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Research Article

Problems in Evaluating the Effectiveness of Sales Promotion Activities

Vinaydeep Brar^{1*}, Atul Kumar², Atul Ramgade³

¹S.N.G. Institute of Management & Research, Pune, India

²Dr. D. Y. Patil B-School, Pune, India

³Dr. D.Y. Patil Institute of Hotel Management & Catering Technology, Pune, India

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*Corresponding author:

E-mail:

vinaydeep1983@gmail.com

ABSTRACT

Organisations spend substantial amounts on sales promotion of goods and services. They ought to know the effectiveness of the sales promotion activities. To evaluate this effectiveness, different metrics are used. These include profits, return on investment, sales volume, pull-forward, halo, cannibalisation, engagement of old customers, customer satisfaction, and others. Easier said than done, evaluating the effectiveness of sales promotion activities can be a complicated task in practice, especially if there are multiple products involved. Allocation of revenue and costs over products and periods can be complex. There might be expected costs, and the division of such expenses can pose problems. A suitable basis needs to be developed for the allocation. In this paper, we present the practical difficulties involved in evaluating the effectiveness of sales promotion activities based on a survey of 110 marketing managers working in large MNCs from Pune. Findings suggest that multiple issues crop up in the actual evaluation, and at times, some approximation goes into the exercise of assessment.

Keywords: Sales Promotion, Customer Satisfaction, International Marketing

Introduction

Organisations have sizable budgets for sales promotion as it is an important marketing activity (Ghosal et al., 2021). Substantial expenditure is incurred on sales promotion every year by companies and other organisations. A question that comes up before the management is about the effectiveness of the sales promotion expenditure (Jadhav et al., 2022). It is common to evaluate the effectiveness of sales promotion activities in organisations (Patil et

al., 2021). Following are some of the popular methods and related terms of this evaluation:

1. Profits,
2. Return on investment,
3. Sales volume,
4. Pull-forward,
5. Halo effect,
6. Cannibalization effect,
7. Engagement of old customers,
8. Customer satisfaction

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Easier said than done, evaluating the effectiveness of sales promotion activities can be a complicated task in practice, especially if there are multiple products involved (Kumar, 2011, Kumar, 2012, Kumar, 2016, Kumar & Brar, 2016). Allocation of revenue and costs over products and periods can be complex. There might be expected costs, and the division of such expenses can pose problems (Kumar et al., 2021). In this paper, we present the practical difficulties involved in evaluating the effectiveness of sales promotion activities based on a survey of 110 marketing managers working in large MNCs from Pune.

Literature Review

Conventional methodologies of accounting advertising costs have zeroed in principally on the mission's immediate communication impacts (Kumar et al., 2020a). This paper fosters a structure in which advertising is conceptualised as having numerous effects. These different impacts represent how an advertising effort can work with good brand assessments and ensuing buy choices. The structure is inspected observationally utilising field research led by a significant modern producer. This exploration incorporates information gathered from three direct circulation gatherings in a contemporary market. The outcomes recognise these different impacts of advertising and their general significance in working with sales. These discoveries are theoretically reached out to other sales promotional blend components, and a cycle is proposed for the execution and responsibility of marketing communication endeavours (Park et al. 1988).

For four years, authors have directed functional field tests by putting robots in business offices to inspect what services are conceivable and the issues in accomplishing commonsense use (Kumar et al., 2020b). The way things are present, the authors observed extraordinary divergence between the client's impression of utilising robots and genuine robot capacities. Additionally, according to client insight, the authors observed that there were issues with things, such as the expense of accomplishing abilities (Kumar et al., 2020c). In this way, it is essential to analyse possible services given the constraints of current innovation and confirm

and assess the services in a genuine climate. Among the services-led, authors zeroed in on sales promotion services, which can show costs and quantitative impacts. The adequacy was estimated and evaluated. The authors present these outcomes and perceptions. Authors also give rules for the activity for practical application and administration of a substance to be carried out (Murakawa et al. 2011).

The event, gap peculiarity between Indonesia's financial development and the populace has expanded, yet the retail market has declined. Along these lines, the reason for research is to discover how much the connection between sales promotions and consumer loyalty in Matahari stores (Kumar et al., 2020d). The examination technique utilises a quantitative methodology with an incidental testing strategy through the dissemination of polls to 100 retail clients. The consequence of this examination is the connection between sales promotion and expanding consumer loyalty (Renwarin 2019).

The paper researches the role and the management of sales promotion in US organisations. It writes about a review planned to distinguish factors impacting sales promotion executives. The item class and the firm's position inside the classification are connected with sales promotion conduct, with similitude in sales promotion conduct among firms in comparative item marketing conditions (Kimball 1988).

Sales promotion is a prominent part of the marketing communication system, representing better promotional uses than advertising in certain nations. Be that as it may, sales promotion has been overlooked by specialists (Kumar et al., 2019). This article momentarily audits the models utilised in the USA to assess sales promotions, and these measures are viewed as deficient in directing the detailing of sales promotion universally. Ecological responsiveness factors are neglected in homegrown sales promotions, and an audit way to deal with arranging and assessing cross-national sales promotion techniques is introduced (Foxman et al.

Methods

A short survey questionnaire was prepared and was circulated amongst 110 (sample size)

marketing managers from large MNCs in Pune. The questionnaire had the following ten issues which might be problems in the evaluation of the effectiveness of sales promotion activities:

1. Problems in the division of revenues over products
2. Problems in the division of sales promotion costs over products
3. Difficulty in measuring the cannibalisation effect
4. Difficulty in measuring Halo effect due to sales promotion
5. Problems in ascertaining the pull-forward effect
6. Challenge in ascertaining the net return for RoI
7. Challenge in measuring the underlying investment for products
8. Difficulty in choosing the proper method for evaluation for effectiveness
9. Problems in accounting for costs like overheads
10. Difficulty in determining the period of assessing the evaluation

Likert scales were used to collect the responses. The response options were - 0 - Can't Say, 1 - Somewhat agree, 2 - Completely agree, 3 - Somewhat Disagree, 4 - Completely Disagree.

Responses were received from the 110 managers. The questionnaire was tested for reliability, and it returned a Cronbach Alpha score of 0.845 and hence was considered

reliable. The following hypotheses were formulated:

- Ho: There are no significant challenges in the evaluation of the effectiveness of sales promotion activities
- Ha: There are significant challenges in the evaluation of the effectiveness of sales promotion activities

The hypothesis was tested based on the average agreement/disagreement responses to the ten statements of the questionnaire. The average agreement/disagreement response of the 110 respondents for all the ten statements was taken as the sample mean, and it was compared with a hypothesised population tell of 50% agreement/disagreement connoting an event by chance and not due to any statistical significance. A t-test was applied at a 95% confidence level and based on the p-value, the null hypothesis was tested for rejection or non-rejection.

Data Analysis and Interpretation

One hundred five respondents were male, while five were female. Twelve respondents were <40 years of age, 72 were 40-50 years, and 26 were >50 years of age. Twelve had a managerial work experience of < 5 years, 45 had a work experience of 5-10 years, and 53 had a work experience of >10 years.

The average agreement responses to the questionnaire were as under:

Table 1. Brief of responses to the questionnaire

Statement	1	2	3	4	5	6	7	8	9	10	Average
Agreement %	81%	74%	82%	77%	72%	86%	69%	87%	86%	72%	79%

Based on the above summary average sample mean, the hypothesis was tested as under:

Table 2. Testing of Hypothesis

Parameter	Value
Sample Mean (\bar{x})	79%
Hypothesised population mean (μ)	50%
SD of sample	0.95648
n (sample size)	110
t-value= $abs((\bar{x} - \mu) / (s/\sqrt{n}))$	3.13607
p-value = $tdist(t,(n-1),1)$	0.00110
Decision	Reject Null

Thus, the null hypothesis there are no significant challenges in evaluating the effectiveness of sales promotion activities is not accepted in the favour of the alternate that there are substantial challenges in assessing the effectiveness of sales promotion activities.

Conclusion

There are significant challenges in evaluating the effectiveness of sales promotion activities. Problems in the division of revenues over products, problems in the division of sales promotion costs over products, difficulty in measuring the cannibalisation effect, difficulty in measuring the halo effect due to sales promotion, problems in ascertaining the pull-forward impact, the challenge in establishing the net return for RoI, the challenge in measuring the underlying investment for products, difficulty in choosing the proper method for evaluation for effectiveness, problems in accounting for costs like overheads and difficulty in determining the period of assessing the review were agreed to as the significant issues in the evaluation of the effectiveness of sales promotion activities. Given these difficulties, it is expected that the study must be done using some approximation. If this approximation is reasonable, it might be acceptable. However, it should not be too much to make the exercise of evaluation meaningless.

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