

# **Management of Sales Promotion in Nepal: A Perspective on Construction-Material Market**

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## **Abstract**

*In view of the rising market for construction materials fuelled by spiral growth of urbanisation and resumption of infrastructure development works in the country; it is desirable to inquire into sales promotion strategies of the firms involved in manufacturing and marketing construction materials in general and reinforcement bars in particular. By researching into 232 buyers comprising construction contractors and individual builders, and another 150 retailers and dealers for two years (2006-2008), the study has sought to investigate into the current state of sales promotion programmes (SPPs) of construction material industries, which cater to the needs of a 30-billion rupees business of construction sector. The study has inferred that there is a noticeable influence of general SPPs, more specifically of money-based tools (cash rebates, discounts and cash coupons), on sales of reinforcement bars in the capital Valley's thriving market. The findings could prove instrumental to managers in formulating effective promotion strategies.*

**Key words:** Sales Promotion Programme (SPP), Integrated Marketing Communication (IMC), Construction Material Market (CMM), Reinforcement Bars (RBs) and Brands

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## **1. Introduction**

Stanton *et al.* (2005) suggests the management to use sales promotion for pursuing three strategies, viz., a) stimulating business user or household demand for a product, b) improving the marketing performance of intermediaries (middlemen) and sales-people and c) supplementing advertising and facilitating personal selling. With the Emergence of the Integrated Marketing

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Communication (IMC), sales promotion programmes have become an invariable component of any campaign on product promotion. Construction sector can be no exception to it.

The construction sector that has 6.44 percent contribution to Nepal's GDP in 2007/08 (Economic Survey, 2008) witnessed a 3.11 percent growth in FY 2007/08 compared to 2.49 percent of 2006/07. It is one of the fast growing sectors in Nepalese economy. Having formally started in the 1960s, the construction industry— a 30-billion rupees business— is a “relatively well-developed sector in the country” (Pant, 2009).

To “promote construction works and enterprises,” the Construction Enterprise Act, 1998 has categorised contractors into Class A, B, C and D within the federal republic of Nepal.

In view of the rising market for construction materials fuelled by spiral growth of urbanisation and resumption of infrastructure development works in the country, it is desirable to investigate into sales promotion strategies of the firms involved in manufacturing and marketing construction materials in general and reinforcement bars in particular.

## **2. Literature Review**

### **2.1 Conceptual Framework**

#### **2.1.1 Sales Promotion and IMC**

Sales promotion consists of a wide variety of tactical promotion tools of a short term incentive nature, designed to stimulate strong target markets response. Among the more popular ones are premiums, coupons, incentives and deals. Sales promotion in the marketing mix assumes greater importance due to emergence of new product, growth of self-service retailing and heightened competition (Sthapit, 2007).

Emergence of the Integrated Marketing Communication (IMC) programme has added newer avenues to modern marketing practices, as far as promotion management is concerned (Ibid, 2007). IMC has become a significant example of development in the marketing discipline, it has influenced thinking and acting among all types of companies and organizations facing the realities of

competition in an open economy (Holm, 2007). In its typical form, the IMC coordinates and integrates all marketing communication tools, channels and sources to maximise the impact with minimum costs. Sales promotion is one of the four IMC components; other three being advertising, personal selling and public relations or PRs. Accordingly, with a view to creating instant market waves, sales promotion programmes (SPPs) are used as tactics (as a short-term measure) to buttress the long-term strategies of Marketing Management (Sthapit, 2007).

There are many tactics at the marketer's disposal when using the elements of the communications mix in order to maximise the impact of the communications activities. A basic taxonomy of promotional tools is the four-way division into advertising, public relations, sales promotion and personal selling (Blythe, 2000).

Using sales promotion techniques, from which the consumer gains value immediately, can affect company performance more positively than, for instance, increasing the terms and levels of customer credit (Koksal and Ozgul, 2007).

### **2.1.2 Types of Sales Promotion**

Managers can have two categories of sales promotions to choose from: a) *Trade Sales Promotions*, directed to distribution channels or marketing intermediaries (including dealers and retailers), and b) *Consumer Sales Promotions*, aimed at buyers (Stanton *et al.*, 2005). The present study has focussed its primary data survey on *consumer sales promotions* only.

Typically, past studies of the effectiveness of consumer sales promotion have focused on monetary sales promotions (Dhar and Hoch, 1996; Hoch *et al.*, 1994). However, in practice, both monetary and non-monetary sales promotions are used widely (Tellis, 1998). There are important differences between these two types: money-based or monetary promotions (e.g. shelf-price discounts, coupons, rebates and price packs) tend to provide fairly immediate rewards to the consumer and they are transactional in character; non-monetary promotions (e.g. sweepstakes, free gifts and loyalty programmes) tend to involve delayed rewards and are more 'relationship-based' (Ibid). In assessing the effectiveness of sales promotions as per the present study objective, it is necessary to examine different SPP types.

**Table 2: Consumer Sales Promotion Methods**

| <i>Money-based</i>   | <i>Product-based</i>   | <i>Gift-, prize-or merchandise-based</i>  | <i>Store-based</i>    |
|--|--|---|-----------------------|
| <b>Reduced price</b> <ul style="list-style-type: none"> <li>➤ Shelf</li> <li>➤ On pack</li> </ul>  | <b>Extra product</b> <ul style="list-style-type: none"> <li>➤ Extra free</li> <li>➤ Buy one, get one free</li> </ul>   | <b>Loyalty schemes</b>  | <b>Demonstrations</b> |
| <b>Coupon</b> <ul style="list-style-type: none"> <li>➤ On/in pack</li> <li>➤ Print ads</li> <li>➤ Door-to-door</li> <li>➤ Point-of-sale</li> </ul> | <b>Samples</b> <ul style="list-style-type: none"> <li>➤ On pack</li> <li>➤ Print ads</li> <li>➤ Door-to-door</li> <li>➤ Trial size</li> <li>➤ Direct mail</li> </ul> | <b>Free in/on pack</b>  |                       |
| <b>Rebates</b> <ul style="list-style-type: none"> <li>➤ Mail-in</li> <li>➤ Cash back</li> </ul>  |  | <b>Free with product</b><br><b>Contests and sweepstakes</b><br><b>Free mail-in</b><br><b>Self-liquidating offer</b> |                       |

Source: Brassington and Pettit (1997)

### **2.1.3 Benefits of Sales Promotion**

Sales promotions can offer many consumer benefits, the most obvious being monetary savings, although consumers also may be motivated by the desire for quality, convenience, value expression, exploration and entertainment (Babin, et al., 1994; Hirschman and Holbrook, 1982). These benefits are further classified as either utilitarian or hedonic (Chandon, *et al.*, 2000). Utilitarian benefits are primarily functional and relatively tangible. They enable consumers to maximize their shopping utility, efficiency and economy. In general, the benefits of savings, quality and convenience can be classified as utilitarian benefits. By contrast, hedonic benefits are more experiential and relatively intangible, associated as they are with intrinsic stimulation, fun and pleasure. Consistent with this definition, the benefits of value expression, exploration and entertainment can be classified as hedonic benefits.

### **2.1.4 SPP in construction materials market**

Kotler (1997) opined that companies use sales promotion tools to create a stronger and quicker response, particularly to dramatize product offer and boost

sagging sales. Since sales promotion effects are usually short-run brand preferences (Kotler, 1997), SPPs could prove a popular tool in Nepali construction material market (CMM)— particularly in the steel bar market, to secure a buyer preference towards their brands, amid the rising brand competition in the market. It also signifies its value in the present study, as there are at least five competitive brands of reinforcement bars in Nepalese construction material market.

## **2.2 Review of Related Studies**

### **2.2.1 Nepali RB market study**

Market surveys commissioned by Himal Iron and Steel Ltd in 1999, 2001 and 2003 mainly focussed on the goal of finding out numbers of dealers and their strategic location, their deposit to the company, and dealer-manufacturer agreements.

**Table 3: Matrix Exhibiting SPP-Wise Findings of Three Annual Surveys**

| <b>SPP tools</b>                          | <b>Market survey 2003</b>  | <b>Market survey 2001</b>  | <b>Market survey 1999</b>   |
|---|--|--|---|
| <b>Money-based</b><br>(discounts/Rebates) | Rebate/discounts on price prevailed over others. Dealers reported that all brands other than 'Himal' had fluctuating and negotiating price. Most manufacturers provided approximately 3% discounts to their customers. | More reduced price of competing brands than that of Himal Steel and discounts heavier than Himal's; and used direct sales. | Competitors provided heavy rebates/discounts on price to prevail over 'Himal' products to secure large projects of government |
| <b>Services to buyers</b>                 | Panchakanya provided home-delivery (site-delivery) service for sometime. No other companies provided home-delivery facility for purchases less than 500 kg of steel.   |  |   |

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|  |   |  |   |
|--|---|--|---|
| <b>Incentive (Commission) to dealers</b> | Manufacturers commonly provide 2-3% commission to dealers. There were 30 dealers for Himal Iron, 21 for Panchakanya, and 9 for Jagadamba while Hama and Saakha: have 8 and 5 dealers respectively, and 6 for other manufacturers. |  |   |
| <i>Study focus &amp; other findings</i>  | * On Kathmandu Valley market<br>*Dealers' network, price and discounts for steel-rod sales in Kathmandu dealt with sales promotion schemes, discounts and services of each competing manufacturer to dealers and direct customers | *Outside Kathmandu Valley market<br>*'Himal' brand formed special group to search new projects for sales and to find out competitors sales promotion (SP) policies and other marketing strategies.<br>*Market size of 24,000 MT per annum was found outside Kathmandu for Himal Steel. | *On forecasting demand of large government projects for Himal steel and wires in Nepal<br>*On exploring locations for new distribution layouts and deciding pricing strategy<br>* Government projects' demand for steel rods and G.I. wires found to be 20,000 MT and 10,000 respectively |

On the basis of the pilot pre-test administered for the current study as well as the past market surveys commissioned by Himal Steel & Iron P. Ltd., a three categories of SPP tools have been used during the study, viz.,

**i) Consumer SPPs**

- a) **Money-based SPP tools** to *buyers*
  - a.1 Price discounts/rebates and cash prizes, and
  - a.2 Coupons,
- b) **Product-based SPP tools** (gift, sample, premium, etc.) to *buyers* and

ii) **Trade SPPs**

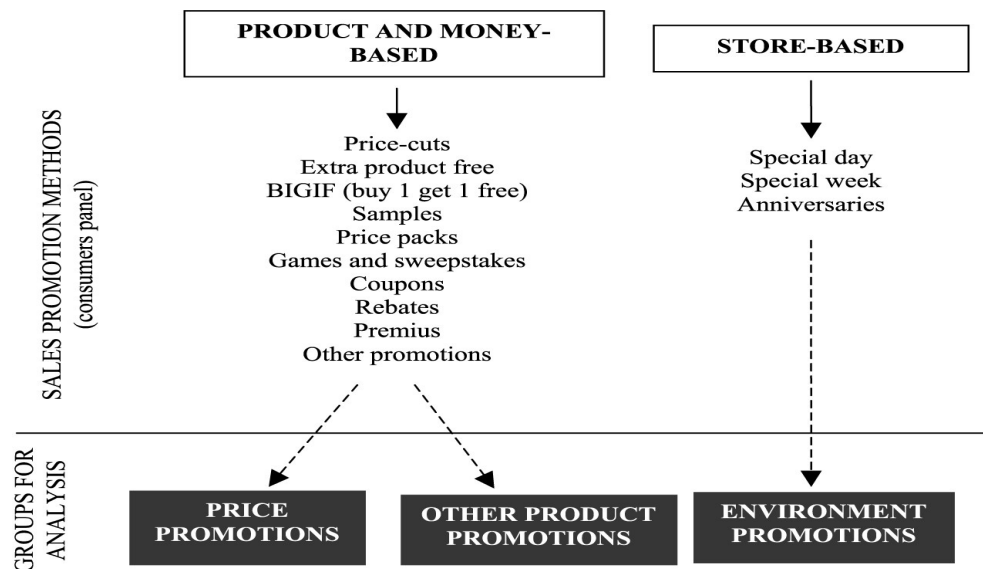
a) **Commission and incentives** to *dealers and retailers*.

**2.2.1 European study**

Of them, the study of Alvarez and Casielles (2005) discovered that money based SPPs like immediate price reduction exerts greatest influence on the brand choice process of consumers. Their study was based on a sample of a regional consumer panel 200 consumers who collected information systematically about a total of 54 categories of product during a 12-month period in Europe, with Spain being its central location.

The study in Europe has come up with the finding that sales promotion techniques are intended to have a direct impact on buying behaviour. It is possible that the consumer perceives a sales promotion, for example, cash coupons or rebates, but does not modify his or her behaviour. In this case, manufacturers and/or retailers will be investing their resources in promotional actions that do not have any effect on the consumer (Ibid).

**Figure 1: Methods of Sales Promotion [for Buyer Analysis Purpose]**  
(Alvarez and Casielles, 2005)



### **3. Objectives of the Study**

Given the operation of several firms to cater to construction material market (CMM) needs engendered by rapid urbanisation and infrastructure development works in the country, it is desirable to investigate into sales promotion strategies of the firms involved in manufacturing and marketing construction materials in general and reinforcement bars in particular. With this main objective in mind, the present study has sought to address the following specific objectives:

- To assess the influence of Sales Promotion Programmes (SPPs) on generating sales of reinforcement bars (RBs) in the Kathmandu Valley current market;
- To examine manufacturers' practices of promoting sales of reinforcement bars on the basis of *buyers*, and *retailers and dealers*; and
- To evaluate features and effectiveness of SPPs in the RB market in the Kathmandu Valley.

### **4. Research Methodology and Approach**

**4.1. Research Design:** The present study has adopted a *Descriptive and Analytical Research Design* to assess the marketing and promotional aspect of the reinforcement bars in the Kathmandu Valley market. Accordingly, the study is based on the *Survey Method* to collect data on sales promotion efforts or programmes and their effectiveness in the market of reinforcement bars, the steel rods.

**4.2 Nature and Source of Data:** The study is based on *primary data*. It has collected primary data from manufacturing firms, distributors and consumers. The survey was conducted on various occasions during the period starting from the mid-2006 up to mid-2008.

**4.3 Population and Sample:** The study has basically made use of stratified random sampling for encompassing both the demand and supply sides of reinforcement bars.

*On the demand side*, the study has chosen study samples from three strata of final users (buyer) of reinforcement bars, as shown in the table below. Similarly, it has also selected samples from dealers and retailers to study the market situation of SPPs: it has thus applied the 'cross-matching sampling,' so that findings from buyer respondents can be cross-matched with those from dealers and retailers.



**Table 1: Study Population and Sample**

| <i>Sample Strata</i>  | <i>Respondents approached to administer questionnaire</i> | <i>No. of successful respondents</i> | <i>Percentage of Response Success</i> |
|---|---|--------------------------------------|---------------------------------------|
| <b>1. Buyers</b>  | <b>250</b>  | <b>232</b>                           | <b>92.80</b>                          |
| a) Individual/personal-use house builders                                 | 215   | 200                                  | 93.02                                 |
| b) Small-scale individual construction contractors (largely unregistered) | 30  | 27                                   | 90.00                                 |
| c) Registered construction companies                                      | 5   | 5                                    | 100                                   |
| <b>2. Dealers/ Retailers</b>  | <b>160</b>  | <b>150</b>                           | <b>93.75</b>                          |
| a) Dealers and buyers   | 160   | 150                                  | 93.75                                 |

Out of the 250 buyer respondents administered during the study, the survey received response from 232 respondents; it has posted 92.8 per cent response, a satisfactory success-rate.

Similarly, the study has also surveyed 160 dealers and retailers in the Kathmandu Valley of which completed responses were received from 150 respondents, again amounting to about 93.75 percent per cent success rate. The survey on dealers and retailers is an attempt to supplement and complement the findings from the buyer respondents; it is the 'cross-matching' bid on sampling and survey.

The *sample units* were drawn from those directly involved in construction works, as contractors or 'personal-use' builders within the Kathmandu Valley that covers five cities and dozens of villages in the suburbs and beyond. Choosing the capital Valley for the survey is justified in terms of the massive volume and frequency of construction works vis-à-vis other parts of the country.

Likewise, with the view to complementing and supplementing primary data collected from buyers, the study has also drawn sample units from dealers and retailers directly involved in distribution of reinforcement bars in the Kathmandu Valley. It is justified as stated above in the case of the steel rod buyers.

On the basis of the pilot pre-test administered before the actual survey, the study has selected five most popular brands of steel rods (viz., *Himal, Panchakanya,*

Jagadamba, Saakha: and Hama), as sales of the brands other than the five has been found almost non-existent in the Valley market. Hence, it constitutes the supply side of the study.

**4.4 Data Collection Procedures:** Questionnaires and observation methods have been used to collect the data required for the study. A pre-set questionnaire has been pre-tested on potential respondents to ensure the effectiveness of the questionnaires. By making necessary improvements, the final questionnaires have been devised and administered on the respondents as per the plan.

To ensure successful response, the study administered in person the questionnaire at places where respondents would generally feel free to respond. Registered construction companies were visited at their central offices and small contractors at their sites. The personal-use builders were contacted at their construction sites and manufacturers' distributing outlets, and a few of the builders who had completed the construction works recently were also contacted at their residence.

**4.5 Data Analysis Tools:** The study has made use of hypothesis testing (through chi-square tests) and percentage analysis, *inter-alia*, to investigate into the SPP practices in the reinforcement bar market in the Kathmandu Valley.

## **5. Data Analysis and Findings**

The present study delving into the sales promotion practices in Nepal as the part of factors influencing general behaviour of steel rod buyers has tried to link the SPPs with the buyers' brand preference (which can eventually result in brand loyalty), as one of its 'study premises.'

### **5.1 SPPs for Buyers**

#### **5.1.1 Brand Preference/ Loyalty and SPPs**

Hence, it was found from the study that buyers' purchase frequency for 'Himal' was measured at more than fifty percent, *i.e.*, 55.6 percent followed by the brands of Panchakanya (26 percent), Jagadamba (9 percent), Saakha: (7 percent) and Hama (3 percent). The brand preference study may be justified in the present study, as it also constitutes an endeavour to assess the impact of SPPs on the building of brand loyalty in the market.

### **5.1.2 SPPs and Brand Switching Behaviour**

The SPPs have remained a strong determinant of brand preference/loyalty of buyers in the reinforcement bar market. A whopping majority of respondents (74 percent) have shown their penchant for switching the current brand of steel rod, provided that there is no SPP package to delight them. Only one-fourth of the buyers (26 percent) are unwilling to change their usual brand, and would remain brand loyal, even though an SPP package is not offered to them.

### **5.1.3 Consumer Awareness towards SPPs**

Nearly two thirds of consumers (64.66 percent, or 150 buyers) surveyed in the three districts of the Valley were aware of SPPs being launched by companies, and only a one-third (35.34 per cent, or 82 buyers) unaware.

And, out of the SPP-aware respondents, 36 percent were found to be aware of the product-based SPPs (like gift and premium), while 60 percent were aware of money-based SPPs (32 percent of coupons and 28 percent cash-rebates), and the remaining 4 percent of other sales promotional offers. Thus, money-based and product-based SPPs are most used in the Nepalese steel rod market.

**Table 4: Consumer Awareness towards SPPs**

| <b>Types of SPPs</b>                   | <b>No. of Response</b> | <b>Percentage</b> |
|--|------------------------|-------------------|
| Product-based SPPs (Gift/premium)      | 54                     | 36                |
| Money-based SPPs                       | 90                     | 60                |
| a. Cash prize/rebates, discounts, etc) | 42<br>48               | 28<br>32          |
| b. Coupon                              |                        |                   |
| Other SPPs                             | 6                      | 4                 |
| <b>Total</b>                           | <b>150</b>             | <b>100</b>        |

### **5.1.4 Types of Communication (Media Vehicles) of SPPs**

As the effectiveness of SPPs depends on the media that brings them to target group's notice, the study has also assessed the media-vehicles of the SPPs.

- **Marketing intermediaries or dealers/retailers:** Of those who are aware of the SPPs, more than half of the buyers (53.6 percent) were informed by marketing intermediaries and retailers. In case of the 'Himal' steel,

the retailers/ dealers were the main media vehicle to communicate the 55.4 percent of buyers about the SPP schemes.

- **Newspapers and magazines:** A significant number (about 30 percent), however, have reported to have learnt about the SPPs from newspapers and magazines. Of them, only 33.7 percent of buyers of Himal brand of steel rods learnt about the SPPs from this media vehicle.

**Table 5: Media Vehicles for SPPs (By Consumers and By Brands)**

| Media Vehicles of SPPs                   | Total | Major Brands |            | Types of Consumers     |                   |                     |
|--|-------|--------------|------------|------------------------|-------------------|---------------------|
|  |       | Himal        | Panchkanya | Construction Companies | Local Contractors | Individual Builders |
| Marketing Intermediary: Retailer/Dealers | 53.6% | 55.4%        | 51.8%      | 60.0%                  | 60.0%             | 40.8%               |
| Newspaper and Magazine                   | 30.1% | 28.7%        | 31.5%      | 40.0%                  | 20.3%             | 30.0%               |
| Buyer himself                            | 4.1%  | 4.2%         | 4.0%       | -                      | 7.2%              | 5.1%                |
| Buyer's Initiative on checking SPPs      | 3.0%  | 2.5%         | 3.5%       | -                      | 6.0%              | 3.0%                |
| TV                                       | 5.7%  | 5.4%         | 6.0%       | -                      | 6.5%              | 10.6%               |
| Radio                                    | 1.4%  | 2.4%         | 0.4%       | -                      | -                 | 4.2%                |
| Other dealers                            | 0.7%  | 0.2%         | 1.2%       | -                      | -                 | 2.1%                |
| Mural (wall) painting                    | 1.4%  | 1.2%         | 1.6%       | -                      | -                 | 4.2%                |

### **5.1.5 Major Newspapers as SPP Media Vehicles**

The survey has shown house-building individuals (final users) have learnt of the SPPs mostly from *The Himalayan Times* (26 percent) and *Annapurna Post* (20 percent) followed by *Kathmandu Post* and *The Rising Nepal* (both less than 16 percent). Other papers amounted to less than 10 percent. Small informal contractors mostly learnt from *Samacharpatra* (57.3 percent) followed by *Himalayan Times* (40.4 percent). On the other hand, construction companies were informed of the SPPs by *Kantipur* (80 percent) and *The Himalayan Times* (20 percent).

However, the media preference studies show the other side of the coin. More than half of buyers (nearly 56 percent) would prefer electronic media including TV and radio, and 10 percent would go for print media (newspapers). And, one-third of buyers (34 percent) have shown their preference for both print and electronic media to check out the SPP information.

#### **5.1.6 General Effectiveness of SPPs**

Far more than half of respondents (nearly 66 percent) reported that their purchase of reinforcement bars resulted from the money-based SPPs. Of them, 44 percent went for cash prize and rebates, while 22 percent preferred cash coupons.

On the other hand, effectiveness of the product-based SPPs like gift and premium stood second at 30 percent, while other SPP tools remained effective only for the remaining 4 percent.

**Table 6: General Effectiveness of SPPs**

| <b>SPP-types</b>                      | <b>No. of Respondents</b> | <b>Percentage Value</b> |
|---------------------------------------|---------------------------|-------------------------|
| Money-based SPPs                      | <b>99</b>                 | <b>66</b>               |
| a. Cash prize/rebates, discount, etc. | 66                        | 44                      |
| b. Cash coupons                       | 33                        | 22                      |
| Product-based SPPs (gift, premium)    | <b>45</b>                 | <b>30</b>               |
| Other SPPs                            | <b>6</b>                  | <b>4</b>                |
| <b>Total</b>                          | <b>150</b>                | <b>100</b>              |

#### **5.1.7 Buyer Interest on and Participation in SPP Contests**

More than half of the buyers surveyed (*i.e.*, 60 percent) showed their keen interest in the SPPs being launched by the steel rod companies. Similarly, 18 percent respondents expressed a moderate level of interest, while 12 percent showed their indifference towards the SPPs. And, about 10 percent of the respondents opined against the SPPs.

Likewise, almost three-fourths of buyers (*i.e.*, 72 percent) are found to be actively participating in various SPP campaigns, and 28 percent staying away from them.

But, an interesting side of the survey is that only one in every four buyers (*i.e.*, 24 percent) has won the prizes and lotteries offered as a part of SPPs, and three of the four (*i.e.*, 76 percent) had won none of such offerings. It could result in eroding interest on part of the steel rod users in future SPPs.

This inference may also be assessed from another finding that only 56 percent of the respondents still would yearn for participating in the SPPs to be on a winning end. They feel that winning things are encouraging. But, about 44 percent buyers do not expect to win prizes in such contests.

### **5.1.8 SPP's Impact on Buyer Behaviour**

#### **Hypothesis 1**

H<sub>0</sub>: There is no relationship between SPPs (promotional contents) and consumer buying behaviour of reinforcement bars

H<sub>1</sub>: There is relationship between SPPs (promotional contents) and consumer buying behaviour of reinforcement bars

Since the calculated Chi-square ( $X^2$ ) value at 33.36 is greater than its tabulated value (7.8), the null hypothesis (H<sub>0</sub>) is rejected. Therefore, it has established that there is a relationship between SPPs (promotional contents) and consumer behaviour to purchase steel rods, *i.e.*, **Consumers like Sales Promotion Contents.**

Its implication to the managers, therefore, is that they can build on and benefit from the SPPs through well-crafted contents that could whet interest and participation of buyers in the SPP campaigns.

### **5.1.9 SPP-Media and Buyer behaviour**

Buyers are communicated about SPPs on different media vehicles, ranging from print to electronic to Internet media. Understandably then might the SPP-media affect buyers' purchasing behaviour, hence the following hypothesis could be tested:

#### **Hypothesis 2**

H<sub>0</sub>: There is no relationship between media selection (for SPPs) and consumer buying behaviour.

H<sub>1</sub>: There is a relationship between media selection (for SPPs) and consumer buying behaviour.

Since the tabulated value of Chi-square ( $\chi^2$ ) for 3df at 5% level of significance is 7.81, its calculated value 16.72 is greater (*i.e.*,  $16.72 > 7.81$ ). So, the null hypothesis ( $H_0$ ) is rejected, so that ***there is relationship between media selection and consumer buying behaviour.*** Selection of the better media that carries the SPP message significantly influences the consumer behaviour of buying reinforcement bars.

#### **5.1.10 Overall Impact of SPPs on Actual Sales**

##### **Hypothesis.3**

$H_0$ : There is no significant relationship between SPPs and actual sales; *i.e.*, sales promotion does not result in actual sales of steel rods.

$H_1$ : There is significant relationship between SPPs and actual sales; *i.e.*, sales promotion results in actual sales of steel rods.

Since the tabulated value of Chi-square ( $\chi^2$ ) at 5% level of significance for 3 df is greater than its calculated value ( $7.81 > 3.90$ ), the null hypothesis ( $H_0$ ) is not acceptable. That is, ***sales and sales promotion is directly related, meaning that SPPs bring about sales.***

#### **5.2 Dealers'/ Retailers' Role and Perception towards SPPs**

Dealers and retailers play a crucial role in making the SPPs successful, as they bridge the buyer and seller through the promotional information. It also holds true to the steel rod market. As shown in the Table 5 above, dealers/retailers (Marketing Intermediaries) were the main source (53.6 per cent) of SPP-related information that has reached the target buyers.

##### **5.2.1 Dealer/Retailer Perception on Buyers' Awareness towards SPPs**

Marketing intermediaries like dealers and retailers are in closer and more frequent contact with buyers than the manufacturers. Hence, it is desirable to test whether the dealers and retailers perceive the buyers as aware of SPPs.

##### **Hypothesis.4**

$H_0$ : There is no significant difference between buyers' SPP awareness and dealers/retailers; *i.e.*, dealers/retailers are aware of buyers' awareness towards SPPs.

$H_1$ : There is significant difference between buyers' SPP awareness and retailers/dealers; *i.e.*, retailers/dealers are not aware of buyers' awareness towards SPPs.

Since the tabulated value of Chi-square ( $\chi^2$ ) for 3df at 5% level of significance is greater than its calculated value ( $7.81 > 3.90$ ), the null hypothesis ( $H_0$ ) is accepted. That is, marketing intermediaries like dealers and retailers largely perceive that *consumers are aware of SPP scheme and tasks*.

### 5.2.2 Extent of Retailers' Knowledge about consumer SPPs

Almost all dealers and retailers (96 percent) surveyed opined that they had the all details and knowledge about the consumer SPPs they were handling during the time of survey. Only 4 percent of them admitted that they did not have the full extent of knowledge about the given SPP.

**Table 7: Extent of Dealer/Retailer Knowledge about SPPs**

| Dealer/Retailers' Complete Knowledge on SPPs | Responses  | Percentage |
|--|------------|------------|
| Yes  | 144        | 96         |
| No   | 6          | 4          |
| <b>Total</b>                                 | <b>150</b> | <b>100</b> |

### 5.2.3 Retailers' Awareness towards Types of SPPs

Most retailers and dealers (86 percent) of steel rod products in Nepal are fully informed and aware of cash based SPPs. They are aware of cash prizes, discounts and rebates and cash coupons being provided by the manufacturers of different brands of steel rods.

**Table 8: Retailers' Awareness towards Types of SPPs**

| SPPs                                   | No. of Responses | Percentage |
|--|------------------|------------|
| <b>a. Cash-based SPPs</b>              | <b>129</b>       | <b>86</b>  |
| a.1 Cash Prizes                        | 48               | 32         |
| a.2 Discount                           | 45               | 30         |
| a.3 Coupon                             | 36               | 24         |
| <b>b. Product-based and other SPPs</b> | <b>21</b>        | <b>14</b>  |
| <b>Total</b>                           | <b>150</b>       | <b>100</b> |



#### **5.2.4 Retailers' Perception on Effectiveness of SPPs**

Retailers and dealers when asked to give their one-shot preference for the effective SPP, a whopping majority (88 percent) of them opined that cash-based SPPs are more effective to encourage buyers to make purchase. Only 12 percent of retailers and dealers chose product-based and other SPPs.

**Table 9: Retailers' Perception on Effectiveness of SPPs**

| <b>SPPs</b>                            | <b>No. of Responses</b> | <b>Percentage</b> |
|--|-------------------------|-------------------|
| <b>a. Cash-based SPPs</b>              | <b>132</b>              | <b>88</b>         |
| a.1 Cash Prizes                        |                         |                   |
| a.2 Discount                           |                         |                   |
| a.3 Coupon                             |                         |                   |
| <b>b. Product-based and other SPPs</b> | <b>18</b>               | <b>12</b>         |
| <b>Total</b>                           | <b>150</b>              | <b>100</b>        |

#### **6. Discussions and Conclusions**

In a typical stimulus-response model of buyer behaviour, promotion is one of the four Marketing Stimuli (along with product, price and place). Compounded with environmental stimuli from economic, technological, political and cultural forces, such marketing stimuli enter the buyer's 'black box,' as Marketing Management Guru Philip Kotler (1991: 161) analysed. Such stimuli produce buyer-response and determine their purchasing behaviour (Kotler, 1991). Sales promotion is one of the promotional methods used to influence buying behaviours of consumers.

In line with this generally established construct, the present study (Ref. test of hypothesis 3) has come up with the finding that there is a direct relationship between actual sales and SPPs meaning that SPPs bring about sales of RBs. Furthermore, the study (Ref. test of hypothesis 1) has also discovered a relationship existing between SPPs (promotional contents) and consumer behaviour to purchase the RBs. It implies that buyers of RBs have positively responded to the SPP contents.

Managers can, therefore, build on and benefit from the SPPs through well-crafted contents that could whet interest and participation of buyers in the SPP

campaigns. It would certainly contribute to the successful performance of management in its market promotion activities.

On this score, another finding is imperative to management decision-makers. The study has found that most buyers get lured and swayed by incentives of promotional tools including money-based and other SPPs, among others; it therefore indicates that most buyers are not loyal to any specific brand, vis-à-vis the five major RB brands (Himal, Panchakanya, etc.) available to Nepali market. It underscores the utility of SPPs in influencing their buying behaviours embedded in their decision to switch from one brand to another.

Likewise, the SPPs have remained a strong determinant of building brand loyalty in buyers in Nepali RB market, as three in every four buyers have evinced willingness towards switching the current brand, provided that there was no SPP package to delight them. Had managers failed to offer SPPs, buyers could switch to other brands providing the same. What it imperatively implies to managers is that effective, uninterrupted SPPs could help in metamorphosing the buyers and even in building their brand loyalty in the long run.

This finding has come in compliance with the study of Alvarez and Casielles (2005) conducted in Spain and other parts of Europe to test the SPP effect on buyer's brand choice.

It has appeared more important and relevant in light of the findings that two in every three buyers (64 percent) were found aware of SPPs, and 60 percent of them are also interested in participating in the SPP activities. Moreover, among the SPP-aware buyers, 60 per cent possessed information about money-based SPPs. It may also indicate that most buyers preferred money-based SPPs to other SPP-types.

The influence of general SPPs, more specifically of money-based ones, on sales of reinforcement bars in the capital Valley's growing market has been substantial. There is 'stronger impact' of money-based SPPs on sales (i.e., effectiveness of such SPPs): this finding is also in compliance with the similar studies of Dhar and Hoch (1996) and Hoch *et al.* (1994), and Alvarez and Casielles (2005).

That apart, the finding on having the increased endorsement of money-based SPPs is further complemented by the survey administered on marketing intermediaries including dealers and retailers. More than 86 percent dealers and retailers showed their awareness towards money-based SPPs. Almost all (88 percent) of the dealers/retailers have preferred money-based SPPs to other types, thereby reiterating the effectiveness of the former.

As regards effectiveness of modes for communicating buyers about SPPs, marketing intermediaries including dealers and retailers of RBs have been found the top favourite, as they informed more than half of the buyers (53.6 percent) about SPPs. Likewise, newspapers and magazines have constituted the one-third share in communicating buyers about the SPPs. Daily national newspapers on broadsheet formats have remained the major media that prevailed over electronic media (TV and radios).

However, the media preference studies showed that more than half of buyers preferred watching SPP-messages in electronic media (TV and radio), and 10 percent on print media (newspapers) and 34 percent on both media in future.

Going by the study, selection of the better media carrying the SPP message have significantly influenced the consumer buying behaviour, as the Chi-square tests (hypothesis 2) have established a close relationship between media selection and consumer buying behaviour.

#### **Study Limitation and Further Research Need**

The study is largely based on primary data collected from 232 buyer and 150 retailers/dealers. The sample size may prove to be small in view of the massive construction works in the Valley so as to make the size large enough to draw veritably valid conclusions. Sampling has also gone without strong, more scientific techniques. There is need for conducting future research on more extended samples chosen more scientifically and representatively. Likewise, future studies could also perform an analysis of secondary data of a considerable period of time through the Time Series technique is expected to yield more reliable findings so as to supplement the primary data findings also.

The future studies should encompass brands beyond Himal, Panchakanya, Jagadamba, Saakha: and Hama, had more popular ones emerged in the market. Future research should also extend its focus to other construction materials that

have inextricably been intermingled with sales of reinforcement bars. Should there be lack of research works in other construction materials, an ‘Analogous Research’ work would be based on the present study that could serve as a launchpad for more future studies as well.

Likewise, the future study should also inquire into merchandise-based and store-based SPPs, in addition to the common money-based and product-based SPPs. Apart from consumer SPPs, there is room for future investigation into *trade sales promotions* aimed at trade/marketing intermediaries.

More importantly, further research should also examine the impact of advertising, personal selling, and public relations/publicity campaign on sales promotion of construction materials. It could contribute to developing of an effective Integrated Marketing Communication (IMC) package for marketing the inputs to construction sector, the rapidly growing service-sector business.

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