Every year it increases its promotional budget. To capture new market and keep the present market safe, it is necessary to provide various consumer and dealer promotion package.

#### 4.4 Impact of Sales Promotion:

Impact of sales promotion on sales of Pepsi-Cola is measured through regression analysis. The regression analysis between sales of Pepsi-Cola and sales promotion expenses of Pepsi-Cola. In the regression analysis the following results have been seen (see appendix 6)

#### **4.4.1 Regression Analysis of the Data**

Regression is a popular tool in the statistics. This analysis is a mathematical measure of the average relationship between two or more variables in term of original units of data. It also clearly indicates the cause and effect relationship between the variable. The variable corresponding to effect is taken as dependent variables.

Here in our calculation, we denote x as expenses on sales promotion and y as sales as per actual basis. We have considered the data for the period when the sales promotion was on the market. So, only 3 months data have been taken for the calculation purpose. These months are April, May and June. All data are in thousand ('000).

#### **4.4.2 Analysis of the Result of Regression**

On regression analysis the research tries to show the relationship between the sales data and the expenses done sales promotion. Now the analysis Pepsi-Cola brand (appendix 6).

Pepsi-Cola's sales promotion and the sales data had shown that positive relation between the expenses and the sales. Both the data is dependent on each other if one goes down the other automatically comes down. In the year 2004 when sales expenses is Rs. 392700 the sales on an average is 40964 crates per month. It shows that if the company wants more sales than 40964 crates they have to spend more than Rs. 392700 likewise the results of the year 2005, 2006 and 2007 all have shown the same impact. A sale goes down to the minimum if the sales expenses would be Rs. 0.96 i.e. no expenses on sales promotion.

#### **4.5 Findings of the Study**

The major objectives of the present study to see sales promotional tools are effective or not on the sales of the cold drink. The whole research is sub divided on the basis n interpretation and analysis into two parts i.e. first effect of sales promotion from the consumer and shopkeepers view point and second effects on sales promotion from the calculation of sales data.

On the basis of the consumer view point and sales data separately. The major findings are.

#### **4.5.1 Findings from the Primary Data**

1. The person who drinks occasionally prefers Pepsi brand more than others.
2. People are aware about sales promotion activities out of them most people know about item prize than coupon than cash prizes. But cash prize is effective than other tools.
3. The Pepsi-Cola drinker's have not particular choice of brands. So the concept of brand loyalty is not found in Nepalese cold drink market. So they can easily be directed towards one particular brand through proper marketing net.
4. All media is not popular among the people. Only electronic media (specially) is very popular among the people and the people who watch and listen media notice the ads, the percentage of the people notice ads for entertainment are higher than for information.
5. From the regression it is clearly seen that if the expenses on the sales promotion increases the sales of the product will increase.
6. Retailers are interested on promotional program. They are aware of cash prizes then other promotional work.
7. Sales promotion programme has positive impact on retailers and most of them taken parts on contests and win prizes.

#### **4.5.2 Findings from the Secondary Data**

1. The sales of Pepsi-Cola increasing month by month but the ratio of sales is higher in the months when the companies launched sales promotion program. This indicated that is positive relationship between the sales and the sales promotion. If expenses on sales promotion increases the sales increase in a high speed.
2. It is found that Pepsi-Cola distributor generally conduct 3 months special promotion package one times in a year. In this time they achieve 50 percent sales target of year.
3. Large number of people is interested on promotional contests that the manufacturer launches on various occasions.
4. The sales of one brand does not affect negatively to the sales of other brands. As the observation shows that the trend of all two brands are increasing.

## Chapter V

### Summary, Conclusion and Recommendation

#### 5.1 Summary:

Due to globalization of the business, the world has become so close that a company can easily access to the market of the other part of the world. The companies are facing through challenges to market their product. Over the years, the thrust has shifted from efficient productions to the swift marketing. Marketing department, in return, developed different techniques to market the products.

Publicity, advertisement, personal selling etc have all become so usual that the consumer hardly get excited by the effects of these techniques. In the meantime, sales promotion appeared as a panacea for the manufacturer as the number of brands increases in the market. Advertising, personal selling and publicity create more noise for the consumer on the contrary. The rewarding offers, made through sales promotion methods prove be more attractive to consumers. As a result, sales promotion methods prove to be more attractive consumers. As a result, sales promotion has received greater attention and afford of the sales force the encourage sales to stock the product and to persuade consumer to try the product. The use and practice of sales promotion method in Nepal is relatively very late.

Nepal is country of rural markets which are far from modernized system. The economy is characterized by low average per capita income. Though the concept of buying Nepali products is nowhere, because of low availability of local brands, consumers have been buying foreign products and brands since very long. So the practice of sales promotion methods within the country is very limited. Promotion as an element of marketing mix demands other elements to be equally effective. The reputation which is earned by value sold is an asset to the follow up program of promotion. But the availability of the non branded products at cheap price from the manufacturers have created an environment of competition with few industries especially liquors and beer, soft drinks, soap, instant noodles, tea etc.



The concept to pickup this subject for research came into mind because the Nepalese companies are using this technique very much but nobody has tried to do research and find out its effectiveness in Nepalese market the researcher work on this topic as because this is virgin and challenging area for research. In Nepal the increasing importance of sales promotion in marketing, as compared to media advertising, over the past fifteen years is the result of success achieved thoroughly sales promotion. the reason behind this has been the challenge of competition faced by business and industry during the latter part of this century. Sales promotion refers the use of different promotion tools stimulate or to create immediate sales.

Pepsi-Cola company (brands: Pepsi, 7up, Mirinda) which was established in the private sector who constantly offer prizes and other tools as a promotional techniques. This companies practice the sales promotion method to achieve the following objectives.

1. To offset the impact of a new competitive products
2. To create demand for a new product
3. To pursue other brands users
4. To get rid of competition
5. To establish purchase habit to the initial users
6. To increase immediate sales
7. To recover loss in sales
8. To meet competition
9. To simplify and encourage to work of salesmen to sell

Cold drinks companies in Nepal are primarily using the general tools like contests prize, cash prizes and item prizes. And the cold drink company somewhat is able to achieve the basic objective of the sales promotion.

Sales promotion offers consists of various tools. The tools which have been taken into consideration for the purpose of this study include free goods offer, coupon, premiums, sampling, contests, cash prizes, advertisement specialties etc. The objective of promotion in relation to the consumers is to reach new users, to load current users, to increase product usage, to reinforce brand advertising and to

introduce new product. These objectives may be further divided to four categories with a number of subordinate objectives. Such tools as sampling, coupons, consumer deals, advertising specialties and contest may be offer at the introduction stage to introduce new products, to produce for trials and to convert tries into regular users. Two of the above promotional tools viz. coupons and consumer deals may be suitable at the growth stage besides premium at this stage. Thus coupons premiums and consumer deals may be contemplated to load current users, to load regular users, to increase usage by present users and get rid of competition at growth stage. Similarly sampling, coupons, premiums and contests are considered suitable to hold current users against competition activity, and to stimulate impulse buying at me maturity stage. During the latter part of the maturity stage, when the product shows a declining trend, sales promotion tools like coupon and premiums may be introduce to increase product usage to reach large number of prospects, to gain increased display area and shelf space in the store, to offset seasonal slumps, and to offset the impact of new competitive products. Above all the promotional tools are popular and effective sales promotion tools in all level of product life cycle in Nepal.

The questionnaires were distributed in Kathmandu and the sales data taken from distributor. Out of collected data, chi square ( $\chi^2$ ) method and regression method of statistic were used to see the different result. Chi square test's result show that electronic media is popular and the regression result shows that the increase in promotional expenses causes the overall sell of the Pepsi-Cola is very high.

## **5.2 Conclusion:**

The overall conclusion of this study would be the following.

The sales promotion activities do positive impact on sales of Pepsi-Cola. From the regression analysis it became so clear that if sizeable amount is spent on promotional activities the sales would increase accordingly.

The studies find that besides other cash prize is most accepted as well effective and widely used mode of sales promotion.

Electronic media is most accepted by the people. So far sales promotion purpose the electronic media is very suitable.

The present study finds that besides the consumers have not particular choice of brands. So the concept of brand loyalty is not found in Nepalese consumer. So, they can easily be directed towards one particular brand through proper promotional activities.

In summary, increasing sales of one brand does not effect negatively to the sales of other brand. They all can increase their sales through promotional activities and create own separate new market.

The sales promotion is very powerful tools which can easily occur the sales. However, the study clearly prevails that the sales of coke would be very high and the sales of 7up and Mirinda would be lower and Pepsi, provided every promotional activities would be the same.

### **5.3 Recommendation**

Sales are the very pivotal activities of any industries. The success and failure of the industries depend on the sales of the products. The whole world is running after the sales. Companies expense huge amount for research on consumer habit and effective sales activities. So the sales promotion is the key factor to increase sales.

On the basis of findings of the present study, the following recommendations are advised to the industries. If the recommendations are properly applied the positive impact can be seen.

- i. The electronic media is very popular among the people. So the heavy media coverage should be acquired. The advertisement should be more entertaining which can able to cater the need of brands information too, should be introduced.
- ii. Proper tools/mode of sales promotion has to be selected. It is proved that cash prizes are effective both consumer and sales person's view. So thrust on cash prizes than item prizes should be given cold drinks companies. Sometimes items like audio system, cycle etc. They should be cut down and cash prize, free drinks should be introduced. If done so more people will get the prizes. Findings have already shown that the persons, who get the prize can be easily indeed to have cold drink.
- iii. Findings proved that the sales promotion have impacts on the sales of the Pepsi-Cola. But the company launches the special sales promotion package for only 3 or

4 months. It is strongly advised that sales promotion programs should be launched at least 6 months, be it, the programs has to be broken into two parts, and the expenses made on the promotion should be lower down a bit. If it is done the overall average sales for the year will be increased substantially.

- iv. Through the increase in the sales expenses have positive impacts on Pepsi-Cola. the expenses should be made wisely, the selection of the mode of sales promotion, the section of period to launch sales promotion program should be made wisely. It is advised that the monthly sales promotion expenses should be longer than present so that the yearly sales would be increased.

If the suggestions are to be followed properly by the industries, the positive impact on the sales as well as on the image of the companies and also the image of the cold drinks among the consumers would be positive.

At the last, sales promotion covers a wide range of short term incentive tools designed to stimulate the consumer market, the trade, and the organizations own sales force. Sales promotion expenditures now exceed advertising expenditures and are growing at a faster rate. So as in Nepal too, the use of this marketing techniques is increasingly high. Thus, the use of sales promotion is very important if the use would be in a proper way.