



## Impact of sales promotion on customer loyalty: A study of telecommunication sector in Nigeria

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### Abstract

The purpose of this study is to evaluate the impact of sales promotion on customer loyalty in the telecommunication sector in Nigeria. The population of this study is made up of the customers of mobile telecommunication network (MTN), one of the leading network providers in Nigeria. The sample size of this study was obtained through convenience sampling method. The Likert five (5) scale interval rating questionnaire was used as the primary source of data collection. 350 questionnaire was designed to collect data from the customers of the network provider within Bauchi Metropolis. Correlation analysis and Anova was use to analyze and interpret data collected from respondents. The study found that not all sales promotional incentives has an impact on customer loyalty and recommended that MTN, should identify and employ the most appropriate incentives for different customers base so as to induce loyalty.

**Keywords:** customer loyalty, sales promotion, behavior, retention

### Introduction

The world being a global economy has resulted in business organizations all over the world to face a lot of competition due to the emergence of several companies that has brought about a large number of goods and services available to consumers to choose from. The competitive market has force most businesses to engage in different marketing strategies to attract and trigger the interest of consumers to not only patronize but to also gain their loyalty.

Sales promotion is one of the marketing techniques that is concern with the means an organization can communicate its products and services to consumers. It is a short-term act of creating awareness, persuading, influencing and reminding consumers about a product or service. A consumer who has no knowledge about a product or service can be aware of it through promotional activities (Mariole & Elina, 2005)<sup>[12]</sup>.

Sales promotion involves gaining customer loyalty, increase repeat purchase and facilitates profit maximization. Promotion campaigns can help a business to gain competitive advantage if well implemented. This is in line with the view of (Das & Kumar, 2009)<sup>[3]</sup> which states that sales promotion can instigate continuous increase in sales in the long-term if it has successfully resulted in loyalty.

The Telecommunication industry just like any industry across the globe continues to grow even among tighter competition. As competition deepens, the fight to gain and retain customer's loyalty broadens, especially in the service industry (Vithya, 2017). The Nigerian telecommunication sector is not an exception to this increasing competition with different network providers competing to gain the largest market share. In order to compete successfully in a dynamic and competitive market, the Nigeria Telecommunication Network (MTN) has to constantly come up with promotion strategies that will beat that of competitors to gain and retain potential and existing customers in other to maximize profit and have a competitive advantage.

Several studies have been conducted on the impact of sales promotion as a marketing tool with different views on the

influence of sales promotion on the behavior of customers. The general consensus is that sales promotion induces consumers to act positively towards an organization's product or services. However, (Omotayo, Abiodun, & Osibanjo, 2011)<sup>[16]</sup> are of the contrary view that sales promotion is only a short-term stimulus which does not necessarily transcend to repurchase.

It has been established by existing literatures that only customers with repeat purchase are profitable to an organization (Nagar, 2009; Hussein & Gholam, 2013; Dimitrides, 2006)<sup>[15, 6, 5]</sup>. This shows that sales promotion as a marketing tool is vital and research must be undertaken to explore its potential fully. It is against this backdrop that this study evaluates the impact of sales promotion on customer loyalty in the telecommunication sector in Nigeria with specific focus on the customers of MTN within Bauchi metropolis.

### Statement of Problem

Sales promotion is primarily targeted at driving up the sales volume of an organization product or services. However, there is a general perception that this promotional tool is short term, very expensive and the return on investment in this area cannot be easily quantified or determined. Consequently, most business in Nigeria does not take it seriously. Also some of the items used for sales promotion by organizations do not necessarily impact on consumer patronizing behavior or the ability to retain existing customers. Hence, this study aims to ascertain the extent to which sales promotional tools such as airtime bonus, free sim pack and free data influence the patronizing behavior and the ability to retain customers of MTN within Bauchi metropolis.

### Statement of Hypotheses

The following null hypotheses are stated and will be tested with the purpose of achieving the objectives of the study;

**H<sub>01</sub>:** Sales promotional tools (airtime bonus, free sim pack and free data) does not significantly influence the

patronizing behavior of customers of MTN, within Bauchi metropolis

**H<sub>02</sub>:** Sale promotional tools (airtime bonus, free sim pack and free data) do not significantly affect the ability to retain customers of MTN, within Bauchi metropolis

## Theoretical Framework and review of literature

### 1. Sales Promotion

The American Marketing Association (AMA) in 1935 as cited in (Bello, 2009)<sup>[1]</sup> defined sales promotion as a media and non-media marketing technique applied for a predetermined, limited period of time in order to stimulate trial, increase consumer demand, or improve product quality. This definition seems limited, as it has not captured contemporary elements of modern sales promotion. (Saeed, Nisar, Lodhi, & Arshad, 2013)<sup>[17]</sup> define sales promotion as any activity that offers an incentive for a limited period to induce a desired response from target customers, company sales representatives, or intermediaries. This definition may seem obsolete but to a large extent, it captured relevant issues such as “limited period” and “inducement to achieve desired response”.

Omotayo, Abiodun, & Osibanjo, (2011)<sup>[16]</sup> on their part viewed sales promotion as various activities, other than advertising, personal selling, publicity aimed at arousing interest to stimulate trial and compel purchase by consumers of a particular product or range of products. (Kotler & Keller, 2012)<sup>[11]</sup> are of the opinion that sales promotion is an adverse collection of incentive tools mostly short term that is design to stimulate quicker or greater purchase of particular brand, product or service by consumers or traders. Jobber & Lancaster (2009)<sup>[7]</sup>, captured sales promotion as a package of incentives designed to stimulate purchase by customers. Likewise, (Khan, 2009)<sup>[9]</sup> define sales promotion as a direct inducement that offers an extra value or incentive for sales representatives, distributors or the ultimate consumers of a product.

Kevin (2006)<sup>[8]</sup>, is of the view that sales promotion is a key ingredient in marketing campaigns and it consists of a collection of incentives tools, mostly short term, designed to stimulate quick purchase of a product. Conclusiely, sale promotion is a short term marketing tool use by organization to encourage or motive purchase of a product or service with the aim of gaining customer loyalty.

### 2. Customer Loyalty

Customer loyalty has been considered to be an important factor which leads to gain competitive advantage over other firms under a highly competitive and dynamic environment. It is a multi-dimensional construct that is built on two components, attitude and behavior. De Chernatony & Segal-Horn (2003)<sup>[4]</sup>, defined customer loyalty as a promise of buyers to purchase particular products, services and brands of an organization over a consistent period of time, irrespective of competitor’s new products and innovations and these customers are not compelled to switch. Loyal customers positively view the organization, endorse the organization to others, and would engage in repurchase (Dimitrides, 2006)<sup>[5]</sup>. Similarly, (Mohammed & Amanolla, 2013)<sup>[14]</sup> defined customer loyalty as an evidence of the repeated patronage of a service provider and the recommendations of a service provider to other customers. Furthermore, it is considered as the intention of the buyers to make the purchases again and again to build a continuous

relationship with the organization (Taylor, Celuch, & Goodwin, 2004).

Mei-Lien & Green (2011)<sup>[13]</sup> defined customer loyalty as a deep-held commitment to rebuy or repatronize a preferred product in the future despite situational influences and marketing efforts having the potential to cause switching behavior and recommending the product to others. Loyalty is linked with repeat purchase. Thus, a customer is loyal when he/she is frequently repurchasing a product or a service from a particular provider (Hussein & Gholam, 2013)<sup>[6]</sup>.

Thorbjorsen & Supphellen (2011)<sup>[19]</sup> view customer loyalty as customers being committed to an organization’s product or services and using word-of-mouth to recommend it to family and friends. According to (Komund & Osarenkhoe, 2012) customer loyalty involves repeat purchase behavior as triggered by marketer’s activities such as sales promotion and advertising. But this definition also ignored positive referrals. Customer loyalty is not gain by accident rather they are constructed through designed decisions and deliberate efforts (Benneth & Rundle-Thiele, 2002)<sup>[2]</sup>.

According to (Saeed *et al*, 2013)<sup>[17]</sup> loyalty from service provider perspective is seen as an unselfish condition of commitment where the customers’ needs and interest are put before that of the service providers. They emphasized the importance of selflessness in order to gain customer loyalty. Hence customer loyalty can then be summed up to mean continuous devotion to an organization’s product or service in spite of other available options from competitors.

### Study Methodology

The Telecommunication sector in Nigeria was the focus area for this study. The customers of Mobile Telecommunication Network (MTN), one of the leading network providers made up the population of the study. A sample of 350 customers from the service provider was obtained through convenience sampling method. This technique was employed because of the nature of the study. The Likert five scale interval rating questionnaire was used to collect data from respondents. A total of 350 questionnaire were distributed out of which 290 were returned which is sufficient for this study. Data collected were analyzed using simple percentage (%), correlation coefficient ( $R^2$ ), and the analysis of variance (ANOVA). Correlation analysis was adopted to test the extent of the relationship between the independent variable and the dependent variable while ANOVA compares the impact (mean) of the independent variable on the dependent variable.

A pilot study was conducted to check for vagueness and ambiguities in the questionnaire. Prior to the pilot study, the questionnaire was given to academicians in the department of Business Administration, Abubakar Tatari Ali Polytechnic Bauchi to peruse the instrument. Adjustments were made to the final questionnaire as suggested by them. The questionnaire was then piloted to test for reliability. The questionnaire was pre-tested among 80 customers of the telecommunication network before the main study. The reliability of the survey instrument was computed using Cronbach’s alpha coefficients. The reliability coefficient for the two variables exceeded the cut-off of  $\alpha = 0.70$ . Hence, the measurement instrument was adjudged to be reliable.

**Data Presentation and Analysis**

**Table 1:** Response Rate

Network Provider	Questionnaire Administered	Questionnaire Returned	Percentage (%)
MTN	350	290	82.9%

Table 1 shows the response/return rate of questionnaire administered to the customers of MTN within Bauchi metropolis. Out of the 350 questionnaire distributed, 290 were returned representing 82.9% which is sufficient for the analysis of this study.

**Hypothesis Testing**

H<sub>01</sub>: Sales promotional tools (air time bonus, free sim pack and free data) do not significantly influence the patronizing behavior of customers of MTN, within Bauchi Metropolis.

**Table 2:** Model Summary

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std Error of Estimate
1	.196 <sup>a</sup>	.038	-.378	1842751.227

a. Predictors: (Constant) AB, FS, FD  
 b. Dependent Variable: PB

Where AB stands for airtime bonus, FS stands for free sim pack, FD stands for free data and PB stands for patronizing behavior.

Table 2 shows that the relationship between the dependent variable (PB) and the predictors is insignificant as depicted by the coefficient value (R) of 0.196 (i.e. 19.6 %). Additionally, the extent of the influence of the predictors on the dependent variable is 0.038 (i.e. 3.8 %) as depicted by the R<sup>2</sup> value. This means that 3.8 % variation in PB is by the study predictors while 96.2 % variations are by other factors not captured in this study.

**Table 3:** Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig
	B	Std Error	Beta			
1 (Constant)	-547371.742	5.717E6			-.096	.926
FD	-262514.149	1.791E6	-.579		-.147	.888
FS	-84932.842	776642.795	-.203		-.109	.916
AB	26403.765	132780.001	.961		.199	.848

a. Dependent variable: PB

Table 3 shows the coefficient value of free data, free sim pack and airtime bonus as -0.579;-0.203; and 0.961 respectively; meaning for every one percent variation (increase) in sales promotion using free data (FD) and free sim pack (FS), there will be 57.9 % and 20.3% inverse

variation (decrease) in customers patronizing behavior (PB), while there will be 96.1% direct variation (increase) in customers patronizing behavior (PB) using airtime bonus (AB) for sales promotion.

**Table 4:** ANOVA<sup>b</sup>

Model	Sum of Squares	DF	Mean Square	F	Sig.
1 Regression	9.517E11	3	3.172.E11	.093	.961 <sup>a</sup>
Residual	2.377E13	7	3.396E12		
Total	2.472E13	10			

a. Predictors: (Constant) AB, FS, FD  
 b. Dependable Variables: PB

Table 4 displays the overall result with respect to the hypothesis. The F-value or ratio of 0.093 is less than the critical value of 3.55 at 1% level of significance. Consequently, the F-value is within the accepted region, meaning the null hypothesis (H<sub>01</sub>) is accepted.

H<sub>02</sub>: Sale promotional tools (airtime bonus, free sim pack, and free data) have not significantly affected the ability to retain customers of MTN, within Bauchi metropolis.

**Table 5:** Model Summary

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std Error of Estimate
1	.418 <sup>a</sup>	.175	-.179	4.95582506

a. Predictors: (Constant) AB, FS, FD  
 b. Dependent Variable: RET

Where RET stands for retention, AB stands for airtime bonus, FS stand for free sim pack and FD stands for free data.

Table 5 shows that the relationship between the dependent variable (RET) and the predictors is insignificant as depicted by the coefficient value (R) of 0.418 (i.e. 41.8%).Furthermore, the extent of the effect of the predictors on the dependent variable is 0.175 (i.e. 17.5 %) as depicted by the R<sup>2</sup> value, that means 82.5% variables that account for the major variations or changes in the dependent variable (RET) were not captured in this study.

**Table 6:** Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	-7.557	15.374			-.492	.638
FD	-1.789	4.817	-1.360		-.371	.721
FS	-.173	2.089	-.142		-.083	.936
AB	.151	.357	1.890		.422	.686

a. Dependent Variable: RET

Table 6 above shows the coefficient values of free data (FD), free sim pack (FS), and airtime bonus (AB) as -1.360; -0.142, and 1.890 respectively; meaning for every 1% increase in the use of (FD) as a sales promotion item, there will be about 13.6% decrease in the ability to retain (RET) customers. Furthermore, a change in the use of (FS) will result in 14.2% inverse effect on customers staying, while a 1% change in the use of (AB) will bring about 18.9% direct change on the ability to retain (RET) the customers. The F-value or ratio of 0.494 is less than the critical value at 1% significant level. Consequently, the F-value is within the accepted region, meaning the null hypothesis ( $H_{02}$ ) is accepted.

### Conclusion and Recommendations

The results from this study based on hypothesis one ( $H_{01}$ ) and hypothesis two ( $H_{02}$ ) showed that the use of free data, free sim packs, and airtime bonus by MTN for sales promotion has an inverse relationship with customer patronizing behavior and the ability to retain. Hence, it means that sales promotion does not have a significant influence on customer loyalty. This finding is in line with the view of (Das & Kumar, 2009) [3] and (Mariolle & Elina, 2005) [12] who submitted that sales promotion is usually a short-term incentive to drive instant sales that does not necessarily transcend to customer loyalty. Thus, this study recommended that MTN should embark on research to identify and develop the right incentives for different customer base that will have a significant impact on customers patronizing behavior. Also this study recommends that MTN should pay more attention to their customer's needs and expectations so as to motivate repurchase that will lead to retention and ultimately undying loyalty.

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