

# EFFECT OF PROMOTIONAL STRATEGY ON ORGANIZATION PERFORMANCE: EVIDENCE FROM ETHIOPIA'S BREWERY INDUSTRY

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## Abstract

This research aimed to examine the effect of a Promotion strategy on the brewery company's performance. To achieve the study's objective, the researcher applied descriptive and explanatory research designs using a mixed-methods approach. For the research, both first-hand and second-hand sources of information were gathered. This research involved 310 employees of Ethiopia's brewery companies who completed questionnaires to obtain data. The study used simple random sampling. Using SPSS version 21.00, descriptive statistical methods, such as mean and standard deviation, and inferential statistical techniques, such as correlation and multiple regression analysis, were used to analyze the questionnaire data. According to the findings of this research, promotion strategy has a statistically significant and strong positive relationship with organizational performance. Moreover, the Promotion mix strategy and company performance have a strong positive and statistically significant association ( $r = .78.8$ ,  $P < 0.01$ ), and the promotion strategy explains 62 per cent of the variances in organizational performance substantially. The marketing department should develop a clear message and identify its target customers. The messaging should be updated regularly, and free items should be offered on weekends. The Promotion's goal should also serve as a reminder. The companies should use sales promotion, public relations, and direct marketing. Finally, promotional strategies should be connected to product planning, pricing, and distribution. This is because the uniqueness and price competitiveness of the product might impact Promotion. As a result, Promotion must be consistent with the other components of the marketing mix.

**Keywords:** Marketing Strategy, promotion strategy, Performance, Brewery

## INTRODUCTION

Successful marketing in today's business requires more than just manufacturing a quality product; it also requires setting an attractive price for that product and making it readily available to potential buyers. Communication with existing and prospective clients is another essential component for flourishing businesses. The roles of communicator and promoter are unavoidably assigned to any firm (Kotler, 2010).

A lack of information between those who generate products, services, and ideas and those who may be interested in purchasing them creates a need for communication between the two groups. The customers need the information to be aware of the availability of alternative items and their pricing, locations, and other relevant details. Communication in this field creates information utilities that empower customers to make more informed decisions. Promotion is one of an organization's marketing mix elements responsible for communicating information between producers and customers (Palmer,

2004). Similarly, Kotler (2006) claims that Promotion is essential to a company's marketing strategy. Promotion, which literally translates to "to move forward," is defined as a marketing promotion, which is defined as "a form of persuasive, reminding, and informative way of Communicating the Promotion process within a person that creates motivation interims leading to the particularly designed cause of an action." After the business understands the communication process and what should be transmitted, it will be ready to develop and implement comprehensive promotional plans. Such a plan will include objectives, a budget, and a promotion mix directed toward the business's target segments.

One way to look at a promotional plan is as a process that entails the information about an organization's goods or services being encoded into a marketing message that is then communicated to the target audience (Blattberg and Neslin, 1990).

The recent rivalry between businesses aims to draw customers' attention to a particular product or service. Consequently, every manufacturer has to establish a strategy and action plan that is more alluring than those developed by their rivals. Promotion is an essential method for attracting consumers' attention to various products. One definition of performance is the degree to which an organization successfully achieves its objectives. It is a gauge of how attractive a firm is to consumers who could become customers in the future. A balanced scorecard is a tool used to analyze how well a company is performing in terms of its finances, customers, the motivation and learning of its staff, and the processes and procedures internal to the company (Wongrassamee et al., 2013). It was established on the premise that companies are expected to evaluate how well they performed in terms of the value they delivered to the community, the environment, or the economy to determine whether or not they met their obligations. Companies must utilize the concept of shared value as a basis for designing incentive programmes to boost their profits and positively impact their communities (Whetton, 2011). The history of brewing beer in Ethiopia dates back to 1922, making the industry around 96 years old. Emperor Zewditu Menelik was in charge of Ethiopia, and Addis Ababa, the country's capital, had not even been 30 years old in those days. During ancient times, Addis Abeba was home to a significant population of "tukuls" (grass-roofed cottages). It is just beginning to prepare to host things such as inventions, the light of civilization, new developments and advancements, and other significant stuff along these lines. The creation of roads, the production of vehicles, the beginning of the construction of modern dwellings, the publication of newspapers, the opening of schools, and the introduction of trains are all examples of events that occurred during the modern era. A further possibility that happened recently was the founding of a brewery (Ethiopian Ministry of Industry, 2020). International beverage companies are engaged in fierce competition in Ethiopia, one of the countries in Africa with the highest economic development. These companies are striving for a more significant share of a market that is expected to expand. This trend is being followed by businesses all over the continent as they search for new markets to offset the sluggish growth in the West.

As a result, this research aims to evaluate the effect of promotion strategy on a firm's performance in the Breweries business in Ethiopia.

### **Statement of the Problem**

Due to the dynamic nature of business and the business environment, the present is relatively different from what it was in the past. Nowadays, marketing is becoming more and more critical in this modern life. Every company uses marketing Strategy to success and move forward. In this regard, Promotion plays a crucial role in increasing company profitability and market share and, therefore, should be emphasized by the organization.

Promotion involves disseminating information about a product, product line, brand or company. It is one of the four critical parts of the marketing mix. The Promotion aims to inform, remind and convince the target audience about the organization and its products (Adesoga, 2015).

Literature reveals that empirical support for the relationship between the promotion strategy and a firm's business performance has been provided by several studies.

According to Adefulu (2015), who researched the effects of promotional strategy on organizational market share and profitability, promotional tools have a significant statistical impact on profitability.

Amine and Cavusgil (2001) and Francis and Collins-Dodd (2004) each conducted their study and came to the same conclusion. There is a positive relationship between Promotion and the success of a firm.

According to the findings of Alphonse et al. (2012), there is a correlation between the amount of money spent on promotional methods and the level of profitability experienced by the bank.

Numerous studies on promotion strategy have been carried out at international levels; however, these studies have mainly concentrated on marketing literature and marketing theory rather than Promotion practice. As far as the researcher's knowledge, no research has been done on promotional strategies in the brewing sector in Ethiopia.

As a result, the purpose of the study was to investigate the effect that promotion mix strategy has on the performance of firms functioning in Ethiopia's brewery business.

The objective of the study

Examine the effect of the Promotion mix strategy on the firm's performance in the Brewery industry.

Research Hypothesis

Ha: Promotion mix strategy has a significant positive effect on the firm's performance

## RESEARCH DESIGN

This research aimed to examine the effects of promotion strategies on firm performance. The researcher employed descriptive and explanatory research designs to achieve the objective. An explanatory study design was also applied to clarify, comprehend, and forecast the relationship between the variables. Because the data was gathered all at once, the researcher used a cross-sectional survey to investigate how promotion mix strategy affected business performance.

### Research Approach

The quantitative research method, as well as the qualitative approach are the two main ways to conduct research. The qualitative method is concerned with the subjective evaluation of attitudes, views, and behaviours, while the quantitative approach includes collecting facts in quantitative form (Kothari, 2004). The study employed a quantitative research technique to achieve its goals.

### Target Population

Currently, 12 breweries owned by six significant brewers, who together produce at least 24 distinct beer brands, are active. The study's target population consisted of all six influential brewers and the marketing department staff from 12 brewery-producing firms since the study's goal was to determine how promotion mix strategy affected a firm's performance in the context of Ethiopia's brewery sector. The focus is not on the businesses' other functional areas.

### Sampling Technique

This study was conducted on brewery factories in Ethiopia. Since it is impractical and unnecessary to consider all factory employees, the sample was selected only from the marketing department using nonprobability or purposive sampling. This is because personal judgement selects subjects considered representative of the population (Black, 2011). Researchers often believe that they can obtain a representative sample by using sound judgment, which will result in saving time and money.

### Sample Size Determination

Sample size determination is selecting the number of observations to include in a sample. The sample size is an essential feature of any study or investigation that aims to make inferences about the population from a sample. Singh *et al.* (2014). Sample size determination is a scientific task that should be performed with proper care (Zikmund, 2010).

The sample size for the study was determined using the formula developed by Taro Yamane (1970).

$$n = \frac{N}{1 + N(e)2}$$

**Where:** n= the sample size/ required sample size

**N** = the total population size

**1** = designates the probability of the event occurring.

**e**= the level of precision (Sampling error that can be tolerated, which is 5%).

According to the Human resource director of each company, there are a total of 2512 marketing employees. By using this formula at a **95%** confidence level and 5% level of precision, the sample size was determined as follows:

$$\frac{2512}{1+2512(0.05)^2} = 345.549 = 346$$

Therefore, of the 2512 employees of the brewery factories, a total of 346 sample respondents were selected in this study.

### **Data Type and Data Source**

When gathering data, there are two different sorts of sources: primary and secondary data sources. Primary data are collected fresh and for the first time, making them unique by nature. On the other hand, secondary data have already been gathered and subjected to the statistical process by another party (Kothari, 2004). As a result, only the primary data source for the present research was gathered using closed-ended questionnaires.

### **Data Collection Instruments**

The researcher employed a well-designed questionnaire as the best tool to get the necessary data. The questionnaire was designed using straightforward language to collect valuable data from the respondents. In any survey requiring respondents to fill out the questionnaire, the purpose behind its structure and design is crucial (John A. et al., 2012). So, using questionnaires, the researcher collected the required information from the workers at the brewing plants.

The question was in statement form, and employees were asked to express their agreement or disagreement on a five-point Likert scale (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree).

### **Method of Data Analysis**

The data was examined to see if any mistakes the respondents could have made after being obtained using a questionnaire. The data was then manually entered into SPSS version 21 and coded. Techniques for quantitative data analysis were used. In this study, descriptive statistical methods like mean and standard deviation, as well as inferential statistical techniques like correlation and regression, were used to analyze the data. The study was conducted to determine if there is a significant, direct relationship between promotion strategy and company performance, and correlation analysis was carried out. Regression analyses were finally performed to establish the percentage by which the independent variable explains the dependent variable.

## RESULT AND FINDINGS

The data collected to examine how a marketing mix strategy affects business performance is presented, analyzed, and evaluated here.

### Response Rate

**Table 1: Shows the Response Rate of the Questionnaire**

Number of Respondents	Returned Questionnaire	Response Rate
346	310	90%

Source: Field Survey 2022

There were 346 questionnaires sent out to workers at the company, and 310 of them were handed back, resulting in a response rate of 90%.

### Descriptive Statistics

**Table 2:- Mean score and standard deviation for promotion strategy**

Descriptive statistics

No	Items	N	Mini mum	Maxi mum	Mean	Std. Deviation
1	My organization's promotions elicit attention, interest, desire and action.	310	4	5	4.62	.486
2	People know our products based on our promotional strategy.	310	3	5	4.72	.457
3	My organization applies advertising as one of the promotional strategies	310	3	5	4.73	.452
4	We use printing media for advertising our product	310	4	5	4.23	.421
5	We use electronic media for advertising our product	310	4	5	4.81	.396
6	My organization applies personal selling as one of its promotional strategies	310	1	2	1.67	.469
7	Our promotional strategy influences the rate of purchase positively.	310	4	5	4.78	.414
8	Our promotional activities are frequently updated	310	3	5	4.77	.426
9	My organization Participates in community development and public affairs.	310	3	5	4.77	.426
10	The promotional activity of my organization is ethical.	310	3	5	4.55	.504
11	My organization uses a flurry of media, including internet email, fax, telemarketers, in-store advertising etc.	310	3	5	4.55	.505
12	The promotion message of my organization is informative, persuading and reminder	310	3	5	4.56	.504

13	My organization applies for sales promotion as one of the promotional strategies	310	4	5	4.41	.493
14	We offer free Samples for our customer	310	4	5	4.38	.486
15	We use Cash Refund Offers (rebates) as a sales promotion tool	310	4	5	4.21	.408
16	We use Price Packs as a sales promotion tool	310	4	5	4.46	.499
17	We provide Product Warranties as a sales promotion tool	310	4	5	4.47	.500
18	We use Price-Off (off-invoice or off-list) as a sales promotion tool	310	4	5	4.46	.499
19	We provide Free Goods as a sales promotion tool	310	4	5	4.46	.499
20	We use Sales Contests as a sales promotion tool	310	4	5	4.42	.494
	Grand mean				4.4	0.4669

Source: Field Survey 2022

As shown in Table 2, the mean scores for the 20 statements used to analyze the impact of promotion strategy on firm performance ranged from 1.67 to 4.81. Respondents agreed with the construct that we use electronic media to advertise our product (mean 4.81 standard deviations of deviation.396), that our promotional strategy influences the rate of purchase positively (mean 4.78 standard deviations of deviation.426), and that our promotional strategy influences the rate of purchase negatively (mean 4.78 standard deviations of deviation.426), Our promotional activities are frequently updated (mean 4.77 Std. Deviation.414), my organisation is involved in community development and public affairs (mean 4.77 Std. Deviation.426), my organisation uses advertising as one of its promotional strategies (mean 4.73 Std. Deviation.452), people are aware of our products because of our promotional strategies (mean 4.72 Std. Deviation.457), and my organization's promotions elicit attention, interest, desire, and action (mean 4.62 Std. Deviation .486), My organization's promotional message is informative, persuading, and reminding (mean 4.56 standard deviations from the mean of.504), and my organization's promotional activity is ethical (mean 4.55 standard deviations from the mean of.504), My organisation uses a variety of media, including internet e-mail, fax, telemarketers, in-store advertising, and so on (mean 4.55 standard deviations of deviation.505), we provide product warranties as a sales promotion tool (mean 4.47 standard deviations of deviation.500), we use price packs as a sales promotion tool (mean 4.46 standard deviations of deviation.499), We use price-off (off-invoice or off-list) as a sales promotion tool (mean 4.46 Std. Deviation .499), we provide free goods as a sales promotion tool (mean 4.46 standard deviation of.499), and we use sales contests as a sales promotion tool (mean 4.42 Std. Deviation .494) One of my organization's promotional strategies is sales promotion (mean 4.41 standard deviations from the mean of.493), and we use cash refund offers (rebates) as a sales promotion tool (mean 4.21 standard deviations from the mean of.408). However, respondents (mean 1.67 standard deviation.469) disagree with personal selling as one of the promotional strategies.

This instance (Kotller, 2010) supports the idea that selling high-value and more technical goods depend more on human sales. The buyer must have faith in both the vendor and the goods. The findings were similar to those of Abayneh (2019), who discovered that most respondents agreed with all of the promotion mix's elements, including the usage of advertising, sales promotion, personal selling, publicity, direct marketing, and its impact on profitability (mean value above 4.00).

### Inferential Statistics

#### Correlation Analysis

The Pearson correlation coefficient was used to examine the relationship between the promotional mix strategy and the firm's performance. The table below shows the correlation study's results.

**Table 3**

<b>Correlations</b>			
		<b>Promotion</b>	<b>Performance</b>
Promotion	Pearson Correlation	1	.788**
	Sig. (2-tailed)		.000
	N	310	310
Performance	Pearson Correlation	.788**	1
	Sig. (2-tailed)	.000	
	N	310	310
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 3 above depicts the correlation matrix between the dependent variable (firm performance) and the Ethiopian brewery industry's independent variable (promotion mix strategy). Promotion mix strategy and company performance have a strong positive and statistically significant association, as seen in the above table ( $r = .745$ ,  $P < 0.01$ ).

### Regression Analysis

#### Coefficient of Determination

**Table 4**

<b>Model Summary<sup>b</sup></b>				
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.788 <sup>a</sup>	.620	.619	.01823
a. Predictors: (Constant), Promotion				
b. Dependent Variable: Performance				

According to the Model Summary (Table 4), this study's correlation coefficient (R-value) is .788. This means a positive and statistically significant link exists between the dependent variable (the promotion mix approach) and the independent variable (firm performance).



The R-square (R<sup>2</sup>) measures how much of the variation in the dependent variable the regression model can account for. It could also show that the coefficient of determination, or R square value, is .620, indicating that the independent variables explained 62% of the variance in the dependent variable (firm performance) (promotion mix strategy). The other 38% of the change in the company's performance is due to something that was not taken into account in this analysis.

Another critical component is the adjusted R square (adj.R<sup>2</sup>). The value of .619 indicates that the predictors retained in the model account for 61.9% of the variance in the outcome variable.

**Table 5**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.167	1	.167	503.125	.000 <sup>b</sup>
	Residual	.102	308	.000		
	Total	.270	309			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Promotion						

Table 5 of the ANOVA demonstrates a significant relationship between the independent (promotion mix method) and dependent variables of the research (firm performance) with a value of 503.125. It is noteworthy that the f-value is highly significant at 0.000b.

Consequently, the model as a whole is significant.

**Table 6**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.069	.128		8.350	.000
	Promotion	.728	.032	.788	22.430	.000
a. Dependent Variable: Performance						

According to the correlation coefficient shown in the table above, an increase of one unit in the promotion mix strategy will result in a rise of 72.8% in the firm's performance. Also, the beta value for the promotion strategy is 0.788, which indicates that the promotion mix strategy significantly influences how well the organization performs.

### Hypothesis Testing

Ha2: Promotion strategy has a significant and positive influence on organizational performance.

According to the results of the multiple regression analysis in Table 6, promotion strategy has a significant impact on organizational performance. The p-value of 0.05 (0.000 < 0.05) and the beta value of ( $\beta = 0.788$ ) show that the promotion approach has a positive effect on performance.

Thus, the alternative hypothesis that promotion strategy has a significant and positive effect on organizational performance was accepted, whereas the null hypothesis was rejected.

The results of this study support the conclusions of Gbolagade and Oyewale (2013), who found that an effective marketing strategy significantly contributes to the effectiveness of a company. Colpan (2006) and Owomoyela et al. (2013) demonstrated a positive and significant relationship between Promotion and firm performance.

Another research by Mustapha (2017) and Zekarias (2019) found an association between promotion strategy and company performance.

## **CONCLUSION**

The study's goal was to find out how the company's promotion strategy affected its performance.

The researcher discovered that the companies use electronic media to promote their products, that their promotional strategies positively affect the purchase rate, that their promotional efforts are regularly updated, and that they are involved in public affairs and community development. On the other hand, personal selling was not used by the firms.

On the other hand, it is pointed out that there is a strong positive and statistically significant relationship between promotion strategy and company performance.

## **RECOMMENDATION**

The study's goal was to find out how the company's promotion strategy affected its performance.

The industry spends millions of dollars promoting their product and ideas in this competitive era. Therefore, the promoters should prepare a clear message and identify their target customers. The messages should be updated frequently and provide free products on weekends. The objective of the Promotion is also suggested to be a reminder. The companies suggested focusing on sales promotion, public relations, and direct marketing.

Finally, it is suggested that advertising strategies be linked with product planning, pricing, and distribution. Promotion may be influenced by the product's distinctiveness and price competitiveness. Therefore, Promotion must align with the other marketing mix components.

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