

**ST. MARY'S UNIVERSITY**  
**FACULTY OF BUSINESS**  
**DEPARTMENT OF MARKETING MANAGEMENT**

**AN ASSESSMENT OF SALES PROMOTION PRACTICE:  
THE CASE OF AWASH INSURANCE COMPANY S.C**

**BY**  
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**JUNE, 2014**  
**SMU**  
**ADDIS ABABA**

**AN ASSESSMENT OF SALES PROMOTION PRACTICE:  
THE CASE OF AWASH INSURANCE COMPANY S.C**

**A SENIOR ESSAY SUBMITTED TO THE  
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MARKETING MANAGEMENT**

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## **LIST OF ABBREVIATION**

AIC Awash Insurance Company S.C



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# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

Companies use sales-promotion tools to draw a stronger and quicker buyer response. Sales promotion can be used for short-run effects such as to dramatize product offers and boost sagging sales. Sales promotion, a key ingredient in marketing campaigns, consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or service by consumers or trade. Sales promotion includes tools for consumer promotion (samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trials warranties, tie-in promotions, cross-promotions, point-of-purchase displays, and demonstrations)(Kotler 2003: 580,609). Moreover, Blech and Blech (2001: 525) pointed out that sales promotion is essentially an acceleration tool, designed to speed up the selling process and maximize sales volume. By providing an extra incentive, sales promotion techniques can motivate consumers to purchase a larger quantity of a brand or shorten the purchase cycle of the trade or consumers by encouraging them to take more immediate action. Furthermore, Mishra (2004:1) stated that promotion decisions are made simultaneously with other making mix decision. They involve finding target market, determining objective and task budget for promotion, selecting promotion tools, evaluating promotional effectiveness and controlling the promotional element.

Awash Insurance Company S.C. (AIC) which is a unique company in its cross-sectional composition was licensed on October 1, 1994 and commenced operation on January 2, 1995. AIC company logo on a sky blue circle background three letters, AIC are engraved in white; along with trifoliate (three leaves in green) on top of the middle letter representing bright future, growth and prosperity. The founding subscribers were 456 individual and corporate investors from all walks of life residing across the country and abroad, the total number of shareholders currently is 607. AIC operates from 34 full- fledged branches and 4 contact offices. AIC provides general insurance and life insurance; the Company has vision, mission and objectives like some other company AIC is comprehensively backed by internationally renowned reinsurers.

## **1.2. Statement of the Problem**

Mishra (2004:1, 6) indicate that sales promotion aims directly at inducing purchasing to buy a product. It involves demonstrations, contests, prices-off, coupons, free samples, special packaging and money refund offers. Sales promotion has proved to be both economic and more effective. Such as sales promotion ideas as mass advertising the entire promotion load .Sales promotion stimulates the primary demand for the company's product. Mass sales promotion persuades consumers to purchase goods or services. Moreover, Blech & Blech (2001:21) pointed out that sales promotion provides extra value or incentives to the sales forces, the distributors, or the ultimate consumer and can stimulate immediate sales. Furthermore, Mishra (2004: 14) pin pointed that sales promotional strategies should be evaluated at the stages of implementation and final performance because implementation control will suggest improvements during the application of the promotional strategy, while performance control will be a guide for the future. These evaluation techniques shows how far the sales promotion techniques have been effective in increasing sales through motivating consumer and sellers and point the way to improvements in sales promotion. On the other hand, Kotler (2003: 615) stated that although most sales promotion programs are designed on the basis of experience, pretests should be conducted to determine if the tools are appropriate, the incentive size optimal, and the presentation method efficient. Marketing managers must prepare implementation and control plans for each individual promotion that cover lead time & sell- in time.

Awash Insurance Company S.C (AIC) offers only one sales promotion tool which is free samples (give away item) as sales promotion tool for the major service of the company. From the preliminary interview conducted, the company does not use different sales promotion tools and to create awareness, interest, and adaption of the service for its customer's also the company does not evaluates effectiveness of the sales promotion.

Based on these facts the student research has tried to assess the problem related with AIC sales promotion practices and finding possible solution for the company.

### **1.3. Research Questions**

Regarding the statement of the problems in the previous page the following research questions has been raised:

1. To what extent sales promotion of the company affects customer decision making in using the company service?
2. Why the company does not evaluate the effectiveness of sales promotion?
3. How does the Awash Insurance Company S.C set the sales promotion budget?
4. How does the customer understand the company sales promotion message?

### **1.4. Objective of the Study**

#### **1.4.1. General Objective**

The student researcher has tried to achieve its general objective of assessing the sales promotion practices in the case of Awash Insurance Company S.C.

#### **1.4.2. Specific Objectives**

Beside the above indicated general objective this research paper has tried to achieve the following specific objectives

- ✓ To assess how the effect of the sales promotion on customer decision making and using the company service.
- ✓ To identify the perceived reason why the company does not evaluate the effectiveness of sales promotion.
- ✓ To point out the company sales promotion budget allocation.
- ✓ To analysis customer reaction to wards the company sales promotion practices.

## **1.5. Significance of the Study**

This research is significant to the company in that it will help the company how to practice sales promotion activities and this in return helping the company to increase its sales and reputation. This study will help the student researcher to gain experience, to outline the existing problems and suggest the possible solutions, it provides the possible solution that will help the company to reduce weak side regarding their marketing efforts and it may also serve as a reference material in libraries for students who need to conduct senior essay and it will give away for other researchers to conduct detailed research on the issue.

## **1.6. Scope of the Study**

The student research focused on the sales promotion practices particularly for immediate last year (2013) of AIC. The company currently renders non-life and life insurance. However, this study was focused on consumer sales promotion on main branch which is Finfine in order to conduct marketing department and easily to get more information. Awash Insurance Company S.C has different sales branch such as company branch's Addis Ababa and Regional it is better to obtain the necessary information for all sales branch core the study was stick on Addis Ababa in Finfine main branch and this research delimited in studying of consumer sales promotion practices of the other branch of AIC.

## **1.7. Research Design and Methodology**

### **1.7.1. Research Design**

The student research has applied descriptive types of research to address different research questions which was help the researcher to describe and determine the sales promotion practices in Awash Insurance Company S.C.

### **1.7.2. Population and Sampling Techniques**

The target population of the study was include the marketing department manager and customer of the company in order to select 200(two hundred) customer the student research use non probability sampling technique. Because the entire customer cannot be accessible the research was use accidental (convenience) sampling by using those customers available in a certain specific time and place.

### **1.7.3. Types of Data to be Collected**

The student researcher was collected both primary data and secondary data. Primary data collect from customer and secondary data was obtained from company profile, publications, and internet, etc.)

### **1.7.4. Methods of data Collection**

The student researcher was collected the primary data by distributing questionnaires which contains (open ended and closed ended questionnaire) and was distributed to customer and interview was conducted with marketing department manager. Regarding secondary data from different reference books, company brochure, internet, was used to generate information.

### **1.7.5. Data Analysis Methods**

The data that has being collected from the respondent's was analyzed by using both qualitative and quantitative techniques. The interview and open ended questionnaire is evaluated by qualitative method and presented in paragraph. The data which was collected from the close ended questionnaire was evaluated by quantitative method and present in the form of tabulation and percentage.

## **1.8. Limitation of the study**

During the preparation of this research the student researcher was constrained by various limitations. Among the limitation it was difficult to find the customers who are willing to give necessary information and share their time, it was difficult to meet the marketing department manager and they were willing to give the necessary information with limited time, lack of financial resources and worked on a sample size of 200 respondents against the whole population due to lack of resources, this sample may not be considered as a good representative of the whole population

## **1.9. Organization of the Study**

This paper was organized in four major chapters. The first chapter was introduction which includes background of the study, statement of the problem, objective of the study, research design and methodology, limitation of study. The second chapter was deals with review of related literature to the study. The third chapter deals with data presentation, analysis and the data interpretation of the research study. The forth chapters was contains summary, conclusions and recommendations.

# CHAPTER -TWO

## REVIEW OF RELATED LITERATURES

This chapter reviews the studies that have been carried out to date. Previous studies Conducted in this area are organized based on their chronological context.

### **2.1. Nature of Sales Promotion**

Promotion is one of the key factors in the marketing mix and has a key role in market success. Promotion is used to ensure that consumers are aware of the products that the organization is offering. The promotional mix is the combination of the different channels that can be used to communicate the promotional message to the consumers. The channels to be used are; advertising, direct marketing, public relations and publicity, personal selling, sponsorship and sales promotion (Rowley, 1998). One of most important of channels is sales promotion. Sales promotion is action-focused marketing events whose purpose is to have a direct impact on the behavior of the firm's consumers. There are three major types of sales promotion: consumer promotion, retailer promotion, and trade promotion.

Consumer promotions are promotions offered by manufacturer directly to consumers (Blattberg and Neslin 1990). Throughout the world, sales promotion offered to consumers are an integral part of the marketing mix for many consumer products (Huff and Alden 1998, Chandon et al. 2000). Studies that strive to understand the impact of sales promotion on consumers are very important. Thus, sales promotion tools are amply employed by retailers and manufacturers to achieve their commercial objectives in terms of sales volumes, market share, category penetration, and so forth.

According to Low & Mohr (2000) manufacturers continue to spend a large amount from their communication budget on sales promotion. They allocate around 75 percent of their marketing communication budgets to sales promotion.(Hellman, 2005) In order to develop a successful sales promotion strategy a clear definition of the targeted market must be included. It is important to note that the character of sales promotion has been changing slightly over time, with the arising of relationship marketing.



Sales promotion, like other traditional forms of marketing activities, have been about mass offer (Mitchell, H., 2000).

Sales promotion when implemented effectively often results in an increase in short term sales figure. This explains the inclination of corporations to put in a large percentage of their funds in carrying out various sales promotion activities. However variations occur in effects of sales promotion based on the attractiveness of the concerned brand (Alvarez, 2005). Sales promotions are useful tools which act as demand booster that do not sustain the risk associated with the new products. (Blattberg, RobertC., &Neslin, 1990)

### **2.1.1. Sales Promotion**

### **2.1.2. Definition for Sales Promotion**

Etzel and et.al (2004:550) sales promotion defined as demand – stimulation devices designed to supplement advertising and facilitate personal selling. Sales promotions are conducted by producers and middlemen. The target for producer’s sales promotion may be middlemen and end users, households or business users or the producers own sales force. Middlemen direct sale promotion at their sales people or prospects further down the channel of distribution.

According to Blech and Blech (2001: 524) sales promotion has been defined as “a direct inducement that offers an extra value or incentive for the product to the sales force, distributors, or the ultimate consumer with the primary objective of creating an immediate sale.”

Moreover, Brassington and Pettitt (2000: 643) provide a revised definition for sales promotions: “... a range of marketing techniques designed within a strategic marketing framework to add extra value to a product or service over and above the ‘normal’ offering in order to achieve specific sales and marketing objectives. This extra value may be a short-term tactical nature or it may be part of a longer-term franchise-building program.

## AIDA Model

Marketing today is fiercely competitive and products despite having quality need support from promotional team of the organization. AIDA however is an acronym to sales promotion that is necessary to learn in marketing. Using a system like this, allows a general understanding of how to target a market affectively. Moving step by step, AIDA model aims to affectively influence the consumers. It proposes combination of promotional tools that help drawing consumer's interest and generate interest. This process is shown as "AIDA Inverted Triangle" (figure 1). This includes the four stages of:

1. **Attention**- where the consumer becomes aware of the product.
2. **Interest** - where an interest in the product develops.
3. **Desire** - Where the consumer has developed a sense of wanting the product.
4. **Action** - where a purchase is made (Strong, 1925).

Stages	"AIDA" Model (a)
Cognitive stage	Attention ↓
	Interest
Affective stage	↓ Desire
Behavior stage	↓ Action

**Figure 1:** source: Stages of AIDA model, Strong (1925)

## **2.2. Objective of Sales Promotion**

Sales promotion objectives are consistent with marketing objectives. In spite of the several objective of sale promotion are the following.

### **1. Informing:**

Informing is to educate the consumer about the product. They must have knowledge about the product offered by the producer. They should, therefore, be informed of the new product and told that the new product works better than all similar existing products. Free samples may be distributed to leading consumer who may be a source of advertisement for other perspective consumers.

### **2. Persuading**

Sales persons persuade consumer to buy products. They develop or reinforce a favorable set of attitudes and influence their buying behavior. They supply comparative information on various products so that consumers may be willing to purchase the products promoted by them. (Saxena 2004:355)

### **3. Reminding**

Reminding leads the firms to reinforce the previously satisfactory behavior of the customer. For this purpose it provides suitable knowledge for recollection. Reminding the consumers of their past satisfaction will persuade them to stay with the product and prevent them from shifting to competitors. (Belch &A. Belch 2003:520)

## **2.3. Purpose of Sales Promotion**

No single purpose can be advance for sales promotion tools since they are so varied in form. A free sample stimulation consumer trial, while a free management-advisory service cements a long-term relationship with a retailer. Sales promotion techniques make three contributions to exchange relationships.

1. **Communication:** they gain attention and usually provide information that may lead the consumer to the product.

2. **Invitation:** they include a distinct invitation to engage in the transaction.
3. **Incentive:** they incorporate some concession, inducement, or contribution designed to represent value to the receiver.(Kumar & Mittal 2001: 311)

## **2.4. Characteristics of Sales Promotion**

Sales promotion has a number of advantages for a firm. It helps to attract customer tariff and maintain brand or store loyalty. Some form of sales promotion provides value for the customer and retained by them. They provide a remainder function these includes calendar, match bask. T-shirt, pens, and posters with the firm name. Impulse purchase can be increased through in store displays. For a good display can lead to large volume purchase than originally intended by the consumer. Excitement is create through certain short- run promotion involving, gifts, contest or sweeps stakes. In particular value, item or huge payoff encourage consumer to participate. Contest offers the future benefits of the consumer's involvement. Many types of sales promotion are keyed to customer patronage with awareness of coupons, trading stamps, referral gifts, and other promotions directly related to purchase. (Evans and Berman 1990:535)

## **2.5. Significance**

Sales promotion alters the market share permanently. It persuades the buyers of the competitors' product to shift to the product of the company. It helps develop brand loyalty. It has been more effective than advertising. It becomes more effective when used together with advertising. Sales promotion has become an important tool developing product symbolization, which is important in increasing the volume of the product than consumers use in self-expression. Many create awareness, interest and adaption of the product because it has provided an opportunity for evaluation and trial, and finally conformation of brand loyalty. (Mishra 2004:6)

## **2.6. Limitation of Sales Promotion**

1. The success of sales promotion activities largely depends on the nature of prospective buyers and product characteristics. To be specific, all sales promotional activities can hardly deliver the desired results. These measures when frequently used may even have an adverse impact on the volume of sales as well as company's image.
2. Many promotional measures have limited and short-run impact on the consumers. The benefits of these activities for the seller in most cases are limited and short-lived. As soon as the promotional devices are withdrawn, the demand for such products and services automatically declines.
3. Sales promotion is a costly form of enhancing sales. It requires a heavy promotion budget. Therefore, it is not feasible for the small organization having limited sales and promotional budget.

Sales promotion activities become counterproductive when they are used to promote defective and poor quality goods and services. (PK Sahu & KC Raut 2003:229)

## **2.7. Form of Sales Promotion**

Sales promotion may take any or all of the three forms- consumer. These forms of sales promotion are known as tools or methods of sales promotion.

### **2.7.1. Consumer Sales Promotion**

Cow and Bacck (2002: 412) consumer sales promotion are incentives aimed at firm customers. These customers can be end users of the product or service or they may be other businesses, the difference between consumer and trade promotion is that trade promotion are direct at firms that resell the manufacturers or firm's products. Consumer promotion are direct toward individuals or firms that use the product and so not resell it to another business, thus consumer promotion can be used in both consumer market and business- to- business markets.

According to Kottler and Armstrong, (2012: 483-87) types of consumer sales promotional includes;

**Samples** are offers of a trial amount of product. Sampling is the most effective but most expensive way to introduce a new product or create new excitement for an existing one. Some sample free, for others, the company charges a small amount to offset its cost. The sample might be sent by mail, handed out in a store or at a kiosk, attached to another product, or featured in an ad or e-mail. Sometimes, samples combined into sample packs, which can be used to promote other products and services. Sampling can be powerful promotional tool.

**Coupons** are certificates that give buyer a saving when they purchase specified products. Most consumers love coupons. Coupons can promote early trial of a new brand or stimulate sales of a mature brand. However, as a result of coupon clutter, redemption rates have been declining in recent years. Thus, most major consumer goods companies are issuing fewer coupons and targeting them more carefully.

**Cash refunds (or rebates)** are like coupons except that the price reduction occurs after the purchase rather than at the retail outlet. The customer sends a proof of purchase to the manufacturer, which then refunds part of the purchase price by mail.

**Price packs (also called cents-off deals):** offer consumer saving on the regular price of product. The producer marks the reduced prices directly on the label or package. Price packs can be single packages sold at a reduced price such as two for the price of one or two related products banded together. Price packs are very effective even more so than coupons in stimulating short term sales.

**Premiums:** are goods offered either free or at low cost as an incentive to buy a product. A premium may come inside the package in pack, outside the package on pack, or through the mail.

**Advertising specialties:** also called promotional products, are useful articles imprinted with an advertiser's name, logo, or message that are given as gifts to consumers.

**Point- of- purchase (POP) promotion:** includes displays and demonstrations that take place at the point of sale. Manufacturers have responded by offering better POP materials, offering to set them up, and trying in which television, print, or online messages.

**Contests, Sweepstakes, and Games:** give consumers the chance to win something, such as cash, trips, or goods, by luck or through extra efforts. A contest calls for consumers to submit an entry a jingle, guess, suggestion to be judged by a panel that will select the best entries. A sweepstakes calls for consumers to submit their names for a drawing. A game presents consumer with something bingo numbers, missing letters every time they buy which or may not help them win a prize. Such promotion can create considerable brand attention and consumer involvement.

### **2.7.2. Trade Sales Promotion**

Trade promotion push a product through the distribution channel when selling to members of the distribution channel, manufacturer use many of the same sales promotion tools used in consumer promotions such as sales contests, premiums, and point of purchase displays, several tools however are unique to manufacturers and intermediaries. The types of trade sales promotion includes

**Trade allowance** – are price reduction offered by manufactures to intermediaries such as wholesalers and retailers. The price reduction or rebate is give in exchange for doing same thing specific, such as allocating space for new product or buying something during special period.

**Push Money** – intermediaries receive push money as bonus for pushing the manufacture's brand through the distribution channel often the push money is directed toward a retailer's sales people.

**Trading** – sometimes a manufacture will train an intermediary's personnel if the product is rather complex.

**Free Merchandise** – often a manufacture offers retailers free merchandise in live of quantity discounts occasionally, free merchandise used as payment for trade allowance normally provided through other sales promotions. Instead of giving a retailer a price reduction for buying a certain quantity of merchandise, the manufacture may throw in extra merchandise free.

**Store demonstration** – manufacturers can also arrange with retailers to perform an in store demonstration.

**Business Meeting, conventions, and Trade Shows** Trade association meeting conferences and conventions are an important aspect of sale promotion. Manufacturers, distributors and other vendors have the chance to display their goods or describe their service to consumers and potential customers. Trade shows have been uniquely effective in introducing new products they can establish products in the market place more quickly than can advertising, direct marketing or sales calls. Companies participate in trade shows to attract and identify new prospects, serve current customers, and introduce new products and gather competitive product information. (Lamb and et.al 2004:535)

### **2.7.3. Sales Force Promotion**

Sales men are motivated to sell products by offering bonus, contest, and sale rallies. They are offered a bonus if the sales increases above the minimum level. Sales contests are organized as an effective measure of sales promotion. The main purpose of sales contest is to increase the sales through retailer or sales persons. (Mishra, 2004:7)

## **2.8. Methods of Promotion Budgeting Decision**

**Affordability methods:** company set the promotional budget at what they think the company can afford. This method completely ignores the rule of promotion as an investment and the immediate impact promotion on sale volume. In trends to an uncertain annual budget which makes long- range planning difficult.(kotler, 2003: 553)



**Arbitrary allocation** the budget is determined of promotion rather than a result it leads to a budget set by the availability of fund rather than by market opportunity.(kotler, 2003: 577)

**Return on investment (ROI)** promotions: are considered as investments, like plants and equipment thus the budgetary appropriation investment leads to certain returns. (Belch & Belch, 2001:231)

**Percentage of sales method:** it views sales as the determiner of promotion rather than as result it leads to a budget set by the availability of funds rather than by market opportunity (kotler, 2003:577)

**Competitive Party method:** some company set their promotion budget to achieve share-of- voice party with competitors it is done in believing that competitors' expenditure represents the collective wisdom of the industry and maintaining competitive party prevents promotion war. (kotler 2006:554)

## **2.9. Pretesting, Implementing, Controlling and Evaluating the Program**

Although most sales -promotion programs are designed on the basis of experience, pre testes should be conducted to determine if the tools are appropriate, the incentive size optimal, and the presentation method efficient. Marketing managers must prepare implementation and control plans for each individual promotional that cover lead time & sell- in time. Lead time is the time necessary to prepare the program prior to launching it: initial planning, design and approval of package modification or materials to be mailed or distributed. Sell in time begins with the promotional lunch and ends when approximately 95 percent of the deal merchandise is in the hands of customer.

To evaluate the program, manufactures can use three methods: sales data, consumer surveys, and experiments. The first method involves using scanner sales data, which are available from companies such information Resource Inc. and Nielsen media resource. Marketers can analyze the types of people, who took the advantage of the promotion,

which they bought before the promotion, and how they behaved later toward the brand and other brands. Consumer survey can be conducted to learn how many recall the promotion, what they thought of it, how many took advantage of it, and how the promotion affected subsequent brand- choice behavior. Sales promotion can also be evaluated through experiments that vary such attributes as incentive value, duration, and distribution media. For example, coupons can be sent to half of the households in a consumer panel scanner data can be used to track whether the coupons led more people to buy the product immediately and future. (Kotler 2003:615)

## **CHAPTER THREE**

### **Data Presentation, Analysis and Interpretation**

This chapter deals with a data presentation, analysis and interpretation of the study based on the data gathered from Awash Insurance Company S.C /AIC/ of customers, and marketing department manager of the company. This information presented in this chapter is obtained through both primary and secondary source of data. The primary data and questionnaires were distributed to some customer of Awash Insurance Company. In general the student researcher takes a sample of 200 respondents. Finally from the total 200 sample respondents out of which 160(80%) were filled and returned.

### 3.1. General characteristic of Respondents

This aspect of the analysis deals with the basic data on the respondents of the questionnaires sent to them. The general characteristic comprise of the respondent's sex, age, education background status within the company. The table below shows the detail of the respondent's background information.

**Table 1. Respondents background information**

No.	Item	Customer Response	
		Frequency	Percentage
1	Gender		
	A. Male	95	59%
	B. Female	65	41%
	Total	160	100
2	Age		
	A. 20-25 years	3	2%
	B. 26-30 years	5	3%
	C. 31-40 years	18	11%
	D. 41-45 years	61	38%
	E. Above 46 years	73	46%
	Total	160	100
3	Education Background		
	A. Below grade 12	6	4%
	B. Grade 12 complete	13	8%
	C. 10+3/ diploma	52	33%
	D. Bachelor degree and above	89	55%
	E. Other,	-	-
	Total	160	100

As it indicate in table 1 of item 1 in the previous page, 95 (59%) of the respondents were male and the rest of them were 65 (41%) of the respondent were females. The student researcher has observed that most of the respondents were male.

As indicated in table1 of item2in the previous page, shows that the respondents ages are 3 (2%) from 20-25, 5(3%) from 26-30, 18(11%) from 31-40, 61(38%) from41-45, and 73(46%) are above 46 years. The researcher has observed that most of the Awash Insurance Company S.C customers lie between from 31-40 and above 46 years ages.

Finally table 1 of item 3 indicates the respondent's educational background.6 (4%) of them are below grade 12, 13 (18%) of the respondents are grade 12, 52(33%) of the respondents are 10+3/diploma and 89 (55%) respondents have Bachelor degree and above. The researcher has observed that most of Awash Insurance Company S.C customers respondents are Bachelor degree and above.

### 3.2 Analysis of the finding of the study

Trying sales promotion to an immediate or encourage purchase product or service is a major use of sales promotion. Besides promotion can be used to achieve like building brand locality and creating products awareness to building long term market share. In this research customers were asked on how long they have been the customers of the company and sales promotion activities.

**Table 2, Questions related to general information**

No.	Item	Customer Response	
		Frequency	Percentage
1	What types of service are provided to you from Awash Insurance Company?		
	A. Life insurance	10	6%
	B. House insurance	12	8%
	C. Car insurance	103	64%
	D. Marine insurance	35	22%
	E. Other	-	-
	Total	160	100
2	Experience in the field of your business?		
	A. 0-4 years	12	8%
	B. 5-9 years	58	36%
	C. 10 years and above	90	56%
	Total	160	100
3	How long have you been the customer of Awash Insurance Company?		
	A. 1-5years	18	11 %
	B. 6-10years	72	45 %
	C. 11-15 years	19	12 %
	D. 16 years and above	51	32 %
	Total	160	100
4	Do you believe that you are loyal customer of AIC?		
	A. Yes	70	44%
	B. No	-	-
	C. I don't know	90	56%
	Total	160	100

As it is indicated in table 2 of item 1 in the previous page, 10(6%) of the respondents said they buy life insurance, 12(8%) of respondents indicated that buy house insurance, 103(64%) of respondents indicated that buy car insurance and 35(22%) of respondents indicated that buy marine insurance. Based on the data indicated above the student researcher can infer that most of the Awash Insurance Company S.C respondents buy car insurance and marine insurance.

As indicated in table 2 of item 2 in the previous page, 12(8%) of the respondents said that they experienced in field of their business 0-4 year, 58(36%) of the respondents said that 5-9 years, 90(56%) of the respondents said that 10 years and above. From this the researcher has observed that most of respondents have experience in field of their business for 10 years and above.

As indicated in table 2 of item 3 in the previous page, 18(11%) of the respondents said they have been customers of Awash insurance company 1-5 years, 72(45%) of the respondents 6-10 years, 19(12%) of the respondents 11-15 years, and the rest 51(32%) of the respondents 16 years and above. From this the student researcher can infer that most of respondents have been customers of Awash Insurance Company S.C service for 16 years and above.

As Indicated in table 2 of item 4 in the previous page, from the data on being customer of the company from the total respondents of 160 customers, 70(44%) of the respondents have said that loyal customer of the company and the rest of 90(56%) of the respondent said that they does not no they are loyal to the company. The student researcher can infer that most of the respondent does not know that they are loyal customer for the company.

**Table 3, Questions related to the linkage between the consumer sales promotions**

No.	Item	Customer Response	
		Frequency	Percentage
1	The consumer sales promotion practice of Awash Insurance Company persuades consumer to make a purchase?		
	A. Strong agree	-	-
	B. Agree	-	-
	C. Neutral	10	6%
	D. Disagree	50	31%
	E. Strongly disagree	100	63%
	Total	160	100
2	How do you evaluate Awash Insurance Company sales promotion practice when comparing it with its competitors?		
	A. Very good	-	-
	B. Good	-	-
	C. Neutral	50	31%
	D. Poor	100	63%
	E. Very poor	10	6%
	Total	160	100
3	How do you categorize yourself in using the company service?		
	A. Heavy user	18	11%
	B. Frequently user	23	14%
	C. Medium user	30	19%
	D. Infrequently user	70	44%
	E. Less frequently user	19	12%
	Total	160	100
4.	If your answer for the above question is "Heavy user" what is your reason?		
	A. Due to the activeness of sales promotion of the company		
	B. Due to the better quality of the company's Service	90	56%
	C. Due to the attractiveness of the advertising campaign of the company	70	44%
	D. Other	160	100
	Total		
5	Have you got benefit on the sales promotion tools of Awash Insurance Company?		
	A. Yes	-	-
	B. No	160	100%
	Total	160	100



As it is indicated in table 3 of item 1 in the previous page, 10(6%) of the respondents have said that neutral, 50(31%) of the respondents have said that disagree and the rest of 100(63%) of the respondents have said that strongly disagree. From this the student researcher has can infer that Awash Insurance Company S.C sales promotion does not persuades customers for purchase. This implies that Awash Insurance Company S.C does not use consumer sales promotion as means of promotion. It also shows that Awash Insurance Company S.C could not apply sales promotion well even if the types of services do require sales promotion.

As it is indicated in table 3 of item 2in the previous page, 50(31%) of the respondent have said that neutral, 100(63%) of the respondent have said that the sales promotion of the company is poor when they are compared to the competitors and the rest of 10(6%)of the respondents have said that very poor. There for, this implies that most of the company's customers have negative attitude towards the company's sales promotion when they are compared to the competitors. Based on the above the student researcher believed that the sales promotion provided by the company is not attractive according to the evaluation of the respondents from that of competitors this describe the company fails to compete sales promotion activity because of this reason the company may lose market share and competitive position.

As it is indicated in table 3 of item 3in the previous page, 18(11%) of respondent have said that heavy user of the service, 23(14%)of respondent have said that frequently user of the service,30(19%) of the respondent have said that medium user of the company service, 70(44%) of respondent said that infrequent user of the company service and the rest 19(12%) of respondent said that less frequently user of the company service. From this it is easy to know that most of the customer does not use frequently use the company's service at all, what the student researcher determine from this is that the company weakly examine service provide and do not plan the to provide different incentives for those customer.

As it is indicated in table 3 of item 4, 90(56%) of respondent have attracted by quality of the company's Service, 70(44%) of respondent have been attracted by the advertising campaign of the company. From this the researcher has can infer that most Awash Insurance Company S.C customers have been attracted to be customers by the quality of the company service and advertising campaign. This implies that customers are influenced by the service and advertising campaign rather than sales promotion practices of the company

As it is indicated in table 3 of item5, the totals 160(100) of respondent have said that No. from this the researcher has observed that the respondent replied that they did not got benefit from sales promotion tools of the company.

**Table 4, Analysis of questions related to the company sales promotions**

No	Item	Customer Response	
		Frequency	Percentage
1	Does AIC offer consumer sales promotion tool for your business?		
	A. Yes	160	100%
	B. No	-	-
	Total	160	100
2	If your answer is "yes" for question no. 1 what types of consumer sales promotion did the company offer for your business?		
	A. Free sample	160	100%
	B. Coupons		
	C. Cash refunds		
	D. Premiums		
	Total	160	100
3	Are you willing to Purchase the service of the company again in the future?		
	A. Yes	110	69%
	B. No	-	-
	C. I did not know	50	31%
	Total	160	100
4	How do you measure Awash Insurance Company sales promotion practices?		
	A. Very good	-	-
	B. Good	-	-
	C. Medium	-	-
	D. Poor	99	62%
	E. Very poor	61	38%
	Total	160	100
5	According to AIC what is your reason to make decision to buy the company service		
	A. Its advertisement	50	31%
	B. Its quality service	110	69%
	C. Sales promotion incentive	-	-
	D. Other	-	-
	Total	160	100

As indicate in table4 of item 1 in the previous page, the totals 160(100%) of respondent have said that Yes, from this the student researcher has observed that the sample respondents replied that the company offer sales promotion tools for their business.

As indicate in table4 of item 2in the previous page, the totals 160(100%) of respondent have said that free sample, from this the student researcher has observed that majority of the respondent replied that the company offer free sample for their customer.

As indicate in the table4 of item 3in the previous page, 110(69%) of the respondent have said thatyes and the rest 50(31%) of the respondent have said that I don't know, from this the researcher has observed that the majority of sample respondent purchase the service of the company again in the future.

As indicate in the table4 of item 4 in the previous page,99(62%) of the respondent have said that poor and 61(38%) of the respondent have said that very poor. The student researcher can infer that the company sales promotion practices as compared to the competitor its poor.

As it is indicated in table 4 of item5in the previous page,50 (31%) of the respondents have been attracted by the advertisement, 110(69%) of respondents have been attracted by its quality service. From this the student researcher can infer that most of the Awash Insurance Company S.C customers have been attracted to be customers by the quality service. This implies that consumers are influenced by the service rather than the sales promotion practices of the company.

### **From open ended questionnaire, the reason purchase the company service**

- Because Awash Insurance Company is the provide quality service
- The availability of the different branch in Addis and also regional state.
- Because they keep their promise
- Attractiveness of the advertisement
- Because they have service recovery and they are open to take feedback from the customer.

## **Customer response from open ended questionnaire**

- ❖ The types of purchase received free sample in the Awash Insurance company sales branch. Most of the respondent said that they have received free sample for car insurance and marine insurance most of time free sample are given for customer who purchase the insurance.
  
- ❖ Comment about awash insurance company sales promotion activities most of the respondent said that:-
  - In general Awash Insurance Company S.C does not practices sales promotion as a promotional tool.
  - And also does not give important attention to customer
  - Sales promotion activity is not give priority in the company's promotional strategy plan.

### 3.3. Interview analysis made with marketing department manger

Interview questions made with marketing department manager of Awash Insurance Company.

- The company provides that free sample for customers so, that, this company does not use different sales promotion tool to create awareness, interest and adoption of the service for its customers.
- As the company marketing manager said that the service that the company provide such as Care insurance , house insurance, marine insurance, burglary, but most of the company apply sales promotion for car insurance.
- The objectives of sales promotion in the company is to retain the customers and to persuade customer to buy the service and also reminding customers about the importance of the company service.
- The marketing manager said that the reason that the company does not measure the effectiveness of sales promotion they only by asking sales people how much of the target market is aware of their service or prefer their service.
- Regarding the sales promotion budget the marketing manager state that there is no specific budget for sales promotion activities but they allocate there budget with rest of the promotional mix element. They also focus on ordering the quality sales promotion tools as compared to the competitors.
- According to the marketing department manager response to identifying the linkage between the consumer sales promotion and sales volume of the company
  - When promoting the service on TV, Radio and other means made sales volume increase specially when there is frequently advertising.
  - When rewarding to sales people the number of customers increase.
  - The above responses show that the degree of linkage between the consumer sales promotion and sales volume of the company are related.

- According to the marketing manager the first and major problem is that the customer not attracted by the sales promotion and there is shortage of sales promotion budget.
  
- According to the marketing manager at in interview session that the company use sales promotion with no limitation of season but most of time use at the beginning of New Year's.

# CHAPTER FOUR

## Summary, Conclusions and Recommendations

The main objective of the student researcher to assess and analyze the sales promotion practice as sales promotion tools on Awash Insurance Company S.C and to determine the problem encountered in sales promotion practices. In order to determine this objective related literatures were reviewed, interview were conducted with marketing manager and questionnaire were distributed for customers. Data collected form questionnaires and interview were analyzed and presented by using percentage and table respectively and from the analysis the following finding summary, conclusion are recommended are drown.

### 4.1. Summary of the Major Finding

The major finding of the study are summarized as follows

- The majority of respondents, 95 (59%) of the respondents were male and the rest of them were 65 (41%) of the respondent were females, the respondents age lie between 61(38%) from 41-45 and 73(46%) are above 46 years and most of the customer 89 (55%) respondents have Bachelor degree and above.
- The total sample of respondent buy the major service of the company, 103(64%) of respondents buy car insurance and 35(22%) of respondent buy marine insurance.
- The majority respondents experience in the field of their business 90(56%) of the respondents 10years and above.

- The majority of the respondents 72(45%) of respondents 6-10years and 51(32%) of respondent 16 years and above have been the customer of the company.
- 90(56%) of sample respondent they does not know that they are loyal to the company and 70(44%) of respondent are loyal customer for the company.
- 150(94%) of sample respondent disagree and strongly disagree with the company consumer sales promotion practice persuades consumer to make a purchase.
- Comparing the company's sales promotion with its competitors most of the respondents 110(69%) of sample respondent said that poor and very poor. When they are compared to the competitors. This implies that most of the company's customers have negative attitude toward the company's sales promotion when they are compared to the competitors.
- The majority respondents categorized their self-using the company service 70(44%) of respondent infrequently user and 30(19%) of respondent medium user.
- The respondent reasons of categorized heavy user 90(56%) of the respondent due to the better quality of the company service and the rest 70(44%) of respondent due to the attractiveness of the advertising campaign of the company.
- 160(100%) of respondents does not get benefit on the sales promotion tools of the company.
- Regarding consumer sales promotion tool 160(100%) of respondent received sales promotion the company moreover, 160(100%) of the sample respondents get free sample as sales promotion.
- 110(69%) of sample response were purchase the company service in future
- The total sample of respondent measure the company sales promotion practice, 160(100%) sample of respondent said poor and very poor.



- Regarding to make decision to buy the company service 110(69%) of respondent said its quality service and the rest 50(31%) of respondent said it advertisement.
- From open ended question, the types of purchase received free sample in the company sales branch. Most of the respondent said that they have received free sample for car insurance and marine insurance most of time free sample are given for customer who purchase the insurance.
- From the interview the marketing manager said that the reason that the company does not measure the effectiveness of sales promotion they only by asking sales people how much of the target market is aware of their service or prefer their service.
- Regarding the sales promotion budget the marketing manager state that there is no specific budget for sales promotion activities but they allocate there budget with rest of the promotional mix element. They also focus on ordering the quality sales promotion tools as compared to the competitors.
- According to the marketing manager the first and major problem is that the customer not attracted by the sales promotion tool and there is shortage of sales promotion budget.
- According to the marketing manager at in interview session that the company use sales promotion with no limitation of season but most of time use at the beginning of New Year's.
- The company provides that free sample for customers so that, this company does not use different sales promotion tool to create awareness, interest and adoption of the service for its customers.

## 4.2. Conclusions

Based on the finding discussion above the following condition are drown

- ❖ The company does not apply different sales promotion tools in order to create awareness, interest and adoption of the service to buy the company services and also the company use only free sample as sales promotion for all the major service of the company.
- ❖ The company does not measure the effectiveness of sales promotion they only by asking sales people how much of the target market is aware of their service or prefer their service.
- ❖ The company's customers have negative attitude towards the company's sales promotion when they compare to the competitors experiences.
- ❖ The company sales promotion objective is not informing, persuading or reminding. The main objective of the company need to retain customer and to persuade customer to buy the service and also reminding customers about the importance of the company service.
- ❖ The company sales promotion time interval is for long term or no limitation of season. Due to this the customers are not initiated or attract to purchase the company services.
- ❖ Finally, the company at this time did not implement stable promotional budget for sales promotion. Moreover, the company allocates the total promotional budget for advertisement in TV or radio in order to retain the current market share.

### 4.3. Recommendations

This study examined assessment of sales promotion practice in the company and based on the summarized finding and conclusion drawn from recommendation so as improve observation problem. To promote the service of the company, sales promotion is found to be an effective promotional tool. Therefore, the company should enhance effective implementation sales promotion practices and implement the following recommendations.

- ✓ The company should use different consumer sales promotion tools such as Coupons, Premium and use other tools of sales promotion to attract and meet the expectation of the consumer.
- ✓ The company has to upgrade its consumer sales promotion tools by applying sales promotion tools coupons, premium, and price packs in addition to its free sample.
- ✓ The management of the company should design appropriate promotional objective with respect to sales promotion, as well designed sales promotion objective would help customers to initiate or create interest, adoption of the service and to build sales as well as creating long term relationship with customers.
- ✓ The company must consider consumer sales promotion as one of the most important method to attract the new consumer and to reminding the existing consumer.
- ✓ The marketing manager of the company should measure the effectiveness of sales promotion performance in order to increase sales through motivating consumer.
- ✓ The company must set adequate promotional budget with respect to sales promotion activities which has to be carefully considered by the company to get better result.

- ✓ Since most of the customer have negative attitude to the company sales promotion the company must increase its sales promotion activity to increase its customer.
- ✓ Finally, the company should be taking in to account proper time arrangement for its sales promotion activity. It should be primary short term in nature and design to quickly stimulate sales.

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**Appendix**

## **Appendix A**

**St. Mary's University**  
**Faculty of Business**  
**Department of Marketing Management**

### **Interview Check list**

Structured interview conducted with Marketing Department Manager of Awash Insurance Company S.C

1. What types of sales promotion tools does the company use in order to promote your service in the market? Why did you decide to use these tools?
2. For what types of services does the company gives its sales promotion tools and why?
3. Do you believe the company sales promotion objective are achieved in the competitive market? If your answer is "No" what are your reasons?
4. Why the company cannot measure the effectiveness of your sales promotion performance?
5. In your company's promotional budget plan is there a budget for sales promotional activities?
6. How do you evaluate the degree of linkage between the consumer sales promotion tools applied and sales volume of the company?
7. What is the major problem that your company faces during offering of its sales promotion?
8. How many times in year does the company use sales promotion tools and in which season mostly?



**Appendix B**  
**ST.MARY'S UNIVERSITY**  
**FACULTY OF BUSINESS**  
**DEPARTMENT OF MARKETING MANAGEMENT**

**Questionnaire to be completed by customer of Awash Insurance Company S.C**

This questionnaire is prepared by St. Mary's University undergraduate degree student of Marketing Management. It is aimed to assess the customer response towards Sales promotion practices of Awash Insurance Company S.C and to collect data which can assists to prepare a senior essay and the outcome of this research is meant to support a research report to be presented to the university. The validity of your response has high contribution for the success of my senior essay due to these reason I would like to ask you with due respect to give me the right responses.

Thank you in advance for your sincere cooperation

- Note:** 1. Please put mark“✓” in the boxes provided after each alternative.  
2. It is not necessary to write your name on the questionnaire.  
3. Please, give your personal opinion on the space provided.

**Part I. Respondents Personal Information**

1. Gender

- a. Male                       b. Female

2. Age

- a. 20 years - 25 years       b. 26 years - 30 years   
c. 31years - 40 years       d. 41years -45 years  e. Above 46 years

3. Educational Background

- a. Below grade 12       b. Grade 12 complete   
c. 10+3/ diploma       d. Bachelor degree and above   
e. Other, please, specify \_\_\_\_\_

**Part II. Questions related to sales promotion practice in Awash Insurance Company S.C**

1. What types of service are provided to you from Awash Insurance Company?

- a. Life insurance       c. Car insurance   
b. House insurance       d. Marine insurance   
e. Other, please, specify \_\_\_\_\_

2. Does AIC offer consumer sales promotion tool for your business?  
a. Yes  b. No
3. If your answer is "yes" for question No. 2 what types of consumer sales promotion did the company offer for your business?  
a. Free sample  b. Coupons   
c. Cash refunds  d. Premiums   
e. Other, please, specify \_\_\_\_\_
4. Experience in the field of your business?  
a. 0-4years  b. 5-9 years   
c. 10years and above
5. How long have you been the customer of Awash Insurance Company?  
a. 1-5years  b. 6-10years   
c. 11-15 years  d. 16 years and above
6. Do you believe that you are loyal customer of AIC?  
a. Yes  b. No  c. I don't know
7. The consumer sales promotion practice of Awash Insurance Company persuades consumer to make a purchase.  
a. Strong agree  b. Agree   
c. Neutral  d. Disagree  e. Strongly disagree
8. How do you evaluate Awash Insurance Company sales promotion practice when comparing it with its competitors?  
a. Very good  b. Good  c. Neutral   
d. Poor  e. Very poor
9. How do you categorize yourself in using the company service?  
a. Heavy user  b. Frequently user  c. Medium user   
d. Infrequently user  e. Less frequently user

10. If your answer for the above question is "Heavy user" what is your reason?

- a. Due to the activeness of sales promotion of the company.
- b. Due to the better quality of the company's Service .
- c. Due to the attractiveness of the advertising campaign of the company
- d. Other, please, specify \_\_\_\_\_

11. Have you got benefit on the sales promotion tools of Awash Insurance Company?

- a. Yes
- b. No

12. If your answer is "yes" for No. 11 questions please write the benefits you have got.

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13. According to Awash Insurance Company what is your reason to make decision to buy the company's service?

- a. Its advertisement
- b. Its quality Service
- c. Sales promotion incentive
- d. . Other, please, specify \_\_\_\_\_

14. For what type of service have you received free sample in the Awash Insurance Company sales branch. Please, indicate the service types?

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15. Are you willing to Purchase the service of the company again in the future?

- a. Yes
- b. No
- c. I didn't know

16. Based on question no.15 if your answer is "yes" what is your reasons? Please, put your reasons briefly? \_\_\_\_\_

17. How do you measure Awash Insurance Company sales promotion practices?

- a. Very good
- b. good
- c. Medium
- d. bad
- e. very bad

18. Please, write your comments about Awash Insurance Company S.C. general sales promotion activities in brief in the in the given place?

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2. ....

3. ....

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2. ....

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. . . 31 - 40 ....  . 41 - 45 ....

3. ....

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2. .... ?

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3. .... 2 ....

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4. .... ?

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5. .... ?

. . . 1-5 ....  . . . 6-10 ....

. . . 11-15 ....  . . . 16 ....

6. .... ?

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7. ....

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18. ....  
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**DECLARATION**

I, the under designed, declare that this senior essay/ project is my original work, prepared under the guidance of Ato Yalew Gorfu. All source of Material used for the manuscript have been duly acknowledge.

Name .....

Signature .....

Place of Submission .....

Date of Submission.....

**ADVISOR APPROVAL**

This paper has been submitted for examination with my approval as university adviser.

Name.....

Signature .....

Date.....