

**THE EFFECT OF SALES PROMOTION ON BANKS PERFORMANCE:  
THE CASE OF WEGAGEN BANK SC**



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## **ABSTRACT**

*Sales promotion is a marketing strategy which has been studied for years and has become a crucial factor in modern marketing. The main purpose of this study was to assess the effect of sales promotion on banks performance on the case of wegagen bank sc. It assesses the banks sales promotion mix elements usage and their effect on its banks performance. The overall success of the sales promotional campaign has been observed from the perspective of building up performance of the bank. The study was conducted at the 20 branches of the bank located in Jimma District. All the issues mentioned above have been assessed by conducting Questionnaires to 140 wegagen bank Customer and staff that were selected based on convenience, out of which 130 responses were received. The data analysis was conducted through statistical techniques such as descriptive statistics, correlations and multiple linear regressions by using SPSS version 20. And the data has been analyzed by using descriptive and inferential analysis method. The result showed that wegagen bank performance is positively built by its sales promotion. The banks performance positively placed by the Sales promotion campaign and which result coupon, free gift and premium, incentives and loyalty reward have a positive effect on sales promotion. The finding indicates that the effect of sales promotion on brand image is practical and highly affected by the tools used to promote the brand image. From the sales promotion tools premiums is observed as the highest effect on brand image of Wegagen bank. The results indicated that all had a positive correlation with banks performance except displays. Therefore the bank should focus on better application of the sales promotion tools since it was found to prominently affect banks performance. Finally, researcher recommended to the bank while implementing sales promotions they should design or built in strategic plan of promotional activities, coordinated and integrated with other promotional tools.*

**KEY WORDS:** Sales promotion, Coupon, Premium, Point of sales display, loyalty reward, incentives, free gifts and banks performance.

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# Chapter One

## Introduction

### 1.1 Background of the study

Marketing is the direct way in which an organization tries to reach its public. With the growing importance of the financial sector, pressures are escalating for more effective marketing management of the financial services. This is performed through the five elements of the marketing mix. These are General advertisement, Sales promotion, Personal selling, Publicity/Public Relation, Direct Marketing and Interactive marketing (Belch & Belch, 2009).

Sales promotion is one of the most important and bewildering promotional tools of modern marketing management. It is bewildering because of its typically tagged effects and also the difficulty of isolating its effect from other elements in the marketing mix. It could be referred to as a “catch all” for those short term marketing activities which act as an incentive to stimulate quick buyers action such as coupons, sweep take, context, premium, free samples, trading stamp (Bhandari, 2012).

Globally, attracting customers with prizes, lotteries and gifts is a common strategy. Such mechanisms are categorized under the elements of promotion, which is part of marketing mix theory that emerged in the early twentieth century and has since become one of the most enduring and widely accepted frameworks in marketing, the four basic factors that should be considered as a framework for marketing decision making (E. jerome Mccarthy 2017).

Banking industry is one of the prime and highly competitive sectors of the economic as well as financial system. Banks are competing with each other to create and retain their brand image and to ensure sustainable growth by increasing profitability and market share. A bank needs to employ different promotional strategies to attract customers, to make them loyal to the bank and to increase their deposit amount. Now a day’s increasing competition in the business world has forced banks to become more aware of marketing promotion, which has resulted in a shift in the promotion mix to a greater use of promotion tools, which is cost effective in reaching the customer (Boyd et.al.,1998).Sales promotion was the main aim of this study; sales promotion

consists of short-term incentives, in addition to the basic benefits offered by the product or service, to encourage customers usage or sales of that product or service..

The banks performance measurement on banking industry has gone through some major changes during the past few years due to reconstruction of the branch. Banks Performance measures, as we have discussed so far, aim at evaluating the contribution an employee makes on firm value. These measures can be classified as three types of measures: financial measures, non-financial measures and the combinations of measures (G. Mohiuddin, 2014).

For performance measurement there is no single template that suits for banks performance. There is a vast variety of performance measures, both financial and nonfinancial. Financial measurements have been used to assess the performance of firm's profitability, liquidity and credit performance measurements. The most common measure of bank performance is profitability (M. Kumbirai & Robert Webb, 2010).

Non-financial performance measurements (NFPMs) try to capture the non-financial aspects of firm performance such as customers' and employees' satisfaction, product and service quality, market share, efficiency, innovativeness and brand image (Caliboborne & Cole, 2006).

The banking industry in Ethiopia has been no exception, especially in recent years, there has been intense competition among commercial banks to mobilize more deposit and foreign currency, as the most commercial banks in Ethiopian see their financial sources are drying up. Unless banks adopt various sales promotional tools such as corporate gifts, lottery drawings and prize offering they might lose customers.

Financial experts indicate that the effectiveness of various promotional tools depends on the objectives of a bank in order to achieve their short term and long term objectives. For instance, wegagen bank started a remittance lottery and saving deposit coupon program in 2018 and 2021 whose banks gain from remittance remains unchanged and the impact of sales promotion tools is low in Ethiopia's banks (F. brassington, 2018). As the bank focus more on segmented sales promotion activities customers' purchasing history tracked and no priority given for loyal customers, while a repetitive usage of sales promotion the Perception of customers about the bank also affected and its effectiveness limited to short term only, This is the main reason behind the researcher's decision to study this topic.

## 1.2 Statement of the problem

Marketers use different kinds of price-oriented sales promotions such as coupons, rebates, price discounts to increase sales and market share, encourage trial, and encourage brand switching. Non-price promotions such as sweepstakes, frequent user clubs, and premiums add excitement and value to brands and may encourage brand loyalty (Aaker, 1991). In addition, consumers prefer promotions and are always looking to reap benefit from some form of promotion. They provide utilitarian benefits such as monetary savings, added value, increased quality, and convenience, as well as other benefits such as entertainment, exploration, and self-expression (P. Chandon et al., 2000).

Different types of promotional tools may have different effects on sales, profitability or brand equity (Srinivasan& Anderson, 1998). In the analyses of these differences numerous studies distinguish between monetary and non-monetary promotions because each of these categories has clearly differentiated costs and benefits (Chandon.et al, 2000). Monetary promotions, or price promotions, are those actions which allow the consumer to purchase a product at a lower price than usual. Several studies stress the long-term risks and negative effects of these promotions (Diamond &Campbell, 1989). The first argument that would explain why monetary promotions have a negative effect on brand image is that these actions diminish the internal reference price (Kalwani & Yim, 1992). This lower reference price will reduce the perceived brand price, resulting in lower brand equity (Blattberg.et al, 1995), also (Montaner&Pina, 2008) concluded that monetary promotions reduce consumer's expectations regarding the regular price of the product and reduce brand image assessments of the promoted product, on the other hand (Sinha& Smith, 2000) show that price deals have not any effect on banks performance. They also explain sales promotions harm banks performance by diminishing the internal reference price, this lower reference price will reduce the perceived brand price, resulting in lower brand equity and also consumer's expectations regarding the regular price of the product and reduce brand image assessments of the promoted product. Sales promotions are effective demand boosters that do not incur the risks associated with new products (Blattberg&Neslin, 2006). However, sales promotion rarely has persistent effects on sales, which tend to return to pre-promotion levels after a few weeks or months (Dekimpe et al. 2009).



Consequently, the study explains that sales promotion's effect in stimulating long-term growth and profitability for the promoted brand is in doubt (Kopalleet al. 1999).

As it can be proved that sales promotions do not have a constant or continued effect on the volume of product sales of a bank which tend to diminish and come at the initial level at which it was before the sales promotion is being offered. It also explains that sales promotion gives a short-term inducement of value offered to arouse interest in buying a good or service (Akanbi&Ajagbe, 2012). Sales promotion is different tactical marketing techniques with mostly short-term incentives, which are designed to add value to the product or service, to achieve specific sales or marketing objectives (Brassington&Peatti, 2000).On the other hand, research carried out on the Influence of Promotional Strategies on Banks Performance on National Bank of Kenya and they concluded that a positive relationship was found to exist between sales promotional strategic expenditure and bank performance. Spending on promotional mixes individually had little effect on the bank performance (Aliata et al., 2012).

Peatti & Meidan (1996), indicated that due to the conflicting ideas concerning the benefits of sales promotions, a financial service organization must base its decisions upon relevance and usefulness of sales promotion, as well as cost-effectiveness. It also claims that coupons, special offers, and other forms of price manipulation are the dominant forms of sales promotion. However, price-based promotions are difficult and probably dangerous to use for financial service markets. This because the price setting of financial service is already a difficult process, and that consumers often see lower prices as a result of lower quality. They adopt a descriptive design of research.

A sales promotion consists of techniques that are aimed at increasing sales in the short run, meaning that they are mostly used for a short period of time. It offers control, and the costs can be much lower than of advertising. The main characteristics of sales promotions are they offer better value for money and they try to cause responses immediately. This tool has the ability to attract and keep loyal customers and is an excellent what to persuade them build viable link with the banks and involves all motifs applied by the bank to persuade trade with members of a channel. Sales promotion has a strong ability to add value and to bring forward future sales (Familmaleki et al., 2015).

Odunlami (2011) did a study on effects of sales promotion as a tool on organizational performance, a case study of sunshine plastic company in Kenya. The study found that sales promotion has significant effect on organizational performance. Sales promotion is any initiative undertaken by an organization to promote an increase in sales, usage or trial of a product or service (i.e. initiative that are not covered by other elements of the marketing communications or promotional mix).

Sales promotion is one of the key factors that marketers have used in the past to meet the changing needs of the customer and the market. Sales promotion is also one of those incentives which have influenced the customer to make an instant buying decision than to wait later (Kotler, 2003). Sales promotions are relatively easy to implement and tend to have immediate and substantial effects on sales volumes. Consequently, the relative share of promotions in firms marketing budgets continues to increase (Currim& Schneider, 2009). Sales promotion is any initiative undertaken by banks to promote an increase in sales, usage, or trial of a product or service (i.e. initiatives that are not covered by other elements of the marketing communications or promotional mix (Odunlami, 2011).

There are many forms of a sales promotion but the problem associated with sales promotion is that it is difficult to assess which sales promotion framework would be most effective and would influence the banks performance (Winfered, 2015). Since most of the previous studies either focuses on a single aspect of sales promotion effect: weather its effect on brand image of bank, consumer behavior, customer loyalty and very little research has been done that the effects of sales promotion on banks' performance, understanding how each type of sales promotion tools affects the bank's performance is still unknown. Therefore, the researcher investigates the gap created by the limited scope of previous research on addressing the effects of sales promotion on banks' performance. Therefore, the study seeks to answer the following question:

1. To what extent free gift affect wegagen banks performance?
2. How does coupon affect wegagen bank's performance?
3. How premiums affect wegagen bank's performance?
4. What is the effect of financial incentives on bank's performance?
5. How the bank's performance affected by point of displays?

6. Does loyalty reward affect wegagen bank's performance?

### **1.3 Objectives of the study**

The general and specific objectives of the study are presented as follows:

#### **1.3.1 General Objective**

The main objective of this research was to assess the effects of sales promotion on the bank performance (Wegagen Bank SC).

#### **1.4 Specific objectives**

1. To identify which sales promotion tool is more effective in retaining loyal customer.
2. To identify the overall effect of sales promotion tools on banks performance.
3. To identify long and short term effects of sales promotion on banks performance.
4. To Show the way of sales promotion techniques are effective on banks.
5. To assess the effects of sales promotion on non-financial banks performance.

#### **1.5 Significance of the study**

The study would be significant to describe the effect of sales the promotions on the banks performance as well as customer's convenience. The study would determine the relevant short and long-term sales promotions impact on increase in sales volume and market share. The outcome of this study will be relevant to different banks to determine the various factors that affect the effectiveness of banks in terms of sales of product and service and adjust their sale promotion strategies accordingly. It also helps the banks to choose their best sales promotion strategy to utilize their resources in optimum way and increase profitability and in effective ways.

The other significance of the study enables the bank to identify the relation between sales promotion tools and effectiveness and helps them to identify the most important sales promotion tools used to make customer more loyal to the banks and to stay there for long periods not for one time customer. Moreover, the study would help the bank in identifying which sales promotional tools have favored by its customers and more effective.

#### **1.6 Research scope**

Primarily the study would concern the effect of sales promotion on the Bank performance in the case of wegagen bank. The researcher was limited geographically due to the homogeneity of

service provision and promotion strategy of the bank over its all branches in the country and it was difficult to include all branches of wegagen bank, therefore the scope of this research was limited geographically to selected customers under branches in jimma District. The researcher focused on sales promotion strategies (coupons, point of sale display, gifts, incentives, loyalty reward and premium) which used as independent variables and banks performance used as a dependent variable.

Moreover the non-financial effects of sales promotional activities of brand image, quality of service, customer loyalty and its short and long term effect on banks performance. Primary and secondary data collection method would be applied, the study explored descriptive and inferential types of research design, and the study also applied non probability sampling techniques of convenience sampling. The data analyzed in terms of quantitative and qualitative method by using SPSS.

### **1.7 Limitation of the study**

Due to time and financial constraints it was difficult and unmanageable in taking large sample size to include all branches of wegagen bank, therefore the scope of this research was delimited geographically to customers and staff of branches in Jimma district and marketing department. This study also has some potential limitations these are it investigates one type of promotion, due to different types of promotional mix. There is also very little prior research data on a specific topics of sales promotion on banks performance. More over COVID 19 becomes difficult to collect data from the respondents. This posed a great challenge to the researcher in collecting data. This was handled by using secondary means of questionnaire delivery, use of email. Some respondents did not return the questionnaires on time.

### **1.8 Organization of the study**

The study grouped into five chapters. Chapter One is the general introduction of the study, background of the study, problem statement, objectives of the study; it also briefly looks at the research questions, significance, scope and limitations of the study. Chapter Two looks at the literature review. Literature review contains empirical, theoretical and the conceptual framework for the study outlined. Chapter Three is on the methodology, it explains the research design, and it also gives details about the population and sampling procedures used in the study. It further explains the research instrument, methods of data collection, data analysis. Chapter Four looks at

data presentation, analysis and discussion with Chapter Five providing summary, conclusion and recommendations for the study.

## Chapter two

### Related literature review

#### 2.1 Concept of sales promotion

Sales Promotion is one of the techniques to attract consumers to purchase more or use a product or service. Defining the term sales promotion is rather difficult for the presence of multiple relating techniques and tactics and that sales promotion is a tool to achieve company's marketing communication objectives and an essential element in planning marketing. Sales promotion is a short term strategy to derive demand and also an especial marketing offer which provides more profit than what consumers receive from the sale position of a product and also has sharper influence on sales. This tool has the ability to attract and keep loyal customers and an excellent to persuade them, build viable link with the organization Sales promotion also has a strong ability to add value and to bring forward future sale (Familmaleki et al., 2015).

The widespread use of sales promotions in product management has sparked considerable debate over their effectiveness. Critics argue that sales promotions are ineffective as they make consumers more promotion prone, resulting in market share losses in the long run (Ehrenberg et al.1994). Meanwhile, the term "promotion" means different things to many people depending on the context and discipline. That is, the concept used ordinarily here to mean an element of a "marketing mix". In one sense, it denotes any technique designed to sell a product (Ricky et al., 2005).

The sales promotion viewed as the short-term promotional techniques that marketers use to stimulate an immediate purchase. Likewise, sales promotion can be described as materials that act as a direct inducement, offering value, or incentive for the product, to resellers' sales persons or consumers (Blanchard et al., 1999).The International Chamber of Commerce (ICC) defines sales promotion as "Marketing devices and techniques which are used to make goods and services more attractive by providing some additional benefit, whether in cash or in kind, or the expectation of such a benefit (Boddewyn & Leardi, 1989).

#### 2.2 categories of sales promotion

The aims of sales promotions associated motivating customers to use more and selling product and service with increasing sales profit, maximizing market shares and building brand image. To

fulfill the objective of sales promotion marketers, use different types of sales promotional activities. Broadly, sales promotion separated into two categories.

**a. Consumer Sales Promotion**

This promotional tool encourages consumers to make an immediate purchase and thus can stimulate short-term sales (Belch & Belch, 1998). Consumer sale promotions are marketing techniques done with the focusing on end customers whereas trade sales promotions are focused on dealer, distributors and agents includes couponing, sampling, premiums, rebates, contests, sweepstakes, and various point-of purchase materials.. These tools used to attract customers or patronize the specific shops or retails to introduce new products or existing products (Schiffman&Kanuk, 1997)

**Trade Sales promotion**

It aimed toward marketing intermediaries such as wholesalers, distributors, and retailers. Promotional and merchandising allowances, price deals, sales contests, and trade shows are some of the promotional tools used to encourage the trade to stock and promote a company's products. Trade sales promotions focused to the dealer network to motivate them to sell more of company's brand rather than other brands. This promotion also called as push strategy as the dealer network are pushed to prioritize the brand to the customers over the competitor's brand (Schindler, 1998).

**2.3 Types of sales promotion**

**Coupon**

It is a certificate with a stated value, presented to the customers for specific item that granted immediately at the time of purchase (Lambert al. 2009). In most cases, one method of sales promotion featuring a certificate that entitles the bearer to stated savings off a product's regular price called in promotional mix as couponing. It is argued that, this may be utilized to motivate customers to try new product, to attract customers away from competitors, or to induce current customers to buy more of a product (Ricky et al., 2005).

Rational for using coupons include rewarding loyal customers, encouraging current customers to buy greater quantities, attracting customers that have been lost to competing brands (Pride & Ferrell, 2010). Motivating customers to use new, improved or modified products amongst current and non-users, encouraging repurchase and brand switching by competitors customers (Semenik, 2002).

### **Financial incentive**

Generally, the impact of monetary gift as an incentive has become obvious in banks' sales promotion. As a result of its positive impact in the life of customers and their businesses, it has now become imperative to incorporate financial incentives into management portfolio as a tool to instigate customers for more patronage thereby enabling the banks to enhance their business transaction. Organizations that directly deal with tangible products use incentives like coupons, rebates, free samples and so on, to attract up new customers while retaining the existing one.

### **Loyalty Reward**

This program was based on the fundamental statement that all customers are not created equal. Thereafter, loyalty programs have disseminated into hotels, rental car, financial services and restaurants. Over the years, loyalty program have become prevalent (Vinod, 2011). Loyalty programs are a marketing strategy focused on offering benefits to achieve loyal customer retention. These programs are also called frequent purchase programs or reward programs because benefits depend on purchasing frequency (Gómez & Cillán, 2006).

### **Premiums**

This is a method of sales promotion in which some items offered free or at a bargain price to customers in return for buying a specified product and services. This technique therefore offers a product for free or at a lower price to induce the customers to buy. Mostly, the effective premiums are closely tied to the product or brand being sold (Blanchard et al., 1999). This is also a sales promotion technique offering items, either free or at a small cost, as an incentive for consumers to purchase a product (Pride & Ferrell, 2010).

### **Point-of-Purchase Displays**



This type of sales promotion in which a “product display” is located in a retail stores, to encourage consumers to buy the products. Point of sale display products and service through store display such as, menu boards, POPs and brochures (Ricky et al.,2005).Retailers promotions address customers at point of sale; meaning that communication regarding the product or services is best conveyed to the customers at the place and time where most of the purchasing decision is made (Gedenk et al., 2006).

### **Gifts:**

Sales promotion acts as a direct inducement that offers an extra value or incentive to the customers with the primary objective of creating immediate sales (Prendergast &Cheung, 2010). Again, gift can be described as a tool to increase sales volume. Besides, increasing sales, gifts as a tool, have been used to achieve several other objectives like: enhancing the brand by using attractive branded gifts, providing a reminder of the brand’s existence for the customer and promoting loyalty and commitment from customers. This affirmation indicates that using appropriate and valuable incentives like; cars, house and other items by banks during sales promotional activities are capable of enhancing customers ‘patronage and capable of adding value to the firm’s performance (Kendrick,1998).

## **2.5 Overview of Effects of sales promotion**

To assess the effectiveness of banks promotions, banks have to take into account their costs, the sales promotion allowances given to them, and the effect of promotions on product and service to the customers. We distinguish between short and long-term effects, which occur during the promotion.

## **2.6 Objectives of Sales Promotion**

Essentially, sales promotion has four precise objectives. The specific objectives of sales promotion according to (Jain, 2014) are:

**Attract new customers:** Sales promotion measures also play an important role in attracting new customers for an organization. Typically, new customers are those persons that away from other firms. Samples, gifts, prizes, etc. used to encourage consumers to try a new brand or shift their patronage to new dealers.

**It Helps the firm to remain competitive:** Companies undertake sales promotion activities to remain in the competitive market. Therefore, in the modern competitive world no firm can escape the responsibility of undertaking sales promotion activities.

**Induce existing customers to buy more:** Sales promotion devices often used to induce the existing customers of a firm to buy more. Product development, offering three products at the cost of two, discount coupons, are some of the sales promotion devices used by firms to motivate the existing buyers to buy more of a specific product. vi. Introduce new products or services: Sales promotion often used to motivate prospective consumers to try new products and services.

**Building brand loyalty:** Sales promotion helps to build brand loyalty by giving the seller the chance to draw a loyal and profitable set of customers, which provides sellers some protections from competition and greater control in planning their marketing mix (Shira, 2003).

## 2.7 Sales promotion in banking service

It is natural that like other organization the banking industries also think in favor of promotional incentives the customers. The incentives offered to the customers known as customers 'promotion. Coupon is one of the commonly used sales promotion tools in banks. Coupons are certificates that offer buyer's saving when they purchase or use specific products. Many studies suggest that coupon incentives positively influence consumer's attitude and behaviors toward consumer buying (Bawa & Srinivasan, 1997). Premiums are goods offered either free or at low cost as incentives to buy a product. For example, banks often offer promotional items such as pen carrying the name and the logo of the banks and T-shirts.

Some consumers persuaded to switch banks with the promise of a small gift certificate or household item. Other customers may respond to free money for opening an account with a certain minimum balance or opening a premium account with the bank. Banks must analyze the targeted customer base to determine what type of free items will most appeal to potential customers, Such as Christmas cards for their customers. The same is true for wegagen bank also currently uses sales promotions (Brassington & Pettit, 2000).

## 2.8 Measuring performance

Evaluation is also very important. Many companies fail to evaluate their sales promotion programmers, while others evaluate them only superficially. Manufacturers can use one of many

evaluation methods. The most common method is to compare sales before, during and after a promotion. In banking sector, marketing communication techniques are important; it helps to create powerful images and a sense of credibility, confidence and assurance. Therefore, it is essential to evaluate all the elements of communication mix that used in banking service sector. Banks have a unique challenge when it comes to marketing because they do not offer tangible products for consumers. Promoting a bank requires convincing consumers to trust a bank with their money and make customers feel like they are getting the most value for their money. Once customers invest with a bank, the bank must work to keep customers and get them to buy-in to additional products Economic value defined as the difference between the customers' willingness-to-pay and the economic cost of the company. Price divides the economic value in the economic profit appropriated by the company difference between economic cost and price and in the customer surplus difference between willingness to pay and cost (Barney & Clark, 2007). If the company has a higher economic profit than its competitors do, it will experience higher profitability. On the other hand, if the customer surplus is higher when compared with the market, customers will prefer the firm, what will manifest in higher growth rates. In this sense, growth is a complementary dimension to profitability.

Promotional strategies adopted by public and private banks found out that Public sector banks do not go for innovative strategies of promotion, however they go for interactive marketing through internet but not promoted so much like private sector banks (Mittal, 2008). Another study observe that Promotional strategies for banking services uses all parts of the promotion mix to some extent for promotion of banking services (Grankvist et al.,2004).

## **2.9 Congruency theory and Sales Promotion**

The basic principle of congruency theory is that changes in evaluation are always in the direction that increases congruity with the existing frame of reference (Osgood & Tannenbaum, 1955). In other words, people have a natural preference for consistent information. The principle examined in many marketing contexts, including studies of brand extensions and advertising appeals. It is expected that sales promotions are more effective when they provide benefits that are compatible with the benefits sought from the promoted product. For example, the effectiveness of loyalty programmes is enhanced if programmed benefits directly support the value proposition of the brand. Loyalty programmes are indeed more successful if they provide incentives that are compatible with the brand; Congruency effects for consumer sales promotions were directly

tested and confirmed. Monetary promotions are more effective for utilitarian products as they provide more utilitarian benefits, which are compatible to those sought from utilitarian products; and non-monetary promotions are more effective for hedonic products as they provide more hedonic benefits, which are compatible to those sought from hedonic products. However, other factor affects the congruency, product life cycle, purchases situations and consumer demographics. Another possible factor, and the focus of this study, is culture at the ethnic-group level (Roehmet al., 2002).

## **2.10 Theoretical Review of sales Promotions**

### **2.10.1 Theory of pull and push strategy**

According to Hopp and Spearman (2013), the theory of push and pull was developed in 1911 by Fredrick Winslow Taylor during his work on ‘The Principles of Scientific Management’. In today's market pushing solutions are sometimes seen by the customer as intrusive or overlooked by the customer as the solution gets lost due to information overload. Pulling solutions has always been a part of most organizations. A customer would visit the organization and ask questions and someone would answer them. In the case of "pull," the customer initiates the request for a solution rather than merely choosing a solution from the solutions offered by the organization (Richard, 2009)

The theoretical approaches used to study the price-related aspects of a promotion, include adaptation level theory and assimilation contrast theory. Apart from these, other theoretical approaches used to study consumer response to price promotions include attribution theory, transaction utility theory, the attitude model and the elaboration likelihood model. Each of these theoretical approaches discussed in detail below.

#### **Adaptation Level Theory**

This theory proposes that consumers carry with them an adaptation level price or ‘internal reference price’ for a given product (Monroe, 1979). The internal reference price represents the price a consumer expects to pay for a product and the past prices paid/observed, either for the same product or similar products. Researchers have proposed that consumers respond to a price promotion based on the comparison between the internal reference price and the promotional price (Kalwani&Yim, 1992). Frequent price promotions can lead consumers to lower the reference price for the promoted product. Consumers with lowered reference prices will be

unwilling to pay the full price of a product once the promotion is over. Adaptation level theory has shown that promotional advertisements that include the external reference price produce larger perception of savings than advertisements that include only the lower promotional price.

### **Assimilation Contrast Theory**

Assimilation contrast theory examines how external reference prices influence consumer's internal reference price and subsequent promotion evaluations. As per assimilation contrast theory, an external reference price that is moderately higher than a consumer's internal reference price perceived as plausible and assimilated. This assimilation effect results in a shift of the internal reference price toward the higher external reference price and a corresponding increase in favorability of promotion evaluations. However, if the external reference price vastly exceeds the highest expected regular price, likely perceived as unbelievable and hence contrasted with internal price standards (Blair et al., 1994).

### **Attribution Theory**

Attribution theory describes how consumers explain the causes of events. Different types of attribution distinguished based on the object about which the attribution being made. Attributions made about self (the 'why-did-I-buy' question) come under self-perception theory while attributions made about an object/ brand (the 'why-is-brand-X-on-promotion') come under object perception theory (Mizerskiet al., 1979).

### **Transaction Utility Theory**

The concept of utility derived from a purchase comprise of acquisition utility and transaction utility. Acquisition utility was the expected utility gained from acquiring the product (i.e. benefits of the product) compared to the cost of paying for it (i.e. the price of the product). On the other hand, transaction utility was the difference between the internal reference price and purchase price of the product (Thaler, 1985).It derived from the feeling of psychological pleasure or satisfaction experienced on receiving a good bargain or deal. Buyers thought to experience satisfaction from the fact that they bought the product at a price less than the regular price (Lichtenstein et al., 1988).

### **Attitude Model**

The impact of three attitudinal dimensions – price consciousness, time value and satisfaction/pride – on consumers' decision to use coupons (Babakus & Cunningham, 1988). Results of their study showed that there was a positive relationship between coupon usage and consumer price consciousness. There is a significant negative relationship between coupon usage and perceived value of time indicating that the more a consumer valued his or her time, the lesser was the tendency to use coupons. The authors found that coupon usage increased when the consumer perceived higher satisfaction and pride with the use of coupons (Gillespie & Kaynama, 2003).

### **Elaboration Likelihood Model**

Consumer traveling the ELM's central route to persuasion would consider the promoted brand's relative price and other information about the promoted brand before making a choice. On the other hand, a consumer traveling the ELM's peripheral route would consider only the promotional signal and react to a promotion (Inman, 1990) The author further stated need for cognition would moderate the route to persuasion such that high need for cognition individuals would be more likely to take the central route to persuasion while low need for cognition individuals would be more likely to take the peripheral route.

## **2.11 Review of Empirical Literature**

Over the years sales promotion has become an indispensable element of consumer marketing. In the past, advertising used to be one of the most effective marketing tools to reach the target customers to influence their purchasing decision. However, today marketers put more emphasis to sales promotion and are gradually shifting away from traditional method of advertising towards sales promotion. There are number of factors that have resulted in this shift, from traditional method of advertising to the extensive growth of sales promotion (Cummins, 2008).

The findings revealed different effect for first time and established customers. Deeper price discounts in the current period increased future purchases by the first time customers (a positive long-run effect) but reduced future purchases by established customers (a negative long-run effect) (Anderson et al., 2004). However, sales promotion is one of the most important components of marketing mix and they are designed to stimulate consumers to take direct and immediate action i.e. to create an incentive to encourage consumers to purchase a product more

quickly, more frequently and/or in greater quantities than in the absence of promotion (Hawkes, 2009)

According to (Cummins, 2008) coupons provide an upfront discount on a product or service, and are normally distributed separately from the product or service itself. They are used so extensively that they form a subject in their own right. Coupons offering a discount off next purchase of a product or service are regularly found on consumer goods brands (Cummins, 2008).

The study found positive relationship between sales promotion and growth in deposits. As such, the sales promotion programs employed by National Bank had positive effects on purchase intentions of the bank's customers. This therefore confirms the assertion that sales promotion evokes positive consumer response to products (Daramola, 2014). The finding for the relationship between sales promotion and banks performance, in their study inferred that sales promotion only creates brand familiarity and does not create brand conviction. However, as per the current study sales promotion created conviction as the tool-triggered growth in deposits by influencing customers using intentions (Alam&Faruqui, 2009).

Findings further contradicts findings of study on the general effect of sales promotion on consumer purchase behavior concluded that sales promotion could have negative effects on consumers internal price reference and perceived product quality (Chakraborty, 2013).

Point of sale display is a way of showing product and offerings through in store display such as menu boards, POPs and brochures. (Gedenk et al., 2006) argue that retailer promotions address customers at point of sale; meaning that communication regarding the product or services is best conveyed to the customers at the place and time where most of the purchasing decision is made. Retailers,, promotion address consumers most at the point of sale therefore, communication regarding promotion best reaches consumers at place and time where most purchasing decision is made.(Gedenk et al., 2006) thus, increase of promotions at the point of sale drives customer to make decision there (Narasimhan et al., 1996).

The evidence of wining this incentive which in most cases is a live broadcast using all media is another way through which the banks instigate their customers to patronize them while retaining the existing ones. The significance of financial incentives on an organization's performance was

demonstrated in the research by Robert (2009). His research investigated whether financial incentives could enhance educational outcomes. Findings of the study showed that financial incentive can be used as a strategy to induce students who naturally are not willing to go to school. The effectiveness of the tool was found useful in bank's sales promotional activities which had since been adopted after the recapitalization and banks have been improved on it in order to gain a lion share of the market. The tool can equally be used to induce customers who did not initially wish to patronize the banks.

A premium is a product or service offered at a relatively low price in return for the purchase of one or many products or services (Astous & Jacob, 2000). For instance, premium promotion is free tooth brush with a purchase of toothpaste, free containers with a purchase of food products or free glasses with a purchase of soft drinks etc. (Darkea & Chungb, 2005) indicate that free gift promotion is effective in maintaining quality perception because consumers make quality inferences based on the original price rather than the price corrected for the value of the free gift. This implies that devising an offer as a separate free gift is a good tool to communicate value to customers.

Results of the research show that sales promotion directly influences brand image, thus, the more applicable these communication tools, the more effective they are in increasing positive brand image. Thus, managers of marketing unit of Commercial banks Company with their proposed strategies try to increase the level of customers' awareness of brand and exposure to different sales promotion techniques and consequently these activities take place to increase brand image (Ephrem, 2017). As such, the result of the research proves that sales promotion tools such as coupons, premium and point of sales display play has a relationship with consumer buying behavior. The study has proved that sales promotions stimulate interest in consumers and consumers are bound to make purchase decision provided that they are offered with coupons, premium and point of sale displays (Beminet, 2017).

Loyalty reward is truly an amorphous concept for many bankers. Indeed, it can be argued that the reason so many bankers struggle with developing, deploying, and measuring customer loyalty programs is that there is little agreement among bankers as to what behaviors constitute customer loyalty and how best to encourage these behaviors. The lack of agreement among bankers as to what constitutes customer loyalty renders the discussion of customer loyalty programs cloudy

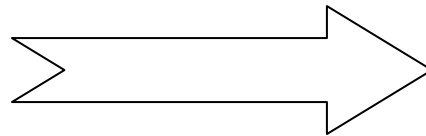


and often unproductive. Against this societal backdrop of near ubiquitous loyalty programs, retail banks have long recognized the importance of building and strengthening customer loyalty. Such programs are simple and often inflexible in design in that they are designed for masses of customers and have very little customization capability. Programs that allow the consumer to redeem points from a catalog with a broad spectrum of consumer goods or services represent an attempt to inject some customization into bank loyalty programs (Khirallah & Kathleen, 2005).

## 2.12 Conceptual framework

From the literature reviewed, the conceptual framework here presented below. The framework established on the relationship among sales promotional strategies and banks performance. As argued in the previous discussions, the dimension of sales promotion includes incentives, coupons, point of displays, free gifts, premiums and loyalty rewards. In this study, sales promotion tools serve as independent variables, while bank performance serves as dependent variable of the study.

The banks performance will be measured by profitability, customer satisfaction, deposit amount and number of customers, service excellence, brand image and others.



**Independent Variables** **Dependent variable**

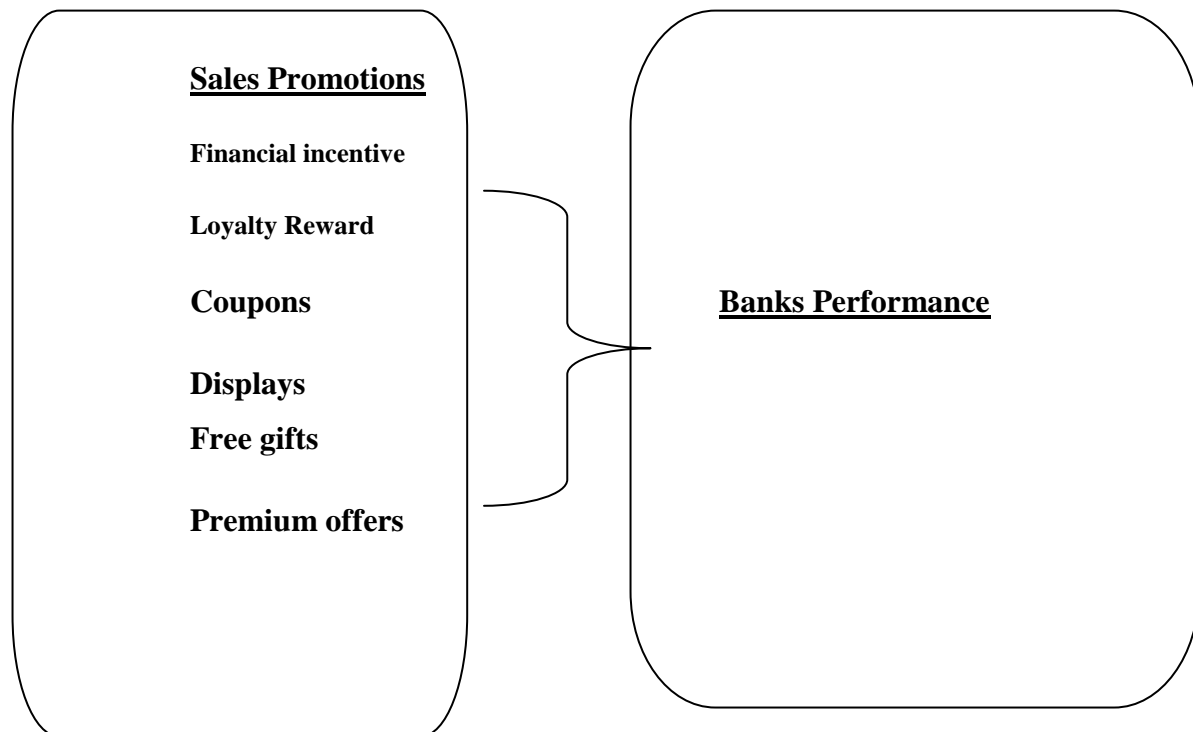


Figure 2.1 Conceptual Model of sales promotion tools and banks performance.

Source :( Researcher' design, 2020)

## Chapter three

### Research Methodology

#### 3. Introduction

This chapter presents the research approach that was being adopted in the study. It explains in detail the research methodology utilized and its justification for the purposes of this study. The chapter discusses procedures and activities undertaken, focusing on namely the study's research design, population, sample and sampling techniques, data collection methods and analysis, validity and reliability tests as well as ethical consideration.

#### 3.1 Research Design

Research design forms the plan or maps that details how the research collected information that is relevant to addressing the research questions. The function of a research design was to ensure that the data obtained during the data collection was adequate in answering the initial question(s) as unambiguously as possible (Muganda, 2010). A research design influences the choice of analysis and sampling technique to use. It refers to the overall strategy chosen to integrate the different components of the study in a coherent and logical manner (Brown, 2006).

Exploratory research intends merely to explore the research questions and does not intend to offer final and conclusive solutions to existing problems. It is conducted in order to determine the nature of the problem, exploratory research is not intended to provide conclusive evidence, but helps to have a better understanding of the problem (Brown, 2006).

Explanatory research referred to as analytical study seeks to identify any causal links between the factors or variables that pertain to the research problem (Saunders et al. 2007). Such research is also very structured in nature.

Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection (Glass & Hopkins, 1984). It often uses visual aids such as graphs and charts to aid the reader in understanding the data distribution. Because the human mind cannot extract the full import of a large mass of raw data, descriptive statistics are very important in reducing the data to manageable form. When in-depth, narrative descriptions of small numbers of cases are involved, the research uses description as a tool to organize data into

patterns that emerge during analysis and serve to organize the findings in order to fit them with explanations, and then test or validate those explanations (Krathwohl, 1993).

The study used both a descriptive and inferential types because a descriptive survey enabled the researcher to describe the characteristics of the variables of interest. And inferential statistics helps to measure the relationships between sales promotion and banks performance. The use of these design yields rich data that leads to appropriate analysis.

### 3.2 Population

Population refers to the entire group of people, events or things of interest that the researcher wishes to investigate (Sekaran, 2005). A study population can be defined as the entire collection of cases or units about which the researcher wishes to draw conclusions. Target population in statistics is the specific population about which information is desired. a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated (Ngechu, 2004).The study focused on both employees and customers of the bank at jimma district and marketing department. The total number of branches in jimma district is thirty one (31) among these branches 20 of them are Grade II branch or special. Because all of the above branches more or less provide the same level of service and have large number of customer when compared to others remaining. These are the main reason why the researcher chooses the branch customer and staff. Among the management staff the researcher selects 12 subject related worker of jimma district staff and 8 marketing department worker. Details of selection criteria and reason target population presented in sampling techniques and sample.

**Table 3.1 distribution of population**

<b>Position</b>	<b>Distribution</b>
Jimma district office worker and marketing dep.	20
Branch managers in 20 branches	20
Officers in 20 branches	40
Customers from 20 branches	60
Total	140

*Source: computation from survey data (2020)*

### 3.3 Sampling techniques and sample

Two main types of sampling techniques have been identified by researchers. This includes probability and non-probability.

Probability sampling is also known as 'random sampling' or 'chance sampling'. Under this sampling design, every item of the universe has an equal chance of inclusion in the sample. It is, so to say, a lottery method in which individual units are picked up from the whole group not deliberately but by some mechanical process. Here it is blind chance alone that determines whether one item or the other is selected (C.Kothari, 2004).

Non-probability sampling is that sampling procedure which does not afford any basis for estimating the probability that each item in the population has of being included in the sample. Non-probability sampling is also known by different names such as deliberate sampling, purposive sampling and judgement sampling. In this type of sampling, items for the sample are selected deliberately by the researcher; his choice concerning the items remains supreme. Getting responses using non-probability sampling is faster and more cost-effective as compared to probability sampling because researcher knows sample, they are motivated to respond quickly as compared to people randomly selected. This type of sampling used to indicate if a particular trait or characteristic exists in a population (C.Kothari, 2004).

The researcher prefer the non-probability sampling techniques by considering more of it is accurate and rigorous and it is where the researcher includes cases or Participants in the sample because they believe that they warrant inclusion. Low-cost, convenient, not time Consuming, the number of respondents are small and convenient to respond the questionnaires because they work on it and sense it as they are a part of the study.

Given the nature of the study (due to the unavailability of sampling frame of banks 'customers or Large population), a non-probability (Convenience) sampling chosen. However, an attempt made to achieve geographical balance in the selection of the branches by selecting or categorizing the branches categorized by grade level ranging from grade II to III Branch (In Jimma district Branches).

Finally, the student researcher purposively selects all 20 grade II branches found in Jimma District. This is because the researcher believes that Grade II branch have multiple bank

products/services which are not provided by grade III. Moreover the number of customers served in such branches are relatively higher (larger customer base). From each branch 60 respondents selected which is due to the average number of respondents to be selected per branch is 3 Only those customers who are willing to fill the questionnaire were invited to participate in the study and 80 staff selected from each branch of twenty branches, district and marketing department, totally the researcher select 140 respondents, as per viewed in table 3.1.

### **3.4 Source of data**

Two main data sources were applied for this research; primary and secondary. Primary data refers to data obtained from first-hand experience whilst secondary data refers to data collected by third parties. One advantage of using primary data is the fact that it allows the researcher to gather specific information that addresses the objectives of the research. It is also more reliable compared to secondary data and to examine the non-financial benefits of undertaking sales promotional activities and challenges surrounding sales promotion activities undertaken by the bank. Again, secondary data was also used to ensure that where information available already addressed some objectives, they were adequately harnessed.

### **3.5 Data collection method**

Questionnaires were used to gather information on Sales promotion activities. The questionnaires were self-administered via the use of email, drop and pick later method to the respective staff and customer of the bank. The questionnaire allowed greater uniformity in the way questions were asked, ensuring greater compatibility in the responses. The use of structured questions on the questionnaire allows for uniformity of responses to questions; while unstructured questions gave the respondent freedom of response which helped the researcher to measure the feelings of the respondent, he or she used their own words (Cooper & Schindler, 2006). The structured questions were in form of a five point. Likert Scale, whereby respondents were required to indicate their views on a scale of 1 to 5. The researcher exercised care and control to ensure all questionnaires issued to the respondents were received and achieved. The structured questions were used in an effort to conserve time and money as well as to facilitate in easier analysis as they are in immediate usable form.

### 3.6 Data Analyses methods

Descriptive and inferential analyses were conducted by employing different methods. In descriptive statistics mean values and standard deviations of the respondent's answers were calculated. In inferential Cronbach's Alpha test takes place to assure reliability of the items. Simple regressions and correlation analysis was also used to analyze the impact and the relationship between the sales promotion and banks performance. The process of data analysis involved several stages: the completed questionnaires were edited for completeness and consistency; data was checked for errors and omissions.

### 3.7 Model specification

Based on the research design, the Analysis model was modified and expressed in functional relationship to accommodate more sales promotion and banks performance. These are Incentives, Coupon, and Free gifts, Displays, Premium and Loyalty Reward. The relationship between sales promotion and bank performance were represented with respect to the following model: The multiple linear regression models are used to study the relation between one dependent variable and independent variables. Suppose the response variable Y may be related to six variables. The model's is given by:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

Where: FI= Incentives, CO=Coupon, FG= Free gifts,

DIS= Displays PR =Premium LR= Loyalty Reward BP: banks Performance

### 3.8 Validity and Reliability

Two major criteria applied to evaluate the quality of the study. These are validity and reliability. According to Patton(2001) the two factors validity and reliability should be considered by a qualitative researcher in order to judge the quality of the study, designing the study and analyzing results. The question of validity raised in the context of the three points, the form of the test, the purpose of the test and the population for whom it is intended (Cronbach, 1990). Reliability is the degree to which a test consistently measures whatever it measures. Errors of

measurement that affect reliability are random errors and errors of measurement that affect validity are systematic or constant errors.

### 3.9 The Validity and Reliability Checks

Checking the validity and reliability of data collecting instruments before providing to the actual study subject was the core to assure the quality of the data (Yalew, 2008). To ensure the validity of instruments, initially the instrument were prepared by the researchers and developed under close guidance of the advisors and other teacher. The questionnaires were checked and corrected by high school English language teachers. Moreover, the questionnaires were pilot tested and this done to carry out pre-test the instruments, and to avoid ambiguity and unclear statements. Based on respondent’s response additional, omission and modification of question were undertaken. The pre-test was providing an advance opportunity for the investigator to check the questionnaires and to minimize errors due to improper design elements, such as question, wording or sequence (Adams *et al.* 2007)

Additionally the reliability of the instrument was measured by using Cronbach’s alpha test. A reliability test is performed to check the consistency and accuracy of the measurement scales. As Table 3.2, shows the results of Cronbach's coefficient alpha is satisfactory (between 0.874 and 0.691), indicating questions in each construct are measuring a similar concept. As suggested by Cronbach’s (Tech-Hong & Waheed, 2011), the reliability coefficients result >0.9 excellent, >0.8 good, >0.7 acceptable, < 0.6 questionable, and < 0.5 poor. The internal consistency reliability results between 0.70–0.90 are generally found to be internally consistent. The Table below shows that the Cronbach’s alpha ranged from 0.691 to 0.874, indicating that items are highly reliable to measure the variables they are expected to measure (See the table3.2 below).

**Table 3.2 Reliability test result with Cronbach’s alpha**

Variables	Cronbach's Alpha	Number of items
Intensives	.874	3
Coupon	.691	4
Free gifts	.739	4



Displays	.861	5
Premiums	.771	4
Loyalty Reward	.864	5
Bank effectiveness	.737	4

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*Source: computation from survey data (2020)*

### **3.10 Ethical consideration**

All the research participants included in this study were appropriately informed about the purpose of the research and their willingness and consent were secured before the commencement of distributing questionnaire. Respondent were informed their full right to fill the questions or to withdraw from the study at any time without any unfavorable consequences, and they are not harmed as a result of their participation or non-participation. Moreover, no information were modified or changed, therefore information were presented as collected and all the literatures collected for the purpose of this study were appreciated in the reference list.

## **CHAPTER FOUR**

### **Results and discussion**

#### **4.1 Introduction**

This chapter is organized and data was presented and discussed to address the research questions and objectives in the following manner: It consists samples and response rate, general information of respondents, reliability test for the measures used, the demographic profile of the respondents were presented and analyzed. To facilitate ease in conducting the empirical analysis, the results of descriptive analyses were presented first, followed by the results of Regression and correlation analysis.

A total of 140 questioners were distributed from the total questionnaire 60 to banks customers and 80 to banks staff, and 130 were received back. After excluding 10 invalid questionnaires, a total of 130 valid questionnaires were accepted for a response rate of 92.8%

## 4.2- Demographic Information of Respondents

The general demographic information of the respondents include: gender, age, level of education, and customer's banking experience and employee service year with wegagen

*Table: 4.1: Demographic information of the respondents*

<b>Gender of respondent</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Male	33	66.0	66.0
Female	17	34.0	100.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	
<b>Age of respondents</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
18-23	7	14.0	14.0
24-28	39	78.0	92.0
>29	4	8.0	100.0
<b>Total</b>	<b>50</b>	<b>100</b>	
<b>Year of experience and Service with wegagen Bank</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
0-1	11	22.0	22.0
2-5	35	70.0	92.0
>5	4	8.0	100.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	
<b>Educational background of the respondents</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Primary	1	2.0	2.0
Diploma	44	88.0	90.0
Degree	5	10.0	100.0
<b>Total</b>	<b>50</b>	<b>100</b>	

*Source: Computation from survey data (2020)*

The frequency statistics which have been used to analyze the demographic characteristics of the respondents reveal that the majority of the respondents are male which represents 33 (66%) out of the 50 questionnaire collected. The rest of 17 respondents which represent (34%) are female. Regarding the educational level of the respondents, as it is showed in the above table 4.1 respondent (2%) are primary graduate and 44 respondents (88%) are diploma graduate level, and

the remaining 5 respondents (10%) are the holder of first degree. From the above table we can infer that majority of respondents have a medium educational background. When looking the age structure of the respondents of the study 7 respondents (14%) are found to be in the range of 18-23 years old and 39 respondents (78%) are found to be in the range 24-28 and 4 respondents (8%) are found to be in the range of > 29. From the above results we conclude that majority of the respondent are the working age and they are more vulnerable for the sales promotion strategy and sales performance of the bank.

### 4.3 Descriptive Statistics of sales promotion tools Banks performance

**Table 4.2: Descriptive statistics for wegagen Bank customers about Incentives**

<b>Financial Incentives</b>	<b>Mean</b>	<b>Std. Deviation</b>
An incentive motivates me to use banks product earlier than planned.	4.78	.545
I testified to friends and relatives about the incentives	4.64	.776
I compare the service while there is incentives to other normal days	2.32	1.019
Banks incentives encourage me to deposit more and use new wegagen products far more easily.	4.74	.664
While there is promotional incentives in the banks my choice of pattern will be changed	4.00	.639

*Source: Computation from survey data (2020)*

This section of the questionnaire tested the attitude and views about Financial Incentives of Wegagen Bank customers. A series of five statements were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.2 indicates the mean and standard deviation for each item.

According to the data illustrated above, respondents agree that they encourages to deposit more and use new banks products far more easily with mean score of 4.74 and 0.664 of std. Deviation. Respondents also agree that they will change their pattern of choice while there is an incentive in the bank with mean score of 4 and 0.639 Std. Deviation. On the other hand they testified to their friends and relatives about the wegagen bank incentives. Most of respondents agree that an incentive motivates them to use the banks product earlier than planned. However, Respondents, on the other hand disagree that they tend to compare the service while there is an incentives in

the banks with the mean score of 2.32 and 1.019 Std. Deviation. The overall mean for incentives indicating that the majority of respondents are towards agree level agreement with the statements specified in the study. This shows that financial incentives attract and motivates customer to use the banks product and services without comparing the service providing quality and it also influence customer to testify to other persons about the bank. According to (Manish Mittal & Poojae Sethi, 2011) price incentives are found to be more effective in inducing stock piling, and purchase acceleration, moderate in brand switching, and new product trial in that order, are effective enough to induce people to spend more by consumers who do not have any prior experience with the promoted product.

**Table: 4.3**descriptive statistics for wegagen bank customers about coupon

Coupon	Mean	Std. Deviation
I tend to make a deposit more often when the value of the coupon is higher.	4.08	.566
I tend to make deposit and use new products more often if I have the coupon offering a promotion	4.12	.480
I prefer coupon offering in the banks than services and product offered	4.28	.454
Coupon is better for me than other promotional offers	4.10	.463
Coupon makes me loyal and repetitive customer of the bank	2.60	.948

*Source: Computation from survey data (2020)*

According to the data illustrated above, respondents agree that they encourages depositing more often when the value of coupon is higher with mean score of 4.08 and 0.556 Std. Deviation. Respondents also agree that they tend to make a deposit more and use wegagen banks product if there is coupon offering with mean score of 4.12 and 0.48 Std. Deviation. Respondents also prefer coupon offering in the banks than product and services with mean score 4.28 and 0.454 Std. Deviation. However, respondents disagree towards coupon makes them loyal and repetitive customer of the bank with mean score 2.60.and 0.948 Std.

Deviation. On the other hand coupon is better than other promotional offers with the mean score 4.10. The overall mean for the perception of coupon, indicating that the majority of respondents are towards agree level agreement. This indicates that coupon motivates customers to be banks customer and it also preferred better sales promotion tools, however coupon fail to make customer to be loyal to the bank. According to (Robinson & Carmack, 1997) coupons have been used to product trial. (Blattberg & Neslin, 1990) indicate that coupons provide retailers with several benefits including the ability to attract new buyers, brand switchers and deal prone consumers. Coupons are easily understood by the consumers and can be highly useful for trial purchase (Cook, 2003). (Blackwell, Paul & Engel) showed that coupons encourages customer to try new products far more easily. This is because coupons are understood easily by customers and can be highly effective in trial purchase.

**Table 4.4: Descriptive statistics for wegagen Bank customers about free gifts**

Free gifts	Mean	Std. Deviation
I am more likely to make more deposit and use new bank products if I know that I will receive a free gift.	4.06	.240
I prefer wegagen bank for the reason of free gifts than service quality, product features and brand image.	4.04	.198
Free gifts is easily accessible than other promotional offers	3.12	.982
When I received Free gifts I feel loyal to the banks	3.10	1.035
The regular free gifts have a negative influence in my attitude towards a bank	3.78	.648
I will plan in future for additional free gifts	3.88	.558

**Source:** Computation from survey data (2020)

As per above table , respondents agree that they encourages to deposit more and use new wegagen bank products if there is free gifts with the mean score of 4.06 and 0.24 Std. Deviation.. Respondents also agree that they prefer wegagen bank for the reason of free gifts than service, product and brand image of the bank with mean score 4.04 and 0.198 Std. Deviation. However, respondents have neutral attitude towards accessibility of free gifts than other promotional offers, the effects of free gift on loyalty of customer to the bank, respondents

future plan for additional free gifts, and the negative attitude towards free gifts with the mean score 3.12,3.10,3.88 and 3.78 and 0.982, 1.035,0.648 and 0.558 respectively.

The overall mean the perception of free gift indicating that the majority of respondent towards neutral level agreement with the statements specified in the study. This means that customers visit the banks because of free gifts than service quality and also shows that it is no easily available to all customers. Though researchers argue that non-price promotion such as free gifts are perceived as a little achievement when compared to other sales promotion tools to attract the customers. (Diamond & Johnson, 1990).

**Table 4.5: Descriptive statistics for wegagen Bank customers about displays**

Displays	Mean	Std. Deviation
Displays and Promotional offers informed in wegagen branches attract me.	2.28	.784
Attractive and clear point of display influences my amount of deposit and use of new bank products.	2.26	.777
Standee at the front of the counter displaying the promotion affects what I use new bank products	2.26	.777
I often use bank products displayed in the counter	2.84	.817
Displays in the counters convince and makes me to be loyal customer	2.32	.957
If there is clear point of displays don't need additional refer	3.28	1.089

**Source:** Computation from survey data (2020)

The data illustrated in table shows that respondents have less attitude about displays and promotional offers informed in wegagen branches attract them with mean score of 2.28 and 0.784 Std. Deviation. They also have low attitude about attractive and clear point of display influences the amount of deposit and use new bank products with mean score of 2.26 and 0.77Std.Deviation. In addition, respondents disagree that standee at the front of the counter displaying the promotion affects what they use new bank products with mean score of 2.26 and 0.77 Std. Deviation.. Furthermore, respondents agree that, they don't use bank products displayed in the counter with mean score of 2.84 and 0.817 of Std. Deviation. In addition the overall mean for the perception of point of sales display, indicating that the majority of respondents are towards disagree level agreement on displays with the statements specified in the

study. This indicates that displays in the counter don't convince the customer and it can't make them to be loyal and repetitive customer of the bank. Similarly, previous studies support that in-store display sharpness has no effect on product trial when compared to other sales promotional tools (Kendrick, 1998)

**Table 4.6: Descriptive statistics for wegagen Bank customers about product and services**

<b>Product and services</b>	<b>Mean</b>	<b>Std. Deviation</b>
I am a repeat customer of the bank because of their service.	3.18	.919
I have become more loyal to the bank ever since.	2.84	.889
I acted as a referee to other customers who needed service and convince them to acquire the bank products	3.10	.931
I may use new wegagen bank products in the future.	3.18	.629
If I had the opportunity, I would commit to deposit more in this bank	3.64	.722
I prefer wegagen bank for the reason of incentives and gifts than service quality, product features and brand image	2.52	1.035
There is a priority for loyal customers in the banks while there is a promotional offer.	1.82	.850
All customers are provided the identical of product and services	1.92	1.085

*Source: Computation from survey data (2020)*

The data illustrated in table shows that respondents have less attitude with the mean score of 3.18, 2.84, 3.10, 3.18, 3.64 and 0.919, .889, 0.931, 0.629, .722 Std. Deviation and others respectively about product and service. The overall mean the perception of free gift indicating that the majority of respondent towards product and service provided by wegagen bank neutral level agreement with the statements specified in the study. So that customers of the bank are focusing on the benefit they gain from promotion rather than product and service. This may result from poor product and service of the bank and the customer's perception about the bank. (Shimp, 2003), (Fill, 2002) documented a link between price promotion and product trial and Sales may increase during promotion as it can attract customers from other stores and it may induce them to switch brands and influence them to buy from the promoted category rather than another category, it can also induce customer who do not use the product to buy the product because of the promotion.



**Table 4.7: Descriptive statistics for wegagen Bank customers about premiums**

Premiums	Mean	Std. Deviation
I would go out my way to use wegagen bank only when a bank introduces a premiums	4.44	.705
Premiums would help me to have a positive attitude.	4.56	.501
If a premium promotion required more deposit I still like to participate in the promotion.	4.04	.283
I am willing to deposit more and use new bank product to get a premium.	4.00	.350
Am willing to become loyal customer to the banks if I get premiums	3.88	.594

*Source: Computation from survey data (2020)*

According to the above illustrated data regarding the effects premium, respondents agree that they use wegagen bank services only when the banks introduces premium. Respondent more likely to deposit more and use new bank products to get premiums with mean score of 4.4 and 0.705 of Std. Deviation. Premium help customers to have positive image about the bank with mean score 4.56 and 0.501 Std. Deviation. Respondents also agree that they willing to become loyal customer of the bank with mean score of 3.88 and 0.594 Std. Deviation. Furthermore, respondents have a positive attitude towards the bank with the mean score of 4.56 and. The overall mean for the perception of premium, indicating that the majority of respondents are towards agree level agreement. So that premium helps the customer to have a positive attitude towards the bank, it motivates them to deposit and use banks product and service and it also makes customer loyal to the bank. Similarly, (Neha & Manoj, 2013) also indicated that premium promotion is one of the most influencing variables for customers. This means that premium promotion differentiates a promotional benefit in form of a tangible, separate product which is often complimentary product offered to the customers.

**Table 4.8: Descriptive statistics for wegagen Bank customers about loyalty reward**

Loyalty Reward	Mean	Std. Deviation
Wegagen bank prepare a loyalty reward for loyal customers	2.36	.749
I become more loyal to the bank if there is loyalty rewards.	3.82	.629

I am willing to deposit more and use new bank product to get a loyalty rewards.	3.86	.572
Loyalty reward build a positive attitude to me as customer	3.90	.505
I become Frequent because of Loyalty Reward	3.36	.921

*Source: Computation from survey data (2020)*

As per the above table illustrated data on loyalty reward, respondents disagree that wegagen prepare loyalty reward for customer with the mean score of 2.36 and 0.749 Std. Deviations. In other way they agree on if there is loyalty reward they will become loyal to the bank. Respondent relatively agree to deposit more and use new bank products if they get loyalty reward with mean score of 3.86 and 0.69 Std. Deviation. Respondents also agree that loyalty reward build a positive attitude towards the bank with the mean score of 3.90 and 0.55 Std. Deviations. In addition, respondents become neutral on they become frequent because of loyalty reward with mean score 3.36 and 0.921 Std. Deviation. This shows that loyalty reward builds a positive attitude and if there is a loyalty reward customers become frequent and loyal to the bank. Banks are using loyalty product to retain their long term relationship and further, to gain their potential customer. It will be useful to do a research and development on how consumers selectively respond to loyalty program and willing to build a relationship with a retailer in situations where they have numbers of loyalty customer (Ha, 2007).

#### 4.4 Comparison effects of sales promotion on banks performance

**Table 4.9: The relationship between independent variables and banks performance**

Sales promotions	Mean	Std. Deviation
Incentives	4.0960	.43564
Coupon	3.8360	.31478
Free gift	3.6633	.27456
Displays	2.5400	.69625
Premiums	4.1840	.32786
Loyalty	3.4600	.48361

*Source: Computation from survey data (2020)*

Table 4.9 above show the overall means of all items in the sales promotion constructs for Wegagen bank. According to the findings of the means Premiums represented the highest overall mean score (mean= 4.18 and 0.3278 Std. Deviation), meaning that respondents have a tendency

towards agree with statements relating to premium. Incentives followed with overall mean score of (mean = 4.09 and 0.435 Std. Deviation). This was followed by coupon (mean= 3.83 and 0.314 Std. Deviation).This means that respondents have a positive tendency towards premium, incentives and Coupon. Displays on the other hand have no positive relationship with banks performance. So that sales promotion tools stated above affects banks performance except displays.

## 4.5. Correlation Analysis

### 4.5.1 Relationship between sales promotion and bank Performance

A correlation analysis was conducted to establish the relationship between the independent and dependent variables; this helped to show the degree of relationship between the independent and dependent variables. The purpose of doing correlations was to allow the study to make a prediction on how a variable deviates from the normal. Pearson r coefficient was used to determine if there was a significant, positive association between sales promotion and bank performance n in case of Wegagen Bank Jimma district. Pearson r is a measure of the degree of association between two variables which are both measured in either the interval or ratio scale. Its value ranges from -1.0 to +1.0, with bigger absolute values indicating stronger relationship; the sign denotes the direction of association. A positive correlation indicates that as one variable increases, the other also goes up; meanwhile a negative correlation suggests that as one variable increases, the other correspondingly goes down (Saunders *et.al*2009).

**Table 4.10: Guideline on Strength of relationship r Value**

	Interpretation
0.39 and below	Low positive association
04 to 0.69	Moderate positive association

The Pearson correlation between independent variables sales promotion and dependent variable bank performance are depicted in Table 4.11 below.

**Table 4.11 Correlation Analysis between sales promotion and bank performance**

	Incentives	Coupon	Free gifts	Displays	Premium	Loyalty Reward	Bank effectiveness
Incentives Pearson r	1	-.202	.086	.011	-.108	.054	.338**

	Sig. (2-tailed)		.072	.450	.924	.339	.635	.002
	N	80	80	80	80	80	80	80
Coupon	Pearson r	-.202	1	-.006	.219	.234*	-.145	.347**
	Sig. (2-tailed)	.072		.957	.050	.037	.201	.002
	N	80	80	80	80	80	80	80
Free gifts	Pearson r	.086	-.006	1	.331**	-.026	.176	.260*
	Sig. (2-tailed)	.450	.957		.003	.816	.119	.020
	N	80	80	80	80	80	80	80
Displays	Pearson r	.011	.219	.331**	1	.024	-.053	.176
	Sig. (2-tailed)	.924	.050	.003		.829	.639	.118
	N	80	80	80	80	80	80	80
Premiums	Pearson r	-.108	.234*	-.026	.024	1	.070	.571**
	Sig. (2-tailed)	.339	.037	.816	.829		.538	.000
	N	80	80	80	80	80	80	80
Loyalty Reward	Pearson r	.054	-.145	.176	-.053	.070	1	.307**
	Sig. (2-tailed)	.635	.201	.119	.639	.538		.006
	N	80	80	80	80	80	80	80
<b>Bank effectiveness</b>	<b>Pearson r</b>	<b>.338**</b>	<b>.347**</b>	<b>.260*</b>	<b>.176</b>	<b>.571**</b>	<b>.307**</b>	<b>1</b>
	<b>Sig. (2-tailed)</b>	<b>.002</b>	<b>.002</b>	<b>.020</b>	<b>.118</b>	<b>.000</b>	<b>.006</b>	
	<b>N</b>							

The table 4.11 above explains the relationship between the independent variable and bank performance. Based on the output of the correlation matrix; Incentives( $r=0.338$ ,  $p=0.002$ ), Coupon( $r=0.347$ ,  $p=0.002$ ), Free gifts ( $r=0.260$ ,  $p=0.020$ ), and Loyalty Reward ( $r=0.307$ ,  $p=0.006$ ), have weak positive relationship with bank performance in Wegagen Bank Jimma district. On the other hand Premium( $r=0.571$ ,  $p=0.000$ ), have moderate positive relationship with bank effectiveness. But display( $r=0.176$ ,  $p=0.118$ ), have no relationship with bank performance. In general this result show, sales promotion have a positive on bank performance in Wegagen Bank Jimma district.

#### 4.6. Multiple Linear Regression Analysis

Multiple regression analysis was then conducted to find out the effect of sales promotion on bank performance. It gives more detailed analysis as it enabled the examination of the influence of each of the independent variables on dependent variables, controlling for all other factors. It also allowed the researcher to determine the combined effect of the variables (Gay & Airasian, 2006).

Multiple linear regression analysis is a well-known statistical technique which fits a relationship between one dependent and more than one independent variable. Accordingly, model summary, an analysis of variance (ANOVA) and regression coefficient for the dependent variables were discussed under this sub-section.

In this section and the subsequent sections on regression results, the coefficient of determination (R square) was used as a measure of the explanatory power to show how the independent variables explain the dependent variable. The F statistics (ANOVA) was used as a measure of the model goodness of fit. Pearson correlation and the regression coefficient summary were used to explain the nature of the relationship between the dependent and independent variables. The significance levels of the regression results were also taken into account for proper interpretations.

#### **4.6. Parameter Estimation**

The multiple linear regression models are used to study the relation between one dependent variable and two or more explanatory variables. Suppose the response variable Y may be related to six explanatory variables. The model's is given by:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

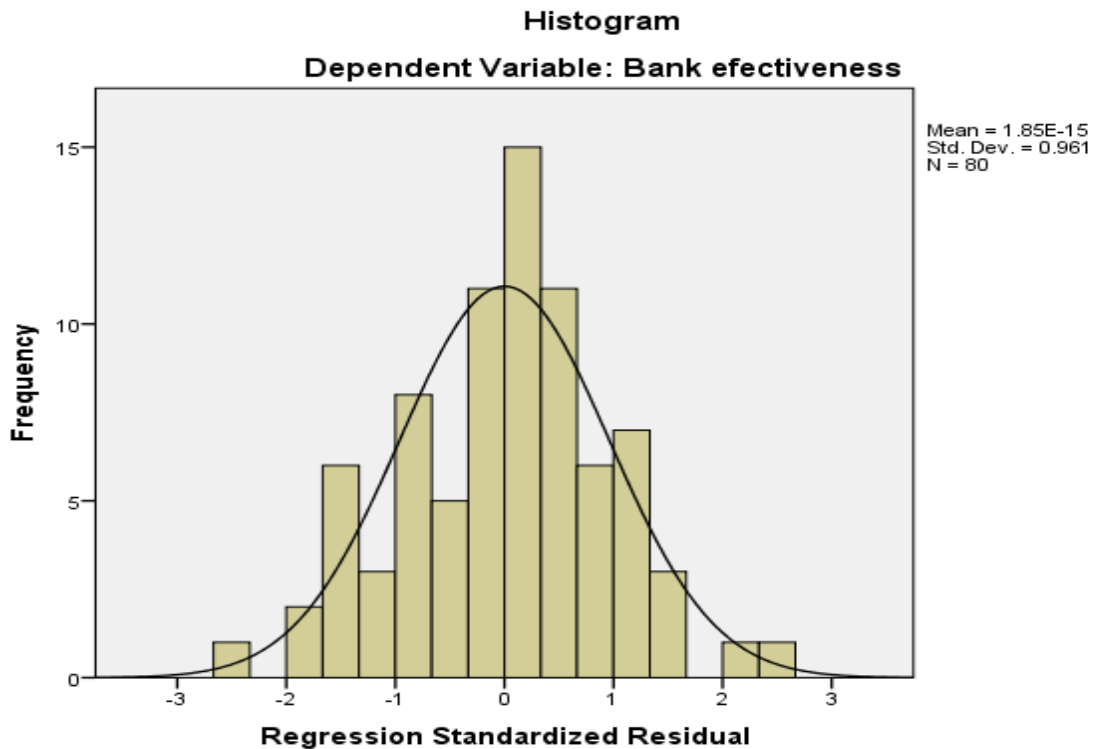
Where:  $X_1$ = Incentives,  $X_2$ =Coupon,  $X_3$ = Free gifts,  $X_4$ = Displays  $X_5$  =Premium

$X_6$ = Loyalty Reward

##### **4.6.1: Assumption of multiple linear regression analysis**

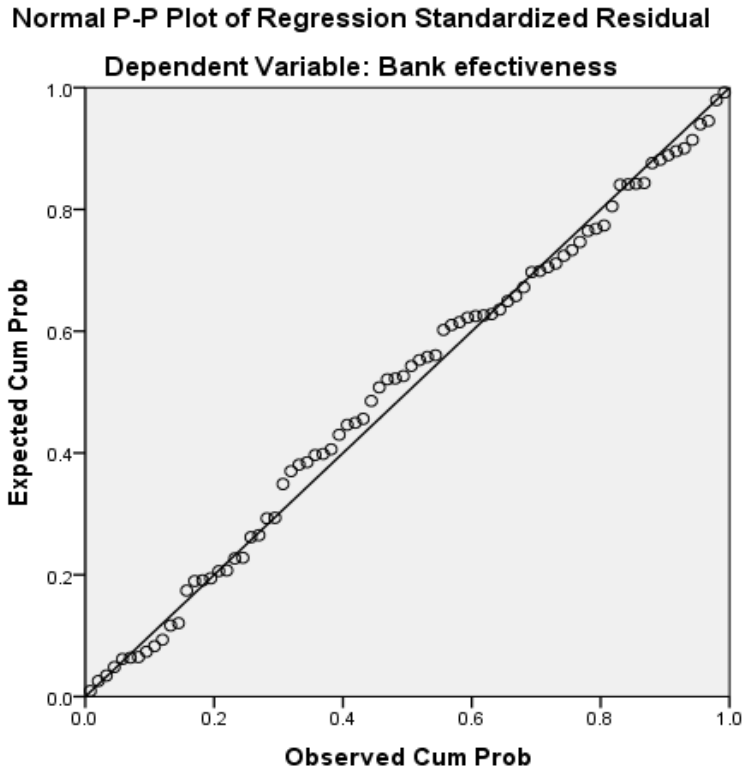
Certain assumptions must be tested and met in order for the results of multiple regression analysis to be useful. It assumes that variables have normal distributions and that the relation between the dependent and the independent variable is linear when all other independent variables are held constant. Observations of the visual representations of the histogram, scattered plot, and partial plots revealed that the assumption of normality and linearity for the dependent variable (bank performance) was checked and the assumptions of multiple linear regressions should satisfy.

To test the normality assumption the histogram of residuals was used to check the extent to which the residuals are normally distributed. The residuals histogram in figure 4.1, below, shows us fairly normal distribution for the variable. Thus, based on these results, the normality of residuals assumption is satisfied for the dependent variable employees' commitment.



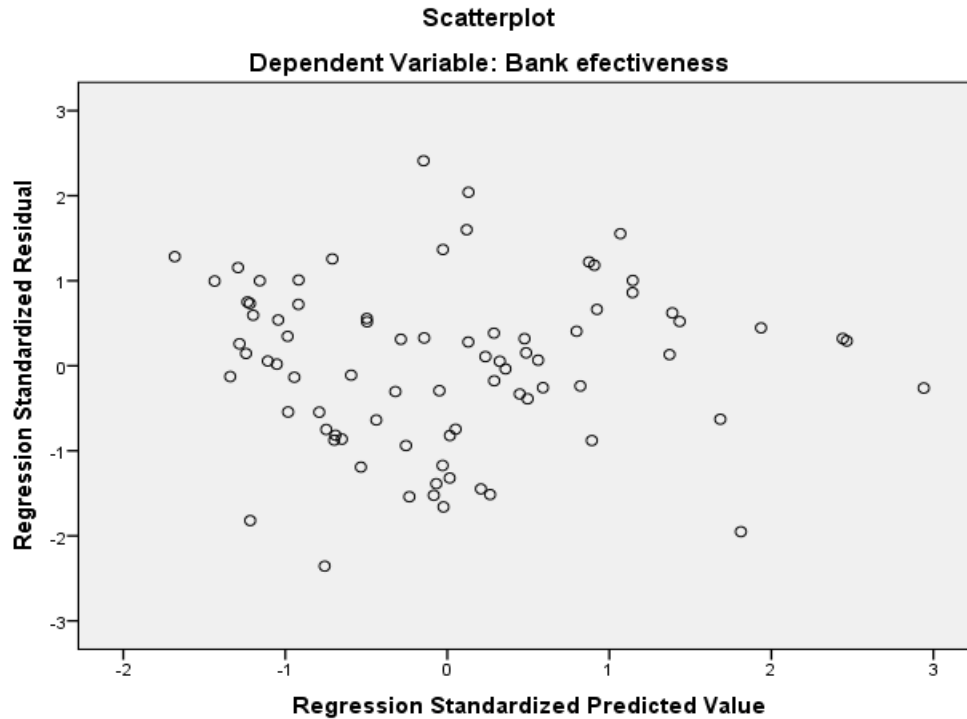
**Figure 4.1: Histogram**

To check the linearity assumption in multiple linear regressions the normal P-P plot was used, the plot shows all observed values somewhat spread along the straight diagonal line. Figure 4.2 in below shows us most of the observed values are spread very close to the straight line; there is high likelihood that the data are normally distributed and linear.



**Figure 4.2: Normal P-P plot**

To check homogeneity assumption a scatter plot of the residuals against the predicted values was used to indicate whether the homogeneity of variance assumption is met. If it is met, there should be no pattern to the residuals plotted against the predicted values. In the following scatter plot, (Figure 4.3) in below, shows there is no clear pattern, which suggests homogeneity of variance assumption is met.



**Figure 4.3: Scatter Plot**

A common problem that arises in multiple regression analysis is also multi-co linearity. This basically means that two or more of the independent variables being used are highly correlated with each other and in effect measure the same thing. This makes it difficult to identify the unique relation between each predictor variable and the dependent variable (Urdan, 2005). The co linearity statistics for this study revealed that none of the Variance Inflation Factors were above 10 for each independent variable. In research this is said to be an acceptable number to test for multi-co linearity as any number above 10 would be cause for concern. The tolerances are all above 0.2. If a variable has co linearity tolerance below 0.2, it implies that 80% of its variance is shared with some other independent variables (Table 4.11).

#### **4.6.3: Regression analysis**

Regression analysis was conducted to empirically determine whether independent variable was a significant determinant of bank effectiveness.



**Table 4.12 Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate
.771 <sup>a</sup>	.595	.562	.15457

Regression results in table 4.12 indicate the goodness of fit for the regression between sales promotion and independent variable was satisfactory. The adjusted R squared of 0.562 indicates that 56.2% of the variances in sales promotion can be explained by the bank effectiveness. The remaining variances on the dependent variable could be explained by other explanatory variables not included in this study.

**Table 4.14 Regression analysis on the dependent variable of sales promotion.**

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% CI for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	1.369	.412		3.320	.001	.547	2.191		
Incentives	.262	.072	.279	3.64	.000*	.119	.406	.947	1.056
Coupon	.153	.059	.208	2.566	.012*	.034	.271	.847	1.181
Free gifts	.139	.049	.228	2.810	.006*	.040	.238	.845	1.183
Displays	.026	.035	.062	.759	.450	-.043	.096	.834	1.199
Premiums	.212	.034	.477	6.168	.000*	.144	.281	.929	1.077
Loyalty Reward	.242	.066	.282	3.646	.000*	.110	.374	.929	1.077

\*Indicates significance (p-value<0.05)

In this study, six explanatory variables were identifying to determine a significant difference on bank effectiveness at 5% level of significance.

The estimated regression model was

$$\text{Bank effectiveness} = 1.369 + 0.262 \text{ Incentives} + 0.153 \text{ Coupons} + 0.139 \text{ free gift} + 0.212 \text{ Premiums} + 0.242 \text{ Loyalty reward} + \varepsilon$$

Hence, the coefficient explains the average amount of change in dependent variable that is caused by a unit of change in the independent variable. Accordingly, the un-standardized beta coefficients ( $\beta$ ) tell us the unique contribution of each factor to the model. A small p value ( $<0.05$ ) indicate the predictor variable has made a statistically significance contribution to the model. On the other hand, a high p-value ( $p >0.05$ ) indicate the predictor variable has no significant contribution to the model (George & Mallery, 2003). Table 4.11 shows all the p-value for independent variables is less than 0.05 except the independent variable “Displays “and all the  $\beta$  values are positive, that shows Incentives, Coupons, Free gifts, Premiums, and Loyalty rewards have a positive effect on bank performance in Wegagen Bank Jimma district.

The results of Multiple Regression, as presented on table 4.14 above, revealed that Incentives has a positive and significant effect on bank effectiveness with  $\beta = 0.262$ , at 95% confidence level ( $p < 0.05$ ). The Beta value ( $\beta$ ) i.e. 0.262 shows that if there is one unit increase in incentives, there will be 26.2% increase on banks’ performance. This means that this variable makes the strongest unique contribution of 26.6% to explain the sales promotion, when the variance explained by all other variables in the model was controlled. Therefore, an incentive has a positive effect on bank performance in Wegagen Bank Jimma district.

Similarly coupon has a positive statistically significant effect on bank performance with  $\beta = 0.153$ , at 95% confidence level ( $p < 0.05$ ). The Beta value ( $\beta = 0.153$ ) shows that if there is one unit increase in coupon distribution, there will be 15.3% increase on bank performance. This indicates that coupon has a positive statistically significant effect on bank performance.

Likewise, free gift has a positive and significant effect on bank performance. With  $\beta = 0.139$ , at 95% confidence level ( $p < 0.05$ ). The Beta value ( $\beta = 0.139$ ) shows that if there is one unit increase in free gift, there will be 13.9% increase on bank performance. Therefore, free gift has a positive effect on bank performance in Wegagen Bank Jimma district.

Premiums are also the other positive and significant effect on bank performance. With  $\beta = 0.212$ , at 95% confidence level ( $p < 0.05$ ). The Beta value ( $\beta = 0.212$ ) shows that if there is a one unit increase in premiums, there will be 21.2% increase on bank performance. Therefore, a premium has statistically significant effect on bank performance in Wegagen Bank Jimma district.

Similarly, loyalty reward is the other positive and significant effect on bank performance with  $\beta=0.242$ , at 95% confidence level ( $p < 0.05$ ). The Beta value ( $\beta=0.242$ ) shows that if there is a one unit increase in loyalty reward, there will be 24.2% increase on bank effectiveness. Therefore, a loyalty reward has statistically significant effect on bank performance in Wegagen Bank Jimma district.

In general from the regression analysis, the higher the absolute value of the beta coefficient of the variables, the higher the contribution that the independent variables (sales promotion) have on the dependent variable (bank performance). Therefore, incentives has highest contribution ( $\beta=0.262$ ,  $p < 0.05$ ) on bank effectiveness, then followed by loyalty reward, and free gifts ( $\beta=0.139$ ,  $p < 0.05$ ) was least effect on bank performance, but display does not have any effect on bank effectiveness. Therefore, sales promotion has a positive effect of on bank performance in Wegagen Bank Jimma district.

## CHAPTER FIVE

### Summary, conclusions and recommendations

#### 5.1 Introduction

This chapter presents the summary and conclusion of the research findings. It further explains the implications of the study as well as relating them to existing literature. Moreover, it outlines the recommendations that should be considered in light sales promotion and how they will affect banks performance. It also highlights the areas that should be researched further.

#### 5.2 Summary

Descriptive and inferential statistical techniques were used to analyze the primary data collected through structured questionnaires from wegagen bank in the study. Appropriate tests are also undertaken in order to check the validity and reliability of questionnaires.

The main objective of this research is to assess the effects of sales promotion on the banks effectiveness. As such the researcher studied various promotional tools like coupons, premium, loyalty reward, incentives and point of sales display that affect the banks performance. The result of this research provides important information about the impact of sales promotion on banks performance. And also leads us towards the most effective sales promotion tool practices.

The results investigate the effects of sales promotion (coupons, point of sales display, premium, loyalty reward and incentives) on banks performance. This is given by the descriptive and inferential statistics towards sales promotion and banks performance where respondents have shown their attitude towards sales promotion tools and banks effectiveness with the following results of means score.

The overall effects of incentives on banks performance by the respondents indicating that customers are motivated to deposit more, to open account and use the banks product, they also want to share to their friends and relatives about the incentives provided by the banks, but in other way when customers are provided incentives they don't compare the services quality.

The effects of coupon on banks performance indicates that coupon provided by wegagen bank motivates customers to use banks product and deposit more while there is high value of coupon and respondent also prefer coupon than other promotional offers. In addition respondent prefer coupon than product and services in the bank, and also coupon can't makes customers loyal to the bank.

The overall effects of free gifts on banks performance shows that like other sales promotion respondents are motivated to use the banks product and deposit more in the bank. But in other way respondents become neutral with other stated statement above in free gifts.

Displays in the bank at standee and front shows that there is no clear, attractive and visible point of display in the bank to attract and retain customer, but if there is a clear point of display in the bank no need of additional refer for the customers.

The effects of premium on bank performance indicating that respondents are agree with premium provided by the bank help them to have a positive attitude to the bank, they prefer to stay with the bank with condition if there is premium, they also tend to use the bank product and they also wants to become loyal to the bank if there is premium.

The overall result for the effects of loyalty reward indicated that wegagen bank fail to prepare loyalty reward to its loyal customer, in addition to this if there is loyalty reward he customer become frequent and repetitive to the bank and they tend to deposit more and use the banks product in the future.

With respect to the first, second and third objectives, the result of the survey investigate which type's sales promotion is effective in attracting and persuading customer, to identify its effect on customer loyalty and also its long and short term effects on the bank.

As it can be shown it is argued that, sales promotion may be utilized to motivate customers to try new product, to attract customers, building brand image, and profit of the bank, it also implies that, with the utilization of promotional mix's effort of sales promotion tools, product and service offering firms. In other direction, the sales promotion have a negative effect on brand loyalty while there is continues use of sales promotion tools, and its effectives limited to short term inducement of the marketing activities of the bank and they only boost short-term sales that cannot be maintained by other promotion mix, in addition the heavy use of sales promotion for

decreased brand loyalty, increased consumer price sensitivity, a focus on short-run marketing planning and an erosion of brand-quality image.

The last two objective of the study was to determine sales promotion on services quality and the cost incurred to facilitate the activity and to assess which of sales promotion is better in product offering and customer satisfaction. In this regard customers focusing on sales promotion items that could benefit them, this indicates that customers visit the bank in searching for incentives without considering of banks product and services quality, sales promotion activities do not build long-term consumer preference and loyalty. It also sales promotion become more expensive compared to benefit gained in order to be cost effective the bank should cooperatively use with advertising and other promotion mix. And if sales promotion is conducted continuously, they lose their effect. Customers begin to delay until a coupon is offered or they question the product's value

### **5.3 Conclusions**

Marketers spend an enormous amount of time finding out what customers really want and what promotions will be most effective. Given the very large expenditures allocated to sales promotion tools, understanding what strategy to use for a given promotional cost/value remains important. Thus, one of the basic decisions confronting a manager, when implementing a promotion, is the type of promotion to be used and the benefit to be offered to customers. Sales promotions are one of the key communication mix tools being used by almost all of the organizations to positively impact their performance. Many researches prove the positive impacts of this tool on organization profitability.

From the Pearson correlation analysis researcher have found out that coupon, loyalty reward, incentives and premiums strongly correlate with banks performance and displays and free gifts weakly correlate with Banks performance.

As such, the result of this research proves that sales promotion tools such as coupons, premium and point of sales display, incentives and loyalty reward has a relationship with banks performance. This research has proved that sales promotions motivate customers and consumers are bound to make decision on pattern of choice provided that they are offered with coupons, premium and point of sale displays. In this regard, it can be concluded about how each tools of sales promotion influence customer orientation as below.

The result of the study conclude that there is a positive correlation between sales promotion and banks performance with ( $r=0.347$ ) significant at 95% confidence interval. The result of this research is consistent with the previous studies that support the statement that banks performance is influenced by coupon (Aurangzeb &Mehmood, 2014).

The study concludes that there isa positive relationship between loyalty reward and banks performance. The hypothesis result revealed that there is a positive correlation between loyalty reward and banks performance( $r=0.307$ ) a significant at 95% confidence interval.

The result of this study is consistent with the findings of the previous studies. According to (Alinkemer&Ozcelik, 2009) loyalty programs are easily understood by the consumers and less expensive to retain existing customers. Similarly, (Khan, 2014) suggest that loyalty programs provide many advantages to the customer to try new products far more easily and a closure bond between current customers and the brand.

The study concludes that there is a weak relationship between free gifts and banks performance. The results show that there is a weak positive correlation between free gifts and banks performance with  $r = 0.26$  significant at 95% confidence interval. The result of this research is consistent with the previous studies that support the statement that influenced by free gifts (Mela et al. 1997). According to the study verified that these promotions made less brand-loyal customers less sensitive to price.

The study proves that sales promotion tools mainly intended for short term inducement. The result of the study is consistent with that Some researches prove that sales promotions do not have a constant or continued effect on volume of sales of a firm which tend to diminish and come at the initial level at which it was before the sales promotion is being offered, and promotion centers on some form of special purchase incentive offered to the customers and it is usually short-termed in nature. And it is designed to achieve a short term objective, sometimes in a limited area or through certain outlets (Dekimpeet al. 202).

With regard to the overall effect, it is reasonable to conclude that sales promotion is a marketing strategies that is designed to attract new customer to take a specific action such as using a banks product that usually occur for adequate period of time to help create a sense of necessity. In other word sales promotion is promotional activities other than personal selling, advertising,

publicity/public relation, and direct marketing that stimulate interest, trial, or purchase by end users (final consumers) this study is consistent with the previous study of (Ailawad&Neslin, 1998)

The overall conclusion of this research found positive customers attitude towards various sales promotion tools (coupon, premium, incentives, loyalty reward and free gifts) on banks performance. The study confirmed that customers can be motivated through various kinds of elements, including sales promotion techniques except point of sales display. The study also concludes that that sales promotion affects brand perceptions. The argues that over dependence on promotions can erode consumers' price-value equation based on structural equation model, suggest that frequent price promotions, such as price deals are related to low brand equity. This helps to conclude that the sales promotion techniques must be adequately combined in order to bring about improved performance of the bank.

#### **5.4 Recommendations**

In view of the above discussion and findings, the following recommendations will be useful to banks in the process of marketing their services for better delivery of services to their customers which will in turn increase performance. From the results of the research, it has been observed that customers responded positively to the various sales promotional tools offered by the bank. Accordingly, given the significantly positive relationships between sales promotion tools (coupon, premium, loyalty reward, incentives and point of sales display) and banks performance, therefore, in the light of this, the following recommendations have been given for better and more impact of sales promotion.

**Continually evaluate Sales promotion programs:** Rather than using product-driven programs that are done seasonally, banks should consider granting more customer-focused programs that evaluate each customer's propensity to open one or more of the products and services offered. With some of the clients, consider evaluating each customer's transactional, product ownership and even behavioral characteristics to determine what would be the most likely next purchase and whether the propensity to purchase is high enough to make an offer. The goal is to offer the right product, at the right time, to the right customer through the right channel. Bank should avoid unethical marketing behavior such as: dishonesty, unexpected price change, being rigid, abuse of position, misuse of information, violation of confidentiality, lack of equitable treatment,



and poor product quality among others. It is essential for Wegagen Bank to pay more attention to the product and service quality because customers are not testing (using) the bank's product and service.

Sales promotions become more expensive so the bank should give attention in cost effectiveness of sales promotion tools.

**Sales promotions should be consumer relationship building**, motivating only short-term sales volume or temporary brand switching, they should help to reinforce the product's position and build long-term relationships with customers. The sales promotion strategies have short-term effect, so the bank requires the continuous follow-up to maintain long-term relationship with customers as they may switch with the competitors with better strategies. To sum up, sales promotion techniques are intended to have a direct impact on the bank, which implies their short-term focus. However, every aspect of communication by a company has some sort of effect on the bank's performance, and therefore any company which has recognized the importance of thinking strategically knows that it must look beyond short-term effects.

Results of the research show that sales promotion directly influences brand image, thus, the more applicable these communication tools, the more effective they are in increasing positive brand image. Thus, managers of the marketing unit of Wegagen Bank with their proposed strategies should try to increase the level of customers' awareness of the brand and exposure to different sales promotion techniques and consequently these activities take place to increase brand image.

**Integrated Marketing Communication:** is the boost for promotional mix elements, whether it is advertising; direct marketing, interactive/internet marketing, sales promotion, publicity/public relations or personal selling, combining these disciplines to provide consistently and clearly a maximum communication impact. Sales promotion has been defined as the coordination of all seller-initiated efforts to set up channels of information and persuasion to sell goods and services or promote an idea. An integrated marketing communication program must be continuous and strategic oriented. Wegagen Bank should give more attention for integrating sales promotion with other promotional mix specially it appears most effective to be used in combination with advertising.

### **5.5 Directions for future researches**

Given the promising results that were obtained, coupled with the inherent limitations to the study just discussed above, there are many potential avenues of further research that can be explored. Among these future researches should apply the study's model on a larger population of other private banks and comparison of the results and future research is needed to identify how different promotional mix work, the effects of sales promotion on brand equity and also needs to work on long term effects of sales promotion on banks performance and customer loyalty.

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## **APPENDIX I**

### **QUESTIONNAIRE**

**Jimma University**

**College of business and Economics Mba program**

**Questionnaire to be filled by Banks customers**

## **INTRODUCTION**

**Dear respondent, I want to inform you that this questionnaire is designed for the partial fulfilment of MBA Program. I am a graduate student in the department of business management, Jimma University. Currently, I am undertaking a research entitled ‘The effect of sales promotion on the effectiveness of the Banks. Thus, it is fully for academic purpose and all the information provided will be treated with maximum caution and confidentiality. I thank you in advance, for your concern and time.**

**Regards**

**Wondmagegnamaga**

**0917397694**

**Wondenamaga17@gmail.com**

## **Instruction for filling the questionnaire**

- ✓ Please read each questions carefully and put the (X) on each box
- ✓ No need of writing your name

**Instruction for filling the questionnaire**

✓ Please read each questions carefully and put the (X) on each box

1. Gender : Male  Female

2. Age: 18-23  24-28  > 29

3. Educational Background :

Primary  Diploma  degreeMSIB

4. Year of experience at the banks

0-1  2-5  > 5

	<b>Effects of Financial Incentives</b>	Agree	Strongly agree	neutral	disagree	Strongly disagree
1	Banks incentives encourage me to deposit more and use new wegagen products far more easily.					
2	An incentive motivates me to use banks product earlier than planned.					
3	I testified to friends and relatives about the incentives					
4	I compare the service while there is an incentive to other normal days					
5	While there is promotional incentives in the banks my choice of pattern will be changed					
	<b>The effects Of coupons</b>					
6	I tend to make a deposit more often when the value of the coupon is higher.					
7	I tend to make deposit and use new products more often if I have the coupon offering a					

	promotion					
8	I prefer coupon offering in the banks than services and product offered					
9	Coupon is better for me than other promotional offers					
10	Coupon makes me loyal and repetitive customer of the bank					
	<b>The effects of free gifts</b>					
11	I am more likely to make more deposit and use new bank products if I know that I will receive a free gift.					
12	I prefer wegagen bank for the reason of free gifts than service quality, product features and brand image.					
13	Free gifts is easily accessible than other promotional offers					
14	When I received Free gifts I feel loyal to the banks					
	The regular free gifts have a negative influence in my attitude towards a bank					
15	I will plan in future for additional free gifts					
	<b>The effects of displays</b>					
13	Displays and Promotional offers informed in wegagen branches attract me.					
14	Attractive and clear point of display influences my amount of deposit and use of new bank products.					
15	Standee at the front of the counter displaying the promotion affects what I use new bank products					



16	I often use bank products displayed in the counter					
17	Displays in the counters convince and makes me to be loyal customer					
18	If there is clear point of displays don't need additional refer					
	<b>Product and Service</b>					
19	I am a repeat customer of the bank because of their service.					
20	I have become more loyal to the bank ever since.					
21	I acted as a referee to other customers who needed service and convince them to acquire the bank products					
22	I may use new wegagen bank products in the future.					
23	If I had the opportunity, I would commit to deposit more in this bank					
24	I prefer wegagen bank for the reason of incentives and gifts than service quality, product features and brand image					
25	There is a priority for loyal customers in the banks while there is a promotional offer.					
26	All customers are provided the identical of product and services					
	<b>Brand image</b>					
1	Brand image influence me to be customer of the bank than promotional offers					
2	Promotional offers positively affect my brand choice					
3	I have a positive perception for wegagen bank because of					

	promotional offers					
4	Continues use of promotional offers affects brands image negatively					
5	I want to switch brands if wegagen offers me gifts and others					
	<b>Premiums</b>					
1	I would go out my way to use wegagen bank only when a bank introduces a premiums					
2	Premiums would help me to have a positive attitude.					
3	If a premium promotion required more deposit I still like to participate in the promotion.					
4	I am willing to deposit more and use new bank product to get a premium.					
5	Am willing to become loyal customer to the banks if I get premiums					
	<b>Loyalty rewards</b>					
1	Wegagen bank prepare a loyalty reward for loyal customers					
2	I become more loyal to the bank if there is loyalty rewards.					
3	I am willing to deposit more and use new bank product to get a loyalty rewards.					
4	Loyalty reward build a positive attitude to wegagen bank					
5	The heavy use of sales promotion for decreased brand					

	loyalty.					
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**APPENDIX II**

**QUESTIONNAIRE**

**Jimma University**

**College of business and Economics Mba program**

**Questionnaire to be filled by Banks staff**

**INTRODUCTION**

**Dear respondent, I want to inform you that this questionnaire is designed for the partial fulfilment of MBA Program. I am a graduate student in the department of business management, Jimma University. Currently, I am undertaking a research entitled ‘The effect of sales promotion on the effectiveness of the Banks. Thus, it is fully for academic purpose and all the information provided will be treated with maximum caution and confidentiality. I thank you in advance, for your concern and time.**

**Regards**

**Wondmagegnamaga**

**0917397694**

**Wondenamaga17@gmail.com**

**Instruction for filling the questionnaire**

✓ Please read each questions carefully and put the (X) on each box

**5. Gender :**      **Male**            **Female**

6. Age: 18-23  24-28  > 29

7. Educational Background :

Primary  Diploma  degree MS  B

8. Year of experience at the banks

0-1  2-5  > 5

	<b>Overall Effects of sales promotion on customer satisfaction</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>neutral</b>	<b>disagree</b>	<b>Strongly disagree</b>
1	Customers begin to delay until incentives offered or they question the product's value Because of sales promotion.					
2	Attractive and clear point of display influences customers decision and use of new bank products					
3	The premium offered attract customers to use the banks product and services					
4	Sales promotions encourage consumers to try new products instead of always staying with their current ones					
5	Do your customers visit the bank frequently because of incentives					
	Does sales promotion activity motivates customers to use wegagen bank product and services.					
6	Over dependence on promotions can erode consumers' price-value equation.					
	<b>Effects of sales promotion on banks growth and profit</b>					
1	Sales promotions have a constant or continued effect on volume of product and services					
2	When Sales promotion conducted continuously, it loses their effect.					
3	When organizing sales promotion tools wegagen bank can direct to ultimate consumers.					
4	Do you agree Sales promotion focus only selected market segments					
5	Does sales promotion affects wegagen bank profit					
6	While there is sales promotion in banks customer motivated to deposit more					

	<b>Sales promotion on brand loyalty</b>					
1	The heavy use of sales promotion for decreased brand loyalty					
2	Sales promotion build brand loyalty to the bank					
3	Sales promotion can help customers to compare services					
4	Customers have a positive perception for wegagen bank because of promotional offers					
5	customers want to switch brands if wegagen offers gifts and others					
4	Sales promotion has a positive effect on service quality.					
5	Sales promotion have a long term effect on brand image					
6	Customer prefer the brand than promotion					
	<b>Sales promotion selection and implementation</b>					
1	Do you think banks expense incurred for sales promotion is proportional with benefit gained					
2	Do you agree the external factors influence the choice of promotion					
3	Does sales promotion is more expensive than other promotion type					
4	Sales promotion within bank appears to be most effective in combination with advertising					
5	Wegagen decide how to promote and distribute the promotion programme itself					
6	Wegagen bank prepare implementation plans for each promotion tools and budget					
7	Adaptation vs standardization of the promotion strategy for banking service described in wegagen bank					

	<b>Effects of Financial Incentives</b>	Agree	Strongly agree	neutral	disagree	Strongly disagree
1	Do you agree banks incentives encourage customers to deposit more and use new wegagen products far more easily					

2	customers testified to friends and relatives about the incentives					
3	Do customers compare the service while there is an incentive to other normal days					
	<b>The effects Of coupons</b>					
1	Customers have a tendency to make a deposit more often when the value of the coupon is higher.					
2	customer prefer coupon offering in the banks than services and product offered					
3	Coupon is better for customers than other promotional offers					
4	Coupon makes customers loyal and repetitive customer of the bank					
	<b>The effects of free gifts</b>					
1	Customers are more likely to make more deposit and use new bank products if they know that will receive a free gift.					
2	Customers prefer wegagen bank for the reason of free gifts than service quality, product features and brand image.					
3	Free gifts is easily accessible than other promotional offers					
4	The regular free gifts have a negative influence in customers attitude towards a bank					
	<b>The effects of displays</b>					
1	Displays and Promotional offers informed in wegagen branches attract customers.					
2	Attractive and clear point of display influences customers deposit and use of new bank products.					
3	Standee at the front of the counter displaying the promotion affects what customers to use new bank products					
4	customers often use bank products displayed in the counter					
5	Displays in the counters convince and makes customers customer to be loyal					
	<b>Premiums</b>					

1	I would go out my way to use wegagen bank only when a bank introduces a premiums					
2	Premiums would help customer to have a positive attitude.					
3	Customers are motivated to deposit more and use new bank product to get a premium.					
4	customers willing to become loyal customer to the banks if they get premiums					
	<b>Loyalty rewards</b>					
1	Wegagen bank prepare a loyalty reward for loyal customers					
2	Customers are become more loyal to the bank if there is loyalty rewards.					
3	Customers are willing to deposit more and use new bank product to get a loyalty rewards.					
4	Loyalty reward build a positive attitude customer					
5	Customers become frequent, because of Loyalty Reward					