

# TRADE SALES PROMOTION AND RETAILER'S SALES PERFORMANCE OF LUBRICANT OIL IN THE AMPARA DISTRICT: RETAILERS' PERSPECTIVE

Mohamed Ismail Mujahid Hilal  
Faculty of Management & Commerce  
South Eastern University of Sri Lanka

## Abstract

The major objective of the paper is to examine the impact of trade sales promotional activities on the sales performance of lubricant retailers in the Ampara district. Data were collected using questionnaire and deductive approach was adopted for this study. 75 lubricant from different types of channels were given questionnaires. Quantity discounts, incentive scheme and trade contests were used as independent variables and subjective sales performance of lubricant retailers was used as dependent variable. Multiple regression analysis was carried out and finding suggests that all three variables significantly contribute to the sales performance of lubricant retailers. Hence, it is necessary for lubricant marketing companies to focus on these quantity discounts, incentive scheme and trade contests.

Keywords: Sales promotion, lubricants, quantity discounts, incentive scheme, trade contests

## Introduction

Lubricant industry in Sri Lanka was monopoly in the past and now is now becoming very competitive with around 13 players in the market. Lubricant marketing companies in Sri Lanka offers its products to business and consumer applications. The products include lubricant oils, greases and break fluids. After many companies started lubricant products in the country, fierce competition is prevailing and hence, the push strategies are vital for those companies engaged in the lubricant business to overcome the competition. In Sri Lanka, after the prolonged war, the standard of living and life style of the people are fully changing and it goes towards more fashionable and thus, they more conscious about passenger vehicle for which they spend larger portion of their income in order to maintain the durability and efficiency of the vehicles.

This, in turn, tends to increase the demand for the lubricant oils in the country. Further, recent decrease in the import duties on small cars also leads increase the demand for lubricants. Although there are obstacles in the purchasing vehicles for the customers by way of taxes and other restrictions, purchasing passenger vehicles have been increasing in the country. Therefore, there is still growing trend in the demand for the cars. This trend necessitates the

importance and implementation of push strategies to the retailers and need to examine the impact of push strategies on the retailers' performance in the industry. This will also help firms in the lubricant industry to formulate effective marketing strategies. Thus, the research question for the study is does the existing trade promotions have an impact on the sales performance of the retailers in the lubricant industry? Therefore, the aim of the study is to examine the impact of current trade promotional practice of lubricant oil marketing companies in Sri Lanka. Specific objectives were to identify sales promotional activities of the companies and look into their effectiveness, assess the impact of trade promotion on the sales performance and suggest effective sales promotional practice to the lubricant oil industry in Sri Lanka.

## **Review of Literatures and Theoretical Framework**

Kotler (2001) explains sales promotion as a collection of incentive tools used in short terms to stimulate purchase of a particular brand, products or services by customers or the traders. The American Marketing Association (AMA) defines sales promotion as *"media and nonmedia marketing pressure applied for a predetermined, limited period of time in order to stimulate trial, increase consumer demand, or improve product quality"* (AMA). Further, Blythe (2006) states that any actions by the firm to give a temporary boost to consumers to purchase more of the products and may be an incentive to the wholesalers and retailers to store distributors or manufacturers products. Sales promotion is also found as a short term solution to the problem of excess stocks available at manufacturers place (Aham, 2008). Hanssens et al., 2001 emphasizes that sale promotion is having an unforeseen effect on the sales.

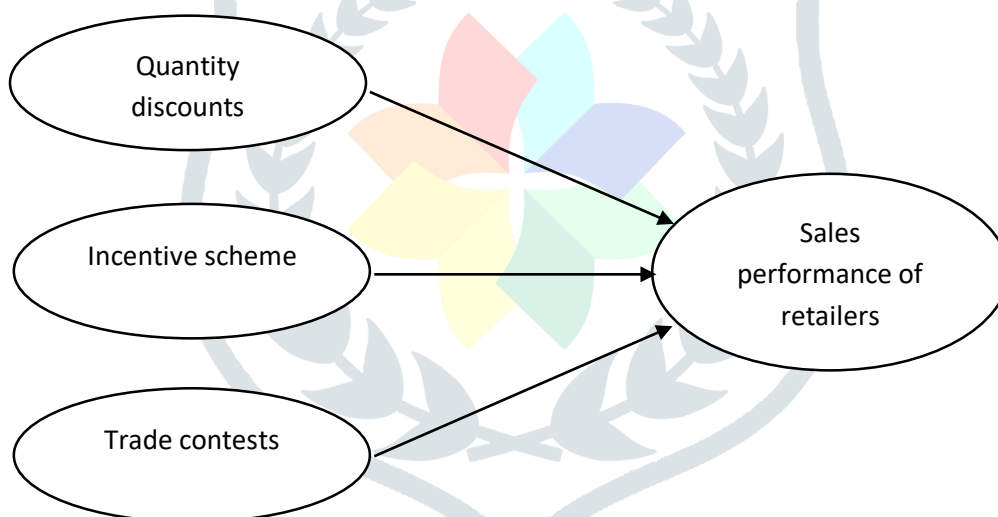
Sales promotions are also used to attract new customers and is also implemented by the companies to maintain the existing customers and to reward the customers for the continuous relationship with organizations (White and Yanamandram, 2007). Sales promotion components such as trade contests, trade fairs and trade allowances will boost the marketshare, profitability and sales turnover of the products and help achieve the marketing objectives (Narasimhan, 1989).

The sales promotion strategies can be divided into two. They are push and pull strategies. Push strategies refers to convincing the trade intermediaries in the distribution channel to push the products to the ultimate consumers (Schiffman and Kanuk, 2007). In contrast, pull strategy is making consumers to ask for the product from the retailers. Schiffman and Kanuk (2007) state that organizations engage in marketing communication attempt to stimulate the interest of consumers and demand the product from retailers.

In sales promotion, quantity discounts, incentive scheme and trade contest are important components which are used by most of the marketers in the business to business marketing. Firstly the researcher discusses the quantity discounts. Banerjee (2009) points out that when consumers / businesses buy the products in bulk, they are rewarded by a reduction of a price.

This is also used in both b to b and b to c marketing. Mostly the quantity discount component is used by b to b marketers (Saen, 2008). Secondly, incentive scheme used by the organization to the retailers are also important under the sales promotion. Ulanoff (1985) explains that incentive schemes are used to motivate Salesforce and customers to generate revenues. Incentives are also given to the customers to increase the purchase of the products. However, the compensations given to the salesforce is the most powerful influential factors in the sales in the b to b marketing. This is designed to motivate the sales people of the organizations (Coughlan & Joseph, 2012). Thirdly, trade contest is one of important components in the trade sales promotion (Michael & Ogwo, 2013). Murphy and Dacin (1998) defines trade contest as *“an important tool to motivate sales people to achieve goals that surpass those associated with normal compensation”*. Trade contests are used to increase or enhance the sales performance of specific product as it is vital for marketing success (Dixon et. al., 2003).

All quantity discounts, incentive scheme and trade contests are vital components of the trade sales promotion and it has an impact on the sales performance of the retailers in the industry. Hence, researcher has conceptualized the following model.



Source: Review of Literatures

According to the hypotheses, the following hypotheses are being developed.

H1: Quantity discounts given in the lubricant industry significantly influence on the sales performance of the retailers

H2: Incentive scheme adopted in the lubricant industry significantly influence on the sales performance of retailers

H3: Trade contest in the lubricant industry significantly influence on the sales performance

## Methodology

This study employs the survey methodology. Researcher used questionnaire to collect data. Questionnaire had two parts including personal details of the respondents and to measure the independent variables and dependent variable. Independent variable includes quantity discount with six items, incentive scheme with four items and trade contests with five items. Sales performance is measured with five items subjectively. Since the research used testing hypotheses, deductive approach has been adopted for this study. The sample size for the study is 75 respondents who are sellers of lubricant oils in the Ampara district. Multiple regression and correlation studies have been used to analyze the data. Factor analysis was performed and all communalities were more than 0.5.

## Results and Discussion

The respondents were from different types of channels. They include 5 from garage, 12 from spare part, independent service station 29, branded service station 5, oil mart 14 and filling stations 10.

Multiple regression analysis was performed and the extracted results are given below.

TABLE 1  
MULTIPLE REGRESSION RESULTS

Predictor Variable	Beta	<i>p</i>	<i>t</i>
Quantity discount	0.437	0.000	7.003
Incentive scheme	0.336	0.000	4.755
Trade contest	0.549	0.000	8.402

$$F_{3, 71} = 291.264, p < 0.05, R \text{ Square} = .962, \text{ Adjusted } R \text{ Square} = .922, n = 74, \text{ Constant} = 3.787$$

According to the table above, 96.2% of the variation of the sales performance is explained by 96.2% of the predictive variables such as quantity discount, incentive scheme and trade contest. The most influencing factor is trade contest ( $\beta = 0.549, p < 0.05, t = 8.402$ ). The second most influencing factor on the sales performance of the retailers in the lubricant industry is quantity discount ( $\beta = 0.437, p < 0.05, t = 7.003$ ). The third variable that influence on the sales performance of the lubricant retailers is incentive scheme ( $\beta = 0.336, p < 0.05, t = 4.755$ ). According to the multiple regression analysis, all hypotheses are accepted. It means that quantity discounts, incentive scheme and trade contests have significant impact on the sales performance of the lubricant retailers in the Ampara district.

Trade contest for the retailers in the lubricant industry most important for them to increase the sales of the lubricants. Retailers of the lubricants feel that given target of sales, slab based gifts and foreign tour for achieving target are important for retailers to significantly impact the sales performance and increase the sales of lubricants. Under the quantity discounts, cash discounts, free issues, promotional items given for them and credit discounts are most important factors that attract the retailers in the lubricant industry. Retailers are also satisfied with incentive scheme introduced by the lubricant marketing companies.

### **Conclusion and Recommendations**

The study aim is to examine the impact of current trade promotional practice of lubricant oil marketing companies in Sri Lanka. The model tested with quantity discounts, incentive scheme and trade contests are having direct impact on the sales performance of the retailers in the lubricant industry and will boost the sales of the lubricant products. This study also supports most of the researches cited in the review of literatures. Findings suggest that lubricant marketing organizations can effectively implement quantity discounts, incentive scheme and trade contests to increase the sales of the product.

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