

UNDERSTANDING THE INFLUENCES OF SALES PROMOTION ON
CUSTOMER'S DECISION MAKING:
A STUDY OF FOOD AND BEVERAGE PRODUCTS

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I hereby declare that I have checked this project and in my opinion, this project is adequate in terms of scope and quality for the award of the degree of Bachelor of Technopreneurship.

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Laporan ini dikemukakan sebagai
memenuhi sebahagian daripada syarat penganugerahan
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STUDENT'S DECLARATION

I hereby declare that the work in this thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Universiti Teknikal Malaysia Melaka (UTeM) or any other institutions.

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ABSTRAK

Tujuan kajian ini adalah untuk mengenal pasti hubungan antara jenis promosi jualan dalam produk makanan dan minuman serta pengaruh promosi jualan terhadap keputusan pelanggan. Populasi kajian ini terdiri daripada 150 responden dari Kuala Lumpur. Responden dalam kajian ini adalah dipilih secara kemudahan. Borang soal selidik telah diedarkan kepada responden untuk analisis statistik melalui platform media sosial. Kajian ini menggunakan Pakej Statistik untuk Sains Sosial (SPSS) untuk menganalisis data yang dikumpulkan. Kajian ini mendedahkan beberapa dapatan kajian termasuk: Promosi monetari dalam produk makanan dan minuman mempunyai pengaruh positif terhadap pengambilan keputusan pelanggan; Promosi bukan monetari dalam produk makanan dan minuman mempunyai pengaruh positif terhadap pengambilan keputusan pelanggan. Berdasarkan dapatan kajian, sesetengah kesimpulan dibuat paling penting ialah memahami promosi apa yang akan membawa lebih banyak nilai dan faedah.

Kata kunci: Promosi jualan, keputusan pelanggan

ABSTRACT

The purpose of this research is to identify the relationship between the types of sales promotion in food and beverage products and the influences of sales promotion on customer's decision making. The population of the research is made up of 150 respondents from Kuala Lumpur. The paper used convenience sampling for the selection of the respondents. Questionnaires were distributed to the respondents for statistical analysis through social media platform. The research utilized Statistical Package for the Social Sciences (SPSS) to analyze the data collected. The research revealed a number of findings including such as: Monetary promotions in food and beverage products have positive influences on customer's decision making; Non-monetary promotions in food and beverage products have positive influences on customer's decision making. Based on the findings, some conclusions were made most importantly to understand which sales promotion will bring more values and benefits.

Keywords: Sales promotions, decision making

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This research is about understanding the influences of sales promotions on customer's decision making: A study of food and beverage products. The purpose of this chapter is to outline the background of the study, provide an overview of the problem statement, research objective, research questions, and described its scope and significance.

1.2 Background of study

Marketing departments has received much attention in both the popular press and academic literature in this recent years (Dixon et al., 2014). Marketing department has a direct effect on profitability and sales so it is one of the important role in business. Marketing strategies also able to identify the customer needs and deliver useful

information about food and beverage products. It is clearly found that sales promotion able to attract customers to purchase in Malaysia. (De Run et al., 2010).

According to Gu and Kim (2002), the food and beverage industry have been changed dramatically and grow very fast in the global market. Marketing strategies include analyse of food and beverage product and it have been considered in depth in the literature (Dunn and Wickham, 2015). The food and beverage industry operated at different levels of society. Food and beverage is common and universal to human life and it also plays a unique role in expanding economic opportunity.

Promotions explained as Integrated Marketing Communication (IMC) are the main persuasive element used to connect with the market by communicated with message and idea. Adoption of strategies in a company may reinforce the variety of promotional elements. (Familmaleki et al., 2015).

Rojuee et al. (2017) explained that sales promotion is a set of diverse and often short-term stimulant tools used to stimulate consumers or business unit to buy faster or buy more goods or services provided. It is clearly demonstrated there will be a long-run profitability with sales promotion (Tsiros and Hardesty, 2010). Once the products are researched and developed, promotion can be a key element in communicating the benefits of products. It is obvious that sales promotions can guide business into the development of financial goals. Well-designed marketing and promotional strategies bring in more customers, ensure long-term success and profitability for businesses.

Hanssens et al. (2001) have found that sales promotion has a direct influence on the total sales of business. Sales promotion activities are primarily used to attract new customers, lead existing customers to purchase more and encourage customer switching in the Malaysian retail environment (De Run et al., 2010). However, it is believed that the goal of sales promotion is to increase profit margin in instant sale by attracting existing and potential customers toward business activities. An effective marketing strategy can serve as a determinant road map for the whole business for all industry. A coherent and well-considered marketing strategies enable food and beverage industry to promote their products. Hence, an effective marketing strategies is important in maintaining a long term benefits.

A sales promotion can motivate customer's purchase decision through the market strategies activities but different from advertising and public relations. It can be said that sales promotions were a types of activities that provide some incentives when purchase specific products while this is totally different from incentives from advertising with respect to the reason of purchase specific products. The main target of sales promotion is to retain customers continue to purchase and attract new customers by giving them incentives to change their decision making from competitive products. Sales promotion had an immediate effect on decision making so it can be different depends on the situation and the need of customers (Familmaleki et al., 2015)

However, despite that food and beverage industry can promote their products by sales promotions, some industry never realize the full benefits of it and encounter a lot of problems such as failure in maintaining effective and efficient strategy performed. Therefore, one of the major concerns in marketing strategy is that what promotional strategies should be carry out in promoting food and beverage products. Analysing and considering the suitable promotional strategies that can be perform to fulfill customer needs in obtain the information of food and beverage products.

In general, there have been a plenty of research and study done on marketing strategies, however there are only little academic oriented research on sales promotions related issues. Most of them are insensible of the factual essence of this sales promotions in food and beverage products towards customers. Keeping these drawbacks, this research is carried out to understanding the influences of sales promotions on customer's decision making with a study on food and beverage products.

1.3 Problem Statement

The past researchers the Wang and Tsai (2014) found that there are many challenges faced by food and beverage products in the development. There are a lot of uncertain elements like high price and lack of confidence towards product characteristics (Van Loo et al., 2011). When customers don't understand the product details it will cause them not willing to purchase. (Yin et al., 2016).

Customers found it was difficult to understand the true information of food and beverage products which lead to the purchase decision (Tang et al., 2014). In other words, it was hard to convince customers to purchase food and beverage products when they didn't receive any benefits or understand the products before making a decision.

Cucchiara et al. (2015) thus suggested that it was necessary to develop and execute marketing strategies to provide information for customers, which then assist customers to make purchase decisions as one of the major issue that might occur in future food and beverage products studies.

From the past researchers, it can be concluded that there are challenges faced by food and beverage products that will influence on customer's decision making. However, there are also limited study that focus on types of sales promotion in food and beverage products and influences of sales promotion on customer's decision making. Hence, this concern had formed the underlying problem of this study: whether the sales promotion can influence customer's decision making on food and beverage products and the effectiveness of sales promotions affect customer's decision making in purchasing food and beverage products.

1.4 Research Questions

The researcher should answered the following research questions:

- RQ1: What are the types of sales promotion in food and beverage products that will influence customer's decision making?
- RQ2: What are the most effective types of sales promotion in food and beverage products that will influence customer's decision making?
- RQ3: What are the relationship between the types of sales promotion in food and beverage products and the influences of sales promotion on customer's decision making?

1.5 Research Objectives

The goal of this research was to determine the practice of the types of sales promotion in food and beverage products and influences of sales promotion on customer's decision making. In order to achieve the ultimate intention of this research, the objectives that were essential to be achieved are as follow:

- RO1: To identify the types of sales promotion in food and beverage products that will influence customer's decision making
- RO2: To determine the most effective types of sales promotion in food and beverage products that will influence customer's decision making
- RO3: To identify the relationship between the types of sales promotion in food and beverage products and the influences of sales promotion on customer's decision making

1.6 Scope of study

The study focused on the types of sales promotion in food and beverage products and how it influences on customer's decision making. The content scope comprised types of sales promotion in food and beverage products, as the independent variable and influences of sales promotion on customer's decision making as the dependent variable. The project based customers that were study in this research was limited to the 150 respondents. This research using online survey form to get respondent's feedback on sales promotion. Those respondents can answer the questionnaire through online because of the time essence and convenience. It covered for all purchase enabled customers in Kuala Lumpur to gain a deeper understanding the types of sales promotion in food and beverage products and influences of sales promotion on customer's decision making.

1.7 Significance of the study

The study focused on the types of sales promotion in food and beverage products and influences of sales promotion on customer's decision making is important. It is an important instrument in marketing to lubricate the marketing efforts. The study also determined the effective types of sales promotion which is also one of the marketing activity that can advertise food and beverage products in the market on customer's decision making. Customer satisfaction also can be meet by understanding and fulfill customer's needs. Sales promotion is most effective when it is tailored to the customer's decision making of a particular customers. Sales volume of food and beverage products in the market could be increase by sales promotion. It is one of the best marketing tools to boost sales in the market. Hence, there are a connection between types of sales promotion in food and beverage products and influences of sales promotion on customer's decision making. The study findings also build on the existing

body of knowledge and literature to provide the academia who wish to carry out further study in the related field with information that they could access for reference purposes.

1.8 Summary

This chapter introduced the background of sales promotion in food and beverage products and influences of sales promotion on customer's decision making in the market followed by the problem underlying the research. Then the researcher discussed further on the research objectives, research questions, scope of study and significance of the study.

CHAPTER 2

LITERATURE REVIEW

2.1 Overview of food and beverage products

Kovach and Cho (2011) described food and beverage industry consist of complex steps that ranges from farming to production to packaging to distribution and it is a large, collective, diverse business. It is a continuous process to manufacture food and beverage products in the market.

A survey by Firdaus and Kanyan (2014) indicated as the food and beverage products evolves and competition intensifies. The great challenges facing by food and beverage products were compete with others to gain competitive advantage and maintain the benefits given to customers. In this dynamic and rapidly changing market, it is crucial for the food and beverage industry explore more creative methods to achieved competitive advantage and respond to the changing market needs.

The food and beverage industry continue to play the role to ensure human health and benefit in both developed and developing countries (Pfitzer and Krishnaswamy, 2007). The food and beverage products had always changing tastes and preferences of the customers by understanding their preferences towards products. Normally customers receive the message of food and beverage products through marketing strategies that exist in the world.

Wilson (2013) also stated that food and beverage industry important in supplying food and beverage for human consumption, satisfying one basic human need, and to generate income for human in order to sustain economy of a country.

2.2 Overview of sales promotion

The effectiveness of sales promotions is the issue mainly concerned by academics (Ndubisi and Chiew, 2006). Sales promotions provide a real and perceived value that a customers may experience in term of special offer (Alvarez and Casielles, 2005). In food and beverage retailers worldwide, sales promotions are an important tool in the marketing mix. Most of the marketing budget is directed to promotional sales for many consumer packaged products (Srinivasan et al., 2004). The role of sales promotions is to attract customers to the store and to advertise certain products (Janine et al., 2015).

Jamal, Peattie and Peattie (2012) state that there was few research have discovered the advantages of having sales promotion in food and beverage products and the influences on customer's decision making. Studies in Malaysia found that sales promotions would seem to be the most appropriate method for retailers or manufacturers to pursue customer's in decision making (Ndubisi and Chiew, 2006). Therefore, it is clearly to understand the sales promotions can be a powerful marketing platform.

A study of Familmaleki et al (2015) said that sales promotions directly affected the long run of a business and able to increase sales. It was the result from decision making process affected by sales promotions that cause customers to purchase. In other

word, sales promotion can effectively deliver information of food and beverage products to customers on the timely manner, and meet the desired objective.

Peattie and Peattie (2013) indicated that sales promotions can be explained as the activities that occur in specific location, time and in a group of customers which provided them benefits and information needed to pursue and attract them to make faster decision making.

Teck and Cyril (2013) found that it is quite evident customers like sales promotions in the Malaysian context. Customers prefer sales promotion because sales promotions beneficial to them due to added value of products, convenience and increase of quality and monetary savings.

Vecchio et al. (2016) mentioned that consumers willing to purchase food and beverage products when they received correct information of the products. For example, food and beverage businesses increase customer's confidence toward their products with sales promotions to deliver important message to customers (Phillipov, 2016). Thus, sales promotion in food and beverage products aid in better understanding of the utilitarian benefits and build customer relationship and form their loyalty towards specific products.

Sales promotions are essential in promoting increase sales, build awareness and form a strong brand equity among consumers. Although sales promotions may lead to lost of costs but it is critical to aim at the appropriate market. This is in line with studies that argued that suitable and proper promotion techniques apply at the right time, right place, right product to the customer result in positive influences in the market (Philip et al., 2014).

2.3 Types of sales promotion

Sales promotion can be described as temporary and tangible monetary or non-monetary incentives that will cause a direct impact on consumer behaviour (Chandon et al., 2000). Sales promotions comprised a wide variety of promotional tools designed to achieve short-term objectives. Monetary promotions have direct influences on the cost and benefit of a product such as reducing the price. While non-monetary promotions provide benefits in terms of fun and entertainment that do not have direct monetary savings. In the market, there are monetary promotions and non-monetary promotions apply over variety of products. (Oliver et al., 2015).

2.3.1 Monetary promotions

Monetary promotions consist of price discounts and coupons, are the most common form of sales promotions used by organisations (Tang et al., 2014). Monetary promotions primarily provide utilitarian benefits such as monetary savings, more quality for the same price or reduction in search costs (Chandon et al., 2000).

Price discounts

Price discounts is perhaps one of the most often used marketing strategies as a tactic to induce sales. Price discounts offer affective, informational and economic benefits for the customers (Honea and Dahl, 2005). As noted by Hu et al. (2006), numerous studies have shown that customer's purchase decision are affected by how price discounts are framed.