

PROJECT TITLE;

**THE USE OF PREMIUMS IN CONSUMER SALES PROMOTIONS AND ITS EFFECT ON THE
SALES PERFORMANCE OF AN ORGANIZATION.**

(CASE STUDY; THE MUKWANO INDUSTRIES, KAMPALA, UGANDA)

BY

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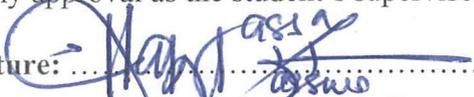
**A RESEACH PROJECT SUBMITTED TO KAMPALA INTERNATIONAL UNIVERSITY IN
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FACULTY OF BUSINESS &MANAGEMENT

APPROVAL

This research project is submitted to Kampala International University for examination with my approval as the student's supervisor.

Signature: 

Date: 

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DEDICATION

This research work is dedicated to me beloved mother Ms Josephine Mutua for her endearing, true love and support in my life.

ACKNOWLEDGEMENT

Am most grateful to the Almighty God for guiding and sustaining me through this Research project for without his Will, Grace and mercy I would not have managed.

I also truly appreciate the priceless and distinctive professional assistance provided to me by my Supervisor Mr. Hassan Ssendagire Wasswa. His guidance and supervision of this research project from inception to completion led to its success. Special thanks to him.

I would also like to acknowledge my family, friends, classmates, and all those who accorded me support and encouragement in one way or another in the course of undertaking this research project. The heart shall reveal but words can never express just how grateful I am to all of you.

May the Almighty God bless you all and may he continue to sustain you.

ABSTRACT

The study was aimed at establishing the effect of using premiums in consumer sales promotion on the sales performance of an Organization taking Mukwano industries as a case study. The main issue was the fact some product lines still experienced sales fluctuation despite the fact that Organizations used some of the best methods of promotion and thus there was a need for the Organization consider the intervention of premiums as a new sales promotion tool in order to improve sales performance.

The purpose of the study was therefore to find out whether Companies incorporated premiums as a sales promotion tool, establish the type and quality of the premiums they offer as well as find out which products were promoted using premiums.

In addition, the study was also aimed at finding out the effect of using premiums in sales promotion on the sales performance of the Organization.

Further more the study addressed questions such as; which companies used premiums in their sales promotion? What type and quality of premiums were offered? Which products were promoted using premiums? What was the relationship between premiums and sales promotion?

The study was Cross sectional since it targeted the views of the people who were most informed about the Organization's activities and operations Thus the Respondents comprised of consumers of the Organizations' products, the employees and sales managers as well as the Distributors of the Organizations' products.

The study was conducted in Kampala, Uganda and the data collection instruments and methods included interviews, questionnaires, and observation and past records. The analysis of the data was done using both qualitative and quantitative methods

The findings revealed that some Companies like Mukwano industries incorporated premiums in their sales promotion and the type of premium that were offered included the On-pack type, In-pack type and the Gift-with-Purchase type. In addition the type of products promoted using these premiums were the Soaps and Detergents, Body and Skin care products and the Households products.

The findings also revealed that premium had a positive effect on sales performance when appropriately incorporated this was evident in the increased popularity and distribution of the product resulting to increased sales performance.

The study therefore recommended that companies should consider the use of premiums in their sales promotion since it can positively influence the sales of a product However , before incorporating this tool, the Company should carefully consider all the factors involved like the costs involved, Competitors promotional activities, type of product to be promoted as well as the choice of premium in accordance with the type of product in order to make the promotion a success.

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CHAPTER ONE

INTRODUCTION.

1.0 INTRODUCTION

According to Farese et al (1997), sales promotion represents all marketing activities other than personal selling, advertising, public relations and publicity that are used to stimulate consumer purchasing and sales effectiveness. Sales promotion provides the aids for the marketing function and includes such activities like as the preparation of point-of-sale purchase displays, contests, trade shows exhibitions and premiums. The objectives of sales promotion are to increase sales, inform customers about new and existing products and to create a positive store for or corporate image. Sales promotion has the following characteristics, it usually involves short-term incentives, offers some type of incentive to induce purchase and it can be successfully used in all channels of distribution with manufacturers, wholesalers, retailers and consumers.

In addition to using advertising, public relations and personal selling, Lamb et al (2004) also add that managers can use sales promotion to increase the effectiveness of their promotional efforts. Advertising offers consumers a reason to buy, whereas sales promotion offers an incentive to buy.

Sales promotion is usually targeted toward two distinctly different markets. Consumer sales promotion, which is targeted to the ultimate consumer, where as trade sales promotion which is directed to members of the marketing channel such as wholesalers

and retailers. The focus here is on consumer sales promotion and managers must decide which promotional tools to use in a specific campaign.

The methods chosen must suit the objectives to ensure success of the overall promotion plan. Popular tools for consumer sales promotion include such things like; coupons, contests, sweepstakes and premiums. One of the most effective tools of consumer sales promotion is the use of premiums.

Kotler (2000) defines premium as merchandise that is offered at a relatively low cost or free of as an incentive to purchase a particular product. Lamb et al (2004) also provide that premiums are an extra item offered to the consumer, usually in exchange for some proof that the promoted product has been purchased. Premiums reinforce the customer's purchase decision, increase consumption and persuade non-users to switch brands.

Premiums as a promotional tool can work well either as a brand builder or transaction builder. When used as transaction builders, the premium may simply serve as an incentive to buy the brand a sufficient number of times to obtain the premium. For example, children may influence their parents to purchase a particular brand of cereals based on the free toy offered inside.

Larger more expensive premiums tend to promote brand building one way to accomplish this is to require multiple purchases to obtain the premium. For consumers new to the brand but interested in the premium, requiring multiple purchases provides the product with several opportunities to prove itself and win consumer loyalty. For regular purchasers of the product, the premium serves as a "thank you" to loyal customers

(www.udayton.edu)

The sales of most products and brands eventually decline. The decline might be slow, rapid or sales may even plunge to zero. Sales decline for a number reasons, including technological advances, shifts in consumer tastes and increased domestic and foreign competition. As sales and profits decline, some firms withdraw from the market. Those remaining may reduce the number of products they offer, others may withdraw from smaller market segments and weaker trade channels. These declines force managers to strategize on new ways to keep their declining products in the market and improve the sales of the product.

It is in light of these declines that organizations consider incorporating some sales promotion tools like premiums. The organizations realize that by adding some incentive to their products, Consumers will be induced to increase purchase of the product. The organization also anticipate that by offering these incentives,they will be able to recapture the lost market for their products ,attract new markets ,maintain the existing markets as well as counter competition. Kotler (2000). By observation, many companies especially in Uganda prefer to use other sales promotional tools other than premiums. The most common promotion method is celebrity advertising. The researcher therefore intends to investigate why premiums are not frequently used as compared to the other sales promotion tools.

1.1 BACKGROUND OF THE CASE STUDY

The Mukwano group of industries is a conglomerate of varied business interests and operations ranging from manufacturing to transport and logistics to property development within Uganda and spanning across the great lakes region (www.mukwano.com)

The company was started in 1986 with a single laundry soap production line at the time. However over the years the company has since increased its product lines and has over 400 distributors and dealers across the region an efficient logistical team, well positioned regional depots and a fleet of over 150 large haulage trucks to ensure utility of timely deliveries

The company has employed over 7000 competent and skilled individuals who share a common vision with management on commitment to deliver excellent products and services to people of this region and sub-Saharan Africa with management on commitment to deliver excellent products and services to people of this region and sub-Saharan Africa.

The company deals with manufacturer of and distribution of various consumer products, which include the following;

Soaps and detergent such as star laundry bar, Hira blue detergent powder, Nomi blue detergent powder, Nyota laundry soaps (available in blue, pink and green colors) Chapa Mukwano tablet soap, Chapa mukwano laundry soap and chapa simba laundry bar.

Personal hygiene products; Yeyo talcum powder, shampoo and premium toilet soap, Mukwano perfumed family jelly, Supa liquid detergent, Fresh lemon scented detergent Dazzeleen floor cleaner, Klix scouring powder, Blik liquid bleach.

Sweets&confectionaries such as Mukwano fruitdrops/coughdrops, which are available in strawberry, orange, mango and peppermint flavors.

Plastics like petjars, jerrycans, food containers mugs and basins.

Oils & fats products like Marina catering margarine, Nice fry deep frying fat, Tamu bakers fat, New Tamu vegetable cooking fat, Tamu pure vegetable oil and Mukwano vegetable oil.

The company incorporates various promotional tools and methods in the effort to improve and increase sales of its many product lines currently the company has incorporated the use of premiums in promoting one of its detergent namely Nomi blue detergent powder. The choice of the premium is a gift- on- purchase whereby a consumer is given a gift on purchase of a particular amount of the detergent and at the point of purchase.

Source (www.marketuganda/mukwano, 2007)

1.2 RESEARCH PROBLEM

Kotler& Armstrong (1994) point out that sales promotion tools are used by most organizations including manufacturers, distributors, retailers and trade associations and non-profit institutions. Several factors have contributed to the rapid growth of sales promotion, particular in consumer.

First, inside the company, promotion is now accepted more by the top management as an effective sales tool and more product managers are qualified to use sales promotion tools, furthermore, product managers face great pressure to increase their current sales.

Secondly, externally, the company faces more competition and competitors are using more promotions as consumers have become more deal oriented. Finally, advertising efficiency has declined because of rising costs, media clutter and legal restraints.

These factors and others have forced organizations to brainstorm for new ways to promote their products and increase sales performance. The main problem therefore is the fact that some product lines still experience sales fluctuations despite the fact that the organization uses some of the most effective methods of promotion and thus there is need to incorporate premiums as a new sales promotion tool in order to ensure increase in the sales performance.

1.3 PURPOSE OF THE STUDY

The purpose of the study was to find out whether companies incorporated premiums as a sales promotion tool, establish the type and quality of the premiums they offered as well as find out which products were being promoted using premiums.

In addition, the study was also aimed at finding out the effect of using premiums in sales promotion on the sales performance of the organization when they used this tool of promotion.

Furthermore, the study was aimed at giving an insight to managers on the benefits that could accrue to the organization if it considered utilizing this tool.

1.4 SPECIFIC OBJECTIVES

1. To establish whether companies use premiums.
2. To establish the type and quality of premiums offered by the company.
3. To find out which products are promoted using premiums.
4. To establish the relationship between premiums and sales performance.

1.5 RESEARCH QUESTIONS

1. Which companies use premiums in their sales promotions?
2. What type of premiums is offered?
3. Which products are promoted using premium?
4. What is the relationship between premiums and sales performance?

1.6 SIGNIFICANCE OF THE STUDY

The study was meant to show managers the importance of incorporating premium offers in their consumer sales promotion as a promotional tool. The study highlighted the benefits that the company could derive from using premiums as well as their effect on the sales performance of the organization if well carried out.

The study was also meant to inform and update the directors of the company on the current trends in the marketing environment in terms of promotions and enable them to allocate the necessary resources to facilitate this promotional effort.

It was further hoped that the study results would be a source of information for organizations, which were already incorporating premiums as well as those that were contemplating using this sales promotion tool.

1.7 SCOPE OF THE STUDY

The study was carried out in the month of June 2007 Kampala, Uganda. The study mainly focused on the use of premiums as a consumer sales promotion tool and its effect on the sales performance of an organization. The study focused on companies that produce consumer goods and which incorporated premiums as a tool in their consumer sales promotion and the effect of these premiums on the sales performance.

Furthermore, the study was directed at finding out the type of premiums offered by the company and the products that were promoted using premiums.

In addition, the study was also directed at finding out the relationship between premiums and sales performances of the organization.

The study also focused on Mukwano industries as a leading manufacturer of consumer goods and a leading trendsetter in consumer sales promotions and the type of premium offers they incorporated in their promotions.

1.8 THEORETICAL FRAME WORK.

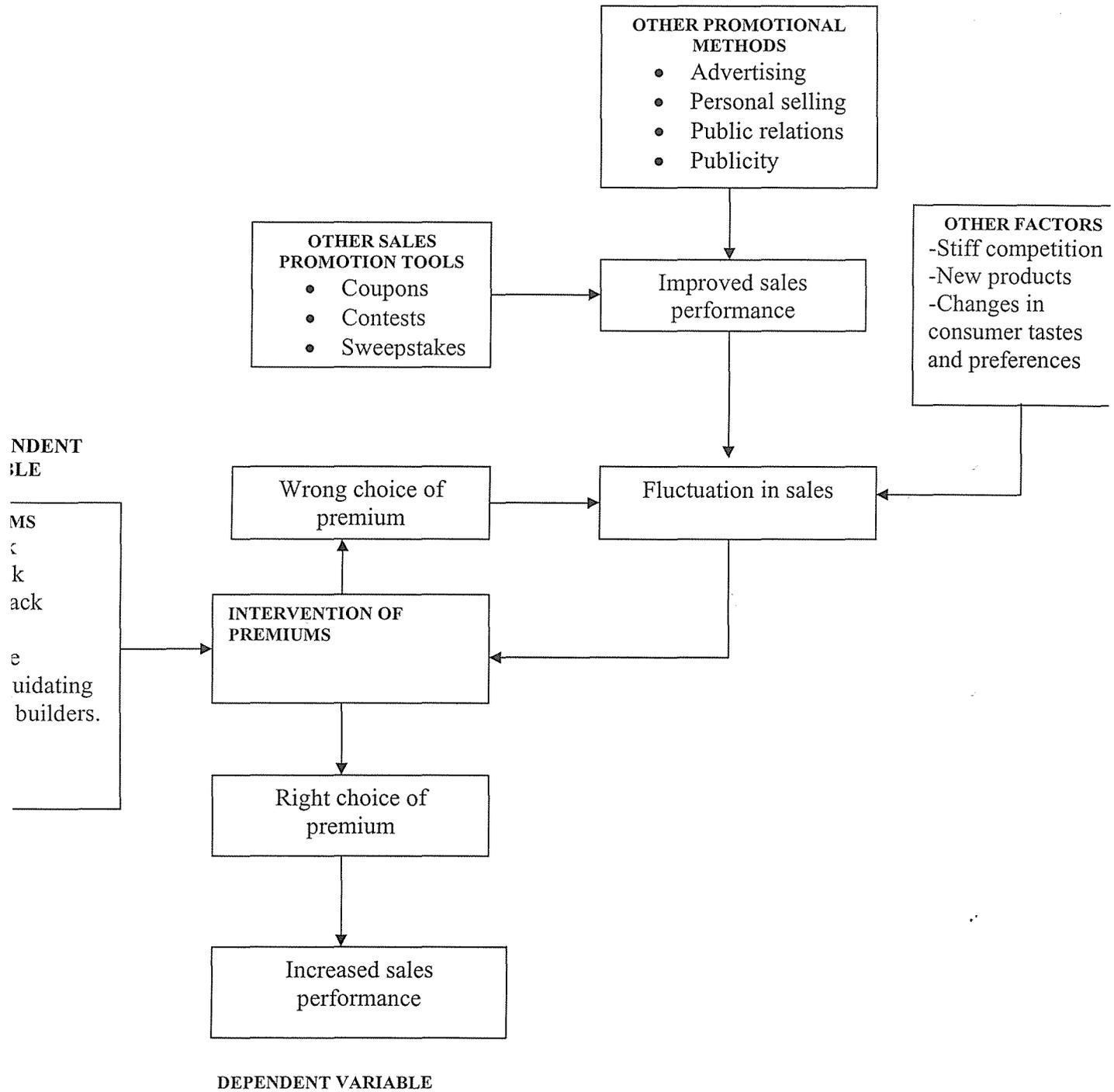
In this framework, two variables were identified and they included the independent variable, which was the premium, and dependent variable, which was sales performance.

The model shows that when a company intervened in its sales promotional campaign using the right choice of premiums then the result was increased sales performance where as if it used the wrong choice of premium then fluctuation of sales was inevitable.

On the other hand, the company could also be using other promotional methods like advertising, public relations, personal selling and publicity in its promotional campaigns. In addition, it could also be utilizing other sales promotional tools like coupons, sweepstakes and contests in an effort to maintain and improve sales. These tools and methods may be effective for a while but in the end, sales may begin to fluctuate prompting the organization to seek the intervention of premiums to increase sales performance.

Furthermore, the company may also be facing other factors like stiff competition from other companies, emergence of new substitute products in the market as well as changes in consumer tastes and preferences. All these factors may also affect sales and cause them to fluctuate thus forcing the organization to consider the intervention of premiums as a sales promotional tool to increase the sales performance.

Fig 1.8.1 CONCEPTUAL FRAMEWORK



Source; researcher

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter focused on the literature related to the subject matter. It looked at the effect of using premiums as a consumer sales promotion tool on the sales performance of an organization. The chapter also provided an in-depth definition and description of the various terms and variables. In addition, the chapter also pored over the various types' of premiums available, the quality of premiums and the general objectives of using premiums in consumer sales promotion. In addition, the chapter also considered the relationship between premiums and sales performance.

2.1 LITERATURE REVIEW

2.1.1 DEFINITION OF PREMIUM

Kotler (2000) has defined premiums as merchandise offered at a relatively low cost or free as an incentive to purchase a particular product. According to Kibera& Waruingi (1998), a premium is an item that is offered free or at a substantially reduced price to stimulate the purchase of the product promoted. It is intended to produce quick sales, it does not have to be related to the product although it is directly associates with its sales but it should be a useful item that consumers would want to pay the retail price for.

Maurice & Larry (1981) also define premium as actual products or services offered as an incentive to buy other products and services while Boone & Kurtz (1980), also adds that they are gift items given free with purchase of another products.

Lamb et al (2004) contributes that premiums can also include more products for the regular price, such as 2-for-the-price-of-one bonus pack or packages that include more of the product.

2.1.2 TYPES OF PREMIUMS

With-pack premium.

According to Kotler (2000), this type of premium accompanies the product inside (in-pack) the package or outside or on the package of the product. In addition, Maurice & Larry (1981) provide that this type of premium is also known as direct premiums.

Furthermore, W.G & Krystisis (1990) also present the fact that in-pack premiums are inside and cannot be frequently seen by the purchaser at the time of purchase while on-pack premiums may be attached to either the product or its package.

Premiums provide instant gratification to consumers in the form of immediate reward for making a purchase.

Gift-with-purchase premium

This item prompts people to make or increase purchases at the point-of-sale. It is mainly used by the fast-food restaurants, telecommunication companies, cosmetic companies and other retailers. (Premiums & incentives; www.salespromo.com)

Re-usable containers

According to Kotler (1980), the package of the product may also serve as a premium, that is; if the package is a re-usable container that the consumer can utilize.

Traffic builders

Farese et al (1997) define this type of premium as low-cost incentives such as pens, key chains and calendars which are given away free to consumers for visiting a new store or for attending a special event.

Self-liquidating premiums

As stated by Kotler (2000) this type of premium is sold below its normal retail price to consumers who request it. In addition, Maurice & Larry (1981) also add that in this case, the consumer must send some amount of money to the producer together with proof of purchase. In this case, the price for the premium is substantially discounted in order to stimulate buyer's response.

Charles & Reuben (1980) also add that in this case, consumers pay for the premium, but they pay for less than the item would cost normally.

Consumers actually purchase self-liquidating premiums from the manufacturer by mail. The name self-liquidating implies that the premium is sold at or below the manufacturer's cost. In essence. The stocks of premiums are turned to cash or liquidated by consumers who buy them. (Sales promotion tools; www.udayton.edu)

Mail-in premiums

Consumers claim "mail-in" premiums by submitting proofs of purchase, from several purchases of the brand. With this type of premium consumers need not mail additional payment, the premium is free. Manufactures then mail the premium to consumers. (Sales promotion tools; www.udayton.edu)

2.1.3 OBJECTIVES OF USING PREMIUMS IN SALES

PROMOTION

As indicated by Nolan & Warmke (1985), among the objectives of using premiums as sales promotional tool include the following;

- To stimulate the use and new users for the products
- To introduce new products
- To increase unit sales for the products
- To meet and counter competition.
- To help the consumer use the product more effectively.

Kotler (2000), also adds that they act as incentives to consumers to purchase a particular product, that is, it is intended to stimulate purchase of a particular product.

Maurice & Larry (1981) also provide that it is used to enhance the perceived value of the original item hence stimulate more purchase.

Premiums are aimed at inducing customers to switch brands to try larger sizes of the product and to buy in the off-season as stated by Charles & Reuben (1980)

2.1.4 GUIDELINES FOR SELECTING A PREMIUM ITEM

One of the guidelines to selecting the appropriate premium item is that a company should offer premiums that enhance their brand making it easier to prepare, use, store, serve or transport.

A company should also capitalize on the equity of its brands logo, mascot or promotional character by incorporating it into the premium item.

A company should also avoid generic items that are readily available at retail.

Finally the company should also choose premiums that are especially suited to their brand, this is important for ensuring a strong consumer response ,whenever possible, offer premiums that promote new or alternative uses for their brand hence increasing brand consumption.

2.1.5 SETBACKS OF USING PREMIUMS

Maurice and Larry 1981, provide one setback as that, premiums tend to be successful only with established products and not with new items. They also add that buyers are often attracted to the premium not the product in such cases repeat purchases are not stimulated.

He also adds that premiums can also be very expensive for the manufacturers although retailers share expenses in some cases. Charles & Rueben 1980 also provides that premiums are not especially useful for promoting products that are bought infrequently such as refrigerators, air conditioners.

2.1.6 SALES PROMOTION

Boone & Kurtz (1999) define this as a set of activities that consists of forms of promotion other than advertising, personal selling and public relations that enhance consumer purchasing and dealer effectiveness. It complements advertising and encourages immediate action because they impose time limits. In addition, sales promotion allows companies to evaluate their effectiveness without much difficulty.

2.1.7 PERSONAL SELLING

This refers to the promotional tool in which a sales person communicates one-on-one with potential customers. It can take the form of face-to-face communication or telephone communication. It requires a personal effort to influence one or more consumer's demand for a product. Madura (1998)

2.1.8. ADVERTISING

This refers to a non-personal communication that is paid for by an identified sponsor and involves mass communication via newspaper, magazines, radio, Television, internet and other media. Kotler (2000)

2.1.9 SALES PERFORMANCE

This is the analysis of the total units of a product sold at a given period by an organization. It defines consumer demands for a product or services and it may involve analyzing production levels at various durations like 3 months, 6 months or one year into the future. Daft (1998)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This section presents the methods used in acquiring the necessary data on the study. It covers research methods used to gather data; techniques employed in analyzing the collected data are discussed like wise research tools such as questionnaires, interviews and observation. This chapter also focused on the study design, area of study population, sample size, data collection methods and data analysis and problems encountered in the study

3.1 RESEARCH DESIGN

The study design was cross sectional, since it targeted the views of the customers, managers and distributors. The three categories of people tend to influence the decisions to offer premiums as a sales promotion tool. It employed both quantitative methods to generate in depth information and qualitative methods to show the magnitude and the scope of the problem studied.

3.2 POPULATION AND SAMPLING TECHNIQUES

In the context of the research, population refers to the aggregate of all units possessing certain specific characteristics of which sample seeks to draw inference from. In this study, Data was collected from the people who were most informed about the

organizations operations and activities. This people included the sales and marketing representatives, promotion managers' employees as well as distributors.

3.3 AREA OF STUDY

The research covered organizations within Kampala, Uganda which incorporated premiums in their sales promotion .One such organization is a mukwano industries which is a locally based company but has operations in other countries like Tanzania. It is located in industrial area, Kampala Uganda. The company has various product lines and their form of premium include a gift on purchase of one of their detergent namely; Nomi Blue Detergent powder. The gift is given at the point of purchase.

3.4 SAMPLE SIZE AND SELECTION

60 respondents were included purposively in the selected sample. These were 20 customers, 20 distributors and retailers and 20 were employees and managers of the Organization..

3.5 DATA COLLECTION INSTRUMENTS

These are the means, which were used to acquire data from the field .The following instruments, were used;

3.5.1 Quantitative techniques

Interviews

This involved face-to-face communication and discussion between the correspondents and the researcher. It involved posing of the relevant questions to the correspondents by the researcher and hence getting an immediate feedback.

Questionnaires

This refers to a set of questions designed to generate the data necessary for accomplishing the objectives of the research project. In this case, the researcher formulated a formal set of questions. In written form and provided them to correspondents for answering.

Observation

Using this approach the researcher, simply observed keenly and noted all the relevant issues pertaining to his/her study and utilized the observation for the accomplishment of the research project's objectives

Records

Past records with relevant information pertaining to the research were also acquired and used by the researcher

3.5.2 Qualitative techniques

The researcher used in depth interviews that cut across a section of Key informants such as managers, consumers and distributors. These reinforced the ideas raised in the

questionnaire. To get the information the interview guide was used to probe deeply and uncover clues and dimensions of the problem.

3.6 RESEARCH PROCEDURES

The researcher first made use of secondary data reports like journals, magazines, internet to collect the relevant information needed for the study.

The researcher also used face to face interviews and in order to acquire immediate Feedback from the correspondent. The researcher also provided questionnaires personally to the correspondents who were requested to provide answers over a given period of time then the researcher collected them.

3.7 DATA ANALYSIS TECHNIQUE

The data acquired in the cause of the research was analyzed using quantitative techniques. In qualitative, the data was analyzed in descriptive form while in quantitative data was analyzed in the form of percentages and ratios.

3.8 ASSUMPTIONS

- The company will continue with the sales promotion within the period the research will be carried out.
- The company (case study) will continue its operations within the period of the research.

- The employees and management are well informed about sales promotion and premiums.

3.9. LIMITATIONS

- Lack of adequate time to conduct the research effectively
- The correspondents may be unwilling to disclose some relevant information pertaining to the research.
- The correspondents may take too long with some of the data collection instruments like questionnaire
- The research may prove time consuming and expensive in terms of making the necessary trips to the case study company to collect information

CHAPTER FOUR

PRESENTATION OF STUDY, INTERPRETATION AND ANALYSIS

4.0 INTRODUCTION

This chapter systematically presents the study findings, analysis, interpretation and discussion. The findings were drawn from various Manufacturing and distribution companies in Uganda one of them being The Mukwano industries a leading manufacturer and distributor of consumer goods and a trendsetter in consumer sales promotion. The purpose of the study was to find out whether companies incorporated premiums as a sales promotion tool, establish the type and quality of the premium they offered as well as find out which products were promoted using premiums.

In addition, the study was also aimed at finding out the effect of using premiums in sales promotion on the sales performance of the Organization. The presentation of the study was guided by specific objectives and the research questions that guided the research as a whole. The results were quantitatively presented. The analysis and interpretation followed tabular presentation at some stages and the interview results from the respondents were also presented to supplement the quantitative presentation.

The research design was cross sectional since it targeted the views of key informants like sales managers, customers and distributors. The total number of respondents was 60 in which 20 were customers, 20 were Distributors and retailers and the other 20 comprised of the employees and sales managers of the Organization.

The table below represents the number of respondents that data was collected from:

Table (1): Number and types of respondents

TYPES OF RESPONDENTS	NUMBER OF RESPONDENTS	PERCENTAGES %
Customers	20	33.3
Sales Managers	10	16.7
Employees	10	16.7
Distributors	20	33.3
TOTAL	60	100.0

Source: Primary Data

4.1 TO ESTABLISH WHETHER COMPANIES USED PREMIUMS

During the research, data was collected from the people who are most informed about the Organizations activities and operations. These people included the consumers of the Organizations products and services, the employees, the sales managers as well as the distributors. The respondents stated the following;

Table (2): Comments on whether companies used premiums

	NUMBER OF RESPONDENTS		
	AGREED	DISAGREED	NEUTRAL
CUSTOMERS	8	10	2
SALES MANAGERS	4	5	1
EMPLOYEES	5	4	1
DISTRIBUTORS	9	10	1
TOTAL	26	29	5
PERCENTAGES	43.3	48.4	8.3

Source: Field Survey

As can be observed from table 2 it is evident that out of the 60 targeted respondents only 26 (43.3%) of them agreed that some Companies incorporated premiums in their sales promotion. Where as 29 (48.4%) disagreed with this and the other 5 (8.3%) remained neutral on the issue. 8 customers out of the targeted 20 agreed that some Companies used premiums where as 10 disagreed and 2 of them were neutral.

Out of the 10 targeted sales Managers only 4 affirmed that they used premiums in their promotion campaigns where as 5 of them did not affirm and 1 was neutral. For the employees, 5 of them affirmed while 4 of them disagreed and 1 was neutral. In the case of the Distributors 9 of them consented that some of the Companies they deal with incorporated premiums where as 10 of them differed and only one remained neutral.

According to the table 2, majority of the targeted respondents from which data was collected from affirmed that most Companies have not yet fully embraced the use of premiums in their consumer sales promotion. This is evident due to the high percentage of people who disagreed (48.4%) as compared to the percentage of people who agreed (43.3%). These results could be attributed to the fact that the concept of offering premiums is still new in the Uganda marketing environment and also there is a tendency by most of the Companies to use celebrity advertising in their promotion which according to them is the most effective so far.

However some of the respondents like the sales managers, employees and the distributors stated that this mode of sales promotion was slowly becoming ineffective and the pressure to increase product sales, stiffer competition in the market as well as escalating costs were forcing them to find new ways to promote their products. They

argued that some products still experienced sales fluctuations despite being promoted using the most effective methods of promotion. Furthermore, the emergence of new substitute products in the market as well as the fast changes in consumer tastes and preferences were forcing the Companies in the Ugandan business market to consider the intervention of premiums to increase sales performance.

According to the respondents the Companies that so far incorporate premiums in their promotions include; The Mukwano industries a manufacturer of consumer goods, Wispro Ltd (U) a company that deals with Hair and skin care products, Raha ltd a Distributing Company which deals with Body care products and PZ Cussons East Africa Ltd an International Manufacturing and Distribution Company which specializes in household products, hair care products, baby care products, toiletries and medicaments.

4.2 TO ESTABLISH THE TYPE AND QUALITY OF PREMIUMS OFFERED BY THE COMPANY

During the research, Data about the type and quality of premiums offered by those Companies that incorporated premiums in their consumer sales was also collected from the targeted respondents.

The respondents stated the following;

Table (3): Types and Quality of premiums offered by Companies

	NUMBER OF RESPONDENTS							
	TYPES OF PREMIUMS							
	IN-PACK	ON-PACK	GIFT-WITH-PURCHASE	REUSABLE CONTAINERS	TRAFFIC BUILDERS	SELF-LIQUIDATING	MAIL	QUALITY
CUSTOMERS	2	13	5	-	-	-	-	FAIR
SALES MANAGERS	2	4	4	-	-	-	-	GOOD
EMPLOYEES	2	4	4	-	-	-	-	GOOD
DISTRIBUTORS	3	12	5	-	-	-	-	GOOD
TOTAL	9	33	18	-	-	-	-	

SOURCE; *Field survey*

From the above findings it is obvious that the most preferred type of premium that Companies use in their sales promotion was the On-pack type of premium. 33 (55%) of the respondents Out of the targeted 60 stated that On-pack premiums were more common. In this case, the Company attaches/bands the incentive with the actual product. The Companies which preferred this was Wispro Ltd (U), whose premium offer include d a free hair shampoo attached to another hair product.

Raha Ltd was also another Company which used on-pack type of premium and the offer included a body soap which was attached to a bottle of body spray.

The second popular type of premium used according to the findings was Gift-with-Purchase type of premium where the gift was presented to the customer at the point-of-purchase when they made a purchase of the product being promoted. The Mukwano

industry promotes one of its products namely the Nomi Blue detergent powder, using this type of premium. 18 (30%) of the respondents provided this insight.

9 respondents (15%) also provided that the third most common type of premium used to promote some products was the in-pack type of premium whereby the incentive is put inside the package of the product and the consumer cannot see it until they buy the product. The only Company that used this type was the PZ Cussons Ltd .they mainly promoted their skin care and household products.

However, the other types of premiums like the Re-usable containers, Traffic- builders, self-liquidating and mail-in premiums were not so popular yet and were hardly used.

According to table (3) On-pack premiums were mostly used by Companies in their consumer sales promotion. This could be attributed to the fact that most companies use this strategically to stimulate instant and impulse purchase of the product by the consumer on seeing the premium. As one of the Sales managers revealed that;

“The idea behind attaching of gifts item on the product is to grab the customer’s attention and trigger them to react and that is buy the product immediately. It also saves us the trouble of deploying our sale representatives to the outlets to explain the offer since the product and the offer is self-explanatory.”

In addition the premium is also used to popularize the product instantly and give it a competitive edge over the other products.

Gift –with- purchase type of premium on the other hand is slowly ascending the popularity scale in the promotion scene. This could be attributed to the fact that it prompts consumers to increase purchase at the point-of-sale. It also helps to create and re-create the popularity of the product especially the ones whose sales have been declining.

An example of a product being promoted using this type of premium was the Nomi Blue detergent powder a product of Mukwano industries which had been facing stiff competition from existing competition as well as new entries into the Market.

According to some of the key respondents In-pack premiums were also an alternative type of premium which was also used. The findings on the reason behind the use of this type was also to popularize the product and increase the sales, to help the consumer use the product more effectively and to win back lost market who may have switched to other brands.

It also helps to curb the problem of vandalism. There has been cases where products on premium offer have been tampered with without the knowledge of company. This happens with on-pack premiums where the item is removed from the product by unethical distributors and employees and its sold separately from the product to the unsuspecting consumer thus under mining the essence of the promotion.

The other types of premiums are a hardly incorporated in the market since they are a bit complicated to use and some of the logistics required to implement them are still costly in the Ugandan Market. An example of this was the mail-in type of premium where the company was supposed to mail the incentive to the consumer and the self-liquidating type of premium which also required the consumer to mail the order to the manufacturer.

4.3 TO FIND OUT WHICH PRODUCTS ARE PROMOTED USING PREMIUMS

In response to question as to which products were promoted using premiums the respondents stated the following:

Table (4): Types of products promoted using premiums

	TYPES OF PRODUCTS				
	SOAPS & DETERGENTS	BODY&SKIN CARE	HAIR CARE	BABY CARE	HOUSEHOLD
CUSTOMERS	8	6	2	1	3
SALES MANAGERS	3	3	1	1	2
EMPLOYEES	3	2	2	1	2
DISTRIBUTORS	5	5	4	2	4
TOTAL	19	16	9	5	11
PERCENTAGE	31.7%	26.7%	15%	8.3%	18.3%

SOURCE: Field Survey

As expressed by the respondents on the above table (4) the products which were mainly promoted using premiums were soaps and detergents. This was evident in the high number of respondents 19 (31.7%) out of the targeted 60 respondents who affirmed that these products were the most promoted using various promotional methods and mainly premiums. This was closely followed by Body and skin care products in which 16 respondents (26.7%) also provided that they were also premiums offered with these types of product. Most Household products were also promoted using incentives like premiums as 11(18.3%) of the respondents revealed.

However 9 (15%) of the respondents expressed that hair care products sometimes were also offered with incentives where as the remaining 5 respondents (8.3%) revealed that baby care products were the least promoted products as compared to the rest of the products promoted.

The above data therefore portrays that the most preferred types of products to promote using premiums were mainly the soaps and detergents, body and skin care products and household products. As one of the sales Manager revealed;

“ These products face very stiffer competition in the market as new products are always being introduced everyday especially the body and skin care range and as such we need to constantly innovate new ways to keep our customers loyal to our brands and if incentives is one of the ways why not?”

A good example of a product that was being promoted using premiums was the Nomi Blue detergent powder. This product had been facing stiffer competition from other existing brands like Omo detergent, Sunlight washing powder, Ariel detergent and new products like NEW TOSS white washing powder. Hence to ensure that the consumers continued purchase of this product amidst all the other competing products

Premiums were incorporated as a intervention.

Another reason for preferring to promote these products using premiums could be attributed to the fact that some of these products are consumed on a daily basis by consumers and hence the consumers are knowledgeable about them and with time the consumers become deal oriented since they know they have a wide variety to choose from courtesy of the other competing brands so the companies had to seek the intervention of incentives in order to keep these consumers attracted to the product. The company had to use all the means necessary not to loose their customers and if possible win new ones and recapture the lost ones if an incentive was one of the means then the company must definitely adopt this method.

For the hair care and baby care range not much effort was put to promote them this was because the sales of these products do not fluctuate as such since most of the consumers exhibit a certain level of brand loyalty especially for the international baby care brands

like Johnson & Johnson, Cussons or Hair care brands like Dark Lovely, TCB and Motions hair care Range.

Additionally, it was easier to choose the best premium item to offer with these categories of products since the item can come from the same category or the other categories and still be relevant and effective. For example a household item can be offered with another household item or an item from the soap and detergent category sometimes.

4.4 TO ESTABLISH THE RELATIONSHIP BETWEEN PREMIUMS AND SALES PERFORMANCE

Here the key informants were the sales Managers, employees and the distributors and the retailers. These respondents were in a position to provide proper information about the sales of the products since they dealt directly with sales of the products. The statements of the respondents are best illustrated by the table below;

Table (5): Relationships between premiums and Sales performance

RESPONDENTS	INCREASED SALES	NO EFFECT ON SALES	NEUTRAL
SALES MANAGERS	8	1	1
EMPLOYEES	8	2	-
DISTRIBUTORS	17	2	1
TOTAL	33	5	2
PERCENTAGES	55%	8.3%	3.3%

SOURCE: Field Survey

As expressed by the table above 33 (55%) key respondents felt that premiums had a very positive effect on sales when properly implemented. Some of these respondents have worked with the few companies that offer premiums in Uganda and they acknowledge the fact those premiums as a consumer sales promotion tool can have rewarding effect on the sales of the company. However 5 (8.3%) of the key respondents felt that premiums had no effect on sales. The other 2 (3.3%) respondents neither affirmed nor refuted the fact that premiums could have a positive effect on sales.

The above results on the research regarding the effect of premiums on Sales performances were regarded as very important by the researcher to the study. It was substantially an expression that the concept of incentives and sales performance were closely related and was of great benefit to the companies that endeavored to incorporate them in their sales promotion activities. One of the respondents highlighted that premiums had enabled them to recapture the lost market for some of their products. The consumers had switched brands for other competing brands due to better offers provided by other companies. The respondent also added that premiums enabled them to induce the consumers to try larger size of the product this was achieved when the company only offered premiums on the larger sizes of the product.

In addition, the effect of premiums on the sales performance of the company can also be attributed to the fact that when incentives are incorporated appropriately they tend to make a product very popular and as such repeat purchases of the product becomes common. Also when a product is popular and on demand distributors and outlets are

motivated to buy it in large quantities because they are assured that the product will sell fast, hence every outlet will stock it and in so doing increase the distribution of the product translating to increased unit sales.

Nevertheless the fact that some respondents expressed that premiums had no effect on sales performance as compared to other method of promotion methods cannot be ignored. These sentiments could be attributed to the problems that a company was prone to when incorporating premiums. Some of these problems included;

- Bad choice of a premium item which may have resulted to rejection of the product by consumer because of the premium.
- High costs of producing the product and the premium product may have been involved such that the offer becomes ineffective and may take time before the company starts experiencing a good return on investment.
- Counter attacks by competitors also are a threat to the effectiveness of premiums on sales especially if the competitors promote similar brands of products with better incentives.

However despite all setbacks majority of the respondent maintained that this promotional method is beneficial to the company when it's well organized and co-coordinated

CHAPTER FIVE

EMERGING ISSUES, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This study was set out to study the of using premiums in consumer sales promotions and its effect on the sales performance of a company. To be able to achieve this, specific objectives formed the basis of the study. These were to establish whether companies used premiums, to establish the type and quality of the premium offered, to find out which products were promoted using premiums and also establish the relationship between premiums and sales performance.

In order to assess the objectives, the research questions were formulated and they included; which companies use premiums in their sales promotion? What types of premiums are offered? Which products are promoted using premiums? What is the relationship between premiums and sale performance? In seeking data discussions and interactions were held by the researcher and the key informants who included sales managers and managers of the companies which were incorporating premiums as well as their customers and their distributors.

The researcher made a careful analysis in line with the above objectives and research questions. In order to generate logical interpretations both qualitative and quantitative methods were used. The main methods of data collection were questionnaires survey and observations and in-depth interviews and use of secondary data like past records.

5.2 MAJOR FINDINGS

The findings revealed that use of premiums as one of the consumer sales promotion tool in the Ugandan market was still a new concept but some companies were already adopting the idea. These Companies included the Mukwano Industries, Wispro Uganda ltd Raha Ltd and PZ Cussons East Africa ltd.

The findings also revealed that the type of premiums these Companies preferred to use were mainly the On-pack type of premium, the In-pack type and the Gift-With-Purchase type. According to Kotler (2000), On-pack type of premium is usually attached on the product it self whereas the In-pack type is put inside the packaging of the product.

Furthermore, W.G & Krystisis (1990) also present the fact that Gift-With purchase type of premium is usually presented to the consumer at the point of purchase.

The reason behind the preference to use these types of premiums and not the other types was that they were simpler to organize and incorporate since the others were a bit complicated to implement because they required a lot of details which may be costly for the company. For example the Mail-in type of premium requires the Company to mail the incentive to the customer.

On the other hand the types of products the Companies preferred to promote with these types of premiums included Soaps and Detergents, Body and Skin Care products and Household products like washing liquids and scouring powder as compared to the other types of products. This was because these products are consumed on a daily basis and faced stiffer competition from other existing brands as well as emerging new ones as such

there was a need to ensure continued purchase of the product by the consumers to avoid decreasing sales or losing the customer to competitors.

Also was easier to select an incentive for these types of products which would be relevant and useful to the consumer and which would enable the consumer to use the product more effectively.

The findings further revealed that the relationship between premiums and sales performance was that the premiums had a positive effect on sales when incorporated appropriately. Some of these effects included increased popularity of the product and distribution thus translating into sales. Another effect was the fact that it also made consumers try larger sizes of the product and this also improved the unit sales of the products.

5.3 CONCLUSION

It is clear from the research that although the idea of using premiums as a consumer sales promotion tool is still new, Some Companies are already incorporating them in their sales promotion. It is also evident that the most preferred types of premiums to use by these companies are On-pack, In-pack and the Gift-With-Purchase where as the category of products promoted is mainly the fast moving consumer goods like Body and Skin care products, Household Products and Soaps and Detergents.

The study has also showed that when premiums are well coordinated and incorporated they have a positive effect on sales in that they result into increased sales for the products.

In light of the research findings it can therefore be concluded that it is worthwhile for Companies to invest in premiums as a consumer sales promotion tool since it can have a positive effect on the sales of the products and on the Organization as a whole.

5.4 RECCOMENDATIONS

From the findings of this research the following recommendations were made:

Before a company decides to incorporate premiums in its sales promotion it should consider its financial resources, since the method can at times be very expensive to adopt.

The company should first establish if it can afford the exercise.

The Company should also select the appropriate and relevant premiums to promote their products. The premiums should be a useful item that will enable the consumer to use the product more effectively ,thus in selecting the premium item, the product and the item should be from the same or related product category that is household products should be used to promote household products not hair products

There is also a need to accurately estimate the market consumption in order to avoid shortages of the product or the premium item before the duration of the offer is complete this happens when the offer becomes a complete success and the demand increases for the product but due to under estimation of the market consumption the company is unable to satisfy this demand.

To curb vandalism, the Companies should emphasize to the employees and outlets the importance of passing the benefits to the final consumer. The company should choose credible outlets or distributors who have good reputation.

The companies should also evaluate competitors' activities especially if the competitors are also promoting similar products using premiums. This is important to the Companies because it will prevent them from making the same offer.

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APPENDICES

APPENDIX 1

QUESTIONNAIRES FOR THE KEY INFORMANTS

(FOR COMPANY MANAGERS AND EMPLOYEES)

Dear Sir/Madam;

This is an academic research intended to obtain data from your esteemed organization vital for the researcher's academic purpose. The researcher is a student at the Kampala International University pursuing a Degree course in International Business Administration. All information provided will be treated with utmost confidentiality. Your assistance and positive response will be highly appreciated. Thank you in advance

NAME OF COMPANY :

ADDRESS :

NAME OF RESPONDENT :

JOB TITLE :

1) What products and services does your company offer?

.....
.....
.....
.....

2) Which of the following methods does your company use to promote its products?

PROMOTION METHOD

TICK WHERE APPROPRIATE

- | | |
|------------------------|--------------------------|
| (i) Advertising | <input type="checkbox"/> |
| (ii) Sales promotion | <input type="checkbox"/> |
| (iii) Personal selling | <input type="checkbox"/> |
| (iv) Publicity | <input type="checkbox"/> |

(v) Others (list them)

.....
.....
.....

3) Does your company use sales promoting to promote its products? (Tick appropriate)

Yes No

4) If yes which sales promotion tools listed below does it use?

SALES PROMOTION TOOLS

TICK WHERE APPROPRIATE

i) Consumer contests

ii) Free samples

iii) Coupons

iv) Premiums

v) Other.....

.....
.....

5) Does Your Company use premiums to promote its products?

Yes No

6) When did your company start using premiums?

.....
.....

7) What type of premiums does your company offer? (Tick the

i) On pack premiums (attached to the product)

ii) In pack premiums (inside the product package)

- iii) Re-usable containers (the package of the product serves as the premium)
- iv) Gift with purchase
- v) Traffic builders (pens, key chains calendars)
- vi) Self liquidating premiums
- vii) Mail in premiums

8) Which of the following objectives does your company seek to achieve when using premiums? (Tick the most appropriate)

OBJECTIVES

- i) Stimulate the use and new uses of the product
- ii) To introduce new products
- iii) To increase unit sales
- iv) To counter competition
- v) Others (Briefly state).....
.....
.....

9) What factors does your company consider before using premiums?

.....
.....
.....
.....

10) What major problems has your company experienced when using premiums to promote sales?

.....
.....
.....
.....

11) What are your main indicators of sales performance?

Sales volume	<input type="text"/>
Profits	<input type="text"/>
Market share	<input type="text"/>

Others.....
.....
.....

12) Are there any rules and regulations that your company incorporates when using premiums?

.....
.....
.....
.....

13) What duration of time do your company's premiums offer last?

.....
.....
.....

14) What effect do premiums have on the product's sales performance?

.....

.....

.....

.....

QUESTIONNAIRE FOR CUSTOMERS.

Dear Sir/Madam;

This is an academic research intended to obtain data vital for the researcher's academic purpose. The researcher is a student at the Kampala International University pursuing a Degree course in International Business Administration. All information provided will be treated with utmost confidentiality. Your assistance and positive response will be highly appreciated. Thank you in advance.

1. Which companies do you know offer premiums with their products? List briefly.

.....
.....
.....
.....

2. What type of premium do these companies offer? Explain briefly

.....
.....
.....
.....

3. What is the quality of these premiums?

GOOD AVERAGE POOR

4. Which products are promoted using premiums? List them briefly.

.....
.....
.....
.....

5. Do you buy products that are promoted using premiums? (Tick appropriate)

YES NO

4. How often do you purchase these products?

.....
.....
.....

5. Why do you prefer the products with premium offers? (explain briefly)

.....
.....
.....
.....

QUESTIONNAIRE FOR DISTRIBUTORS & RETAILERS

Dear Sir/Madam;

This is an academic research intended to obtain data from your esteemed organization vital for the researcher's academic purpose. The researcher is a student at the Kampala International University pursuing a degree course in International Business Administration. All information provided will be treated with utmost confidentiality. Your assistance and positive response will be highly appreciated. Thank you in advance

NAME OF DISTRIBUTOR/ RETAILER:.....

ADDRESS/CONTACTS:.....

1. Which products do you sell or distribute?

.....
.....
.....
.....
.....

1. Which companies do you know promote their products using premiums? (List briefly.)

.....
.....
.....
.....

2. What type of premiums do these companies offer? List/explain briefly.

.....
.....
.....
.....

3. What is the quality of these premiums? (Tick appropriate)

GOOD AVER AGE POOR