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**The Effect of Sales Promotion on  
Customer Loyalty In lubricant Products in Addis Ababa: In the  
Case of Total Ethiopian S.C.**

**By  
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**Thesis Submitted to Addis Ababa University School of Commerce in  
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**May, 2018  
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**ADDIS ABABA UNIVERSITY  
SCHOOL OF COMMERCE GRADUATE PROGRAM**

**THE EFFECT OF SALES PROMOTION ON CUSTOMER LOYALTY  
IN LUBRICANT PRODUCTS IN ADDIS ABABA: IN THE CASE OF  
TOTAL ETHIOPIA SHARE COMPANY**

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**May, 2018  
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## **Letter of Certification**

This is to certify that Sirak Fekadu carried out his project on the topic entitled “**The Effect of Sales Promotion on Customer Loyalty in Lubricant Products in Addis Ababa in the case of Total Ethiopia Sh.c**” “This work is original in nature and is suitable for submission for the award of Master Art in Marketing Management.

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**Getie Andualm (PHD)**  
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## Declaration

I, Sirak Fekadu, declare that this research entitled —*The Effect of Sales Promotion on Customer Loyalty in Lubricant Products in Addis Ababa in the cases of Total Ethiopia Sh.c* is the outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor.

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of MA in Marketing Management.

By: Sirak Fekadu (GSE/0256/08)

Signature\_\_\_\_\_

Date\_\_\_\_\_

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## **LIST OF ABBRIVATION**

<b>SPSS:</b>	Statistical Software Package for Social Science
<b>LUB:</b>	Lubricant
<b>PRO:</b>	Promotion
<b>DEL:</b>	Delivery
<b>COM:</b>	Communication
<b>LOY:</b>	Loyalty
<b>POS:</b>	Positioning

## ABSTRACT

Sales promotion has been an important part of marketing since companies began to recognize the relevance of having control over their image of the brand. It is a key ingredient in marketing campaigns, & consists of a diverse collection of incentive tools, most short term designed to stimulate. The fact that how foundational most organization recognize sales promotion to be, but just how little companies are willing to spend to get it done right. Which indicate, there is lack of knowledge of understanding of the vital role of sales promotion in one's business success with the relationship between sales promotion & customer loyalty Therefore, the objective of this research paper is to determine the effect of sales promotion quality, monetary saving, convenience & entertainment on customer loyalty at Total Ethiopian S.C. Non-probability sampling technique of convenience Method was used & the data collection methods were documents, questionnaire & interview. A total no of 384 questionnaires were distributed in Addis Ababa which two selected sub-cites which is lideta and kolfe the target populations are individual and corporate customers.

The questionnaires were analyzed using Cronbach Alpha, descriptive statistics, ANOVA, correlation & regression. Sales promotion dimension quality, monetary saving, convenience & entertainment have a strong relationship with customer loyalty & the variability of customers overall loyalty can be explained to the extent of 58.0% by sales promotion dimension, quality, Monterey saving, convenience & entertainment. Finally, it was recommended that, to keep the highest customer loyalty through sales promotion i.e. "quality" and Monterey saving of products is a major determinant factor &; to enhance customer loyalty on few major strength of the company through assuring the actual delivery of the claimed sales promotion with continuous customers reward. The effect of sales promotion on customer loyalty in lubricant products to mean there is strong correlation between qualities of products. Monitory saving of products & loyalty. However, it could have been better to work more on the quality of the products in order to increase the customer's loyalty level & to do further study to identify the reason behind this result.

**Keywords:** - Sales Promotion, Customer Loyalty, convenience, quality, monetary saving.

## **CHAPTER ONE**

### **INTRODUCTION**

The first chapter consists of ten sections. The first section discusses the background of the study by providing overview/tips of the research variables; sales promotion, customer loyalty and customer satisfaction in order to build the concept. The second section discusses the Background Company; Statement of the problem along with research questions is presented in section three. Objectives and scope of the study are presented in fourth and fifth sections respectively while the last two sections present significance of the study and organization of the paper.

#### **1.1 BACKGROUND OF THE STUDY**

For many years advertising was the major component in the promotional budget of most consumer product firms. Most companies would concentrate their promotional efforts on the development of advertising campaigns that would create or reinforce brand awareness and image and build long-term consumer loyalty to their products. Over the past decade, however, many marketers have come to the realization that heavy spending on advertising is often not enough to move their products off store shelves and into the hands of consumers. Companies are increasingly turning to sales promotion methods targeted at both consumers and the wholesalers and retailers who distribute their products and services. Companies are developing fully integrated marketing programs that include consumer promotions, trade promotions, and dealer-incentive programs that are coordinated with advertising and publicity/public relations campaigns as well as sales force efforts.

Ethiopian has competitive lubricants industry, which encompasses marketing of finished lubricant, which includes a wide range of applications and markets. Ethiopian is one of the largest markets in the lubricant industry of the east African region next to Kenya and Egypt (Mbendi 2005).

The lubricant industry has a long history in which the needs of the automotive market as well as industrial sector have been served. In particular, the demand of the powerful transport industry;

the agriculture sector and the manufacturing industries have ensured healthy, ongoing growth of the lubricants sector.

The Ethiopian lubricant industry is highly competitive and it is not currently subject to most of the government or trading controls and restraints that pertain to fuel such as gasoline and diesel. On the other hand, lubricant private sector has an extensive network of distribution and marketing outlet in different parts of the country. There are more than 18 fuel and lubricant industry some of them namely Total Ethiopian sh.c, Noc, Libya oil. YBP, Kobil, TAF, wadi Al-sunduies, Dalol this are some of oil companies operating here in Ethiopian, there are also newly opened indigenou oil companies such as Genet petroleum, Gomijuoil, Yeshi, Belen from all oil companies operating in oil and lubricant business here in Ethiopian more than 40% lubricant market share covered by total Ethiopian sh.c the rest 60% of market share covered by 17 oil companies like NOC, LIBIYAOIL are the followers in the industry

A look at the Ethiopian situation, it is evident that brand building activities have not taken root properly compared to their counterparts in the developed countries (Mbau, 2000). Total sh.c The only oil companies that can be said to have started brand building activities perhaps are those that have a foreign orientation. In a study conducted to investigate the effects of sales promotion to enhance customer loyalty in total Ethiopian lubricant products in selected area in Addis Ababa.

Customer loyalty was defined by (Oliver 1997) as deeply held commitment to rebury or patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts have the potential to cause switching behavior. Customer loyalty is thought to be the final goal that a firm applies relationship marketing tactics, by building long-term mutual relationship with customers.

Jones and Sasser (1995) identified three parts of consumer loyalty: re-buy intention, primary behavior and secondary level behavior. According to Jones and Sasser(1995) re-buy intention refers to future intention of the consumer to re-purchase the product or service; primary behavior means the practical re-visiting behavior of a consumer ; while secondary level behavior indicates

the willingness of a customer to recommend the product to others and enhances customer loyalty through human relationship (Chen, Chen and Hsieh, 2007). Oliver (1999) further stated that loyalty is a deeply held commitment to re-buy or patronize a preferred product or service consistently in the future, thereby causing repetitive same brand or same brand set purchasing.

Chen and Ching, (2007) suggested that loyalty comprises of dimensions behavior and attitude. The behavior dimension is characterized by consequential actions resulting from loyalty, while an attitudinal dimension refers to formative as commitment i.e. a desire to maintain a valued relationship. More importantly, the consumer's attitude toward a product or service including attitudinal preference and commitment has a greater impact on forming loyalty.

Loyalty therefore, is desirous by all business managers as it has established that is cheaper to retain a customer than to win a new one (Rust and Zahorik, 1993).

Basically there are two types of customer loyalty: *hardcore loyal* consumer and *brand switcher*. A hardcore loyal consumer is one who makes repeat purchases of a particular product irrespective of the premium price of the brand. In other words, hardcore loyal consumers are less price sensitive (Evan, Moutinho and Ranji, 1996). In contrast, a brand switcher refers to consumers who use two or brands when a single brand does not satisfy all their needs (Evan, et al. 1996). Decision to be loyal to a brand or switch to other brand is affected by a number of factors brand name (Aaker, 1996); product quality (Garvin, 1988); price, (Cadogan and Foster 2000); service quality (Mittal and Lasser, 1996) and promotion (Evan, et al. 1996).

Sales promotion technique is an important tool in creating loyalty; this is so because sales promotion does not only bring the product to the attention of the buyers but provides incentives to encourage purchase. The impact of sales promotion on customer loyalty reveals mixed results. For example, Lau, Chang, Moon and Liu (2006) study showed that sales promotion is an important factor to differentiate hardcore loyal consumer from brand switcher and that is sales promotion is an important factor to attract brand switcher but it is not known how and to what extent sales promotion affects customer loyalty in lubricant products. Therefore, the purposes of this research try to determine different variables of affects sales promotion and also try to

investigate the effect of sales promotion on customer loyalty at total Ethiopian Share Company in Addis Ababa.

## **1.2 Background of the Company**

### **TOTAL IN ETHIOPIAN Sh.c**

Total Ethiopian Sh.c is a pioneer in distributing fuel and lubricants in Ethiopian established in 1950 and now days 173 operational Retail Network Stations and about 800 general trade and specialist customers Renowned in distribution and services of petroleum products in Ethiopian One fuel and specialties depot at akaki, three aviation depots at bole international airport, mekelle and bahir Dar and one new depot under construction at dukem More than 500 contracted fuel trucks transporting over 700 million liters of fuel per year 150 internal permanent employees and more than 4000 job opportunities created among its partners .

### **Vision**

Total Ethiopian has the vision of winning recognition from its customers and partners for quality and safety of its operations, while creating value.

### **Mission**

- ✚ To be the leader energy company by the quality of our products and services
- ✚ To focus on the fulfillment of our customer satisfaction
- ✚ To integrate sustainable development in our business activities and to have an active participation in the local life (community and public at large).

### **Value principles**

- ✚ Quality and safety matters are given due attention in Total Ethiopian Sh.c. As a world class energy company, the group has issued very strict regulations regarding its activities. Discover our *health, safety, environment and quality charter*
- ✚ We strive to meet our customer's expectations while continuously improving the quality of our products and services with the application of ' ' best practices' ' as a philosophy.

- ✚ We are committed to protecting our environment through a permanent dialog with local authorities, customers and partners in responsible, ethical and transparent manner.

## **Objectives**

- ✚ To be first-in-class in operational excellence, safety, and professional behavior.
- ✚ To be the leader in Ethiopian in product quality and services
- ✚ Togetherness: to build strong teams, with shared goals, at units, department and subsidiary level.

## **1.3 Statement of the Problem**

Customer loyalty is one of the most important issues organizations face today. Creating loyal customers has become more important due to significant increase in competition and concentrated markets. Businesses are trying to attract and satisfy customers and to build long-term relationship through building loyalty among customers (Gremler, 1996). Developing a network of loyal and satisfied customers is critical for the survival of many corporations (Kotler, 2004). In this regard, branding is used to establish a competitive position by addressing one of the purposes of branding i.e. repeat sales or loyalty (Lamb, 2008). Managers have recognized the importance of customer loyalty and have discovered the benefits of retaining customers rather than seeking new ones.

Firms including oil companies have recognized the importance of customer loyalty as strategic competitive tool (Kotler and Keller 2006).

The majority of past studies on the effectiveness of consumer sales promotion have been focused on Monterey sales promotion (Dhar and Hoch, 1996). However, in practice, ranges of both monetary and non-monetary sales promotion are used (Campbell and Diamond, 1990).

As to Chandon (2000), customers will be loyal to specific brand if they are exposed different sales promotion benefits as he categorizes the (utilitarian and hedonic benefits). He and his colleagues are tired to see the effects of sales promotion benefits in telecommunication industry.

The computing uses of sales promotion in Ethiopian lubricant industry, however takes the researcher attention to make the study on the effects of sales promotion on customer loyalty in

lubricant products in Addis Ababa in the case of total Ethiopian. As to the researcher understanding there limited study done in lubricant industry.

A few values-add strategies that can use during sales promotion to retain the customer loyal:

Membership cards and programs that entitle your customer to special offers , discounts or preferential treatment and welcome, acknowledgement, sales recognition, tank you statement , after sales satisfaction and complaint inquires and surveys.

Previous researches have focused on the impact of sales promotion have on sales turnover by only considering the sales trend during the promotion period.

Therefore, the reason why the researcher chooses this research topic is, to determine in to what extent sale promotion influence the loyalty of the customer beyond sales turnover in the promotion period and to investigate the effect of sales promotion on customer loyalty which will be done at Total Ethiopian Sh.c.

## **1.4 Research Questions**

The research might examine effects of sales promotion on customer loyalty in lubricant products in Addis Ababa in the case of total Ethiopian sh.c

In considering the effect of promotional activates on sales of lubricant, some questioned answered by the research are as follows:-

### **1.4.1 Research Questions**

- ✚ Is the loyalty level varied with respect to the respondent's sex, age, educational status, duration, purchase frequency?
- ✚ What is the effect of utilitarian and hedonic benefits to enhance customer loyalty?
- ✚ What is the overall effect of sales promotion on customer loyalty of lubricants belongs to Total Ethiopia Sh.c
- ✚ To what extent *convenience, quality, Monterey saving& entertainment* has relevance to sales promotion to enhance customer loyalty?

### **1.4.2 General Objectives**

The general objective of the proposed research is to assess and explain the effects of sales promotion on customer loyalty in lubricant products in Addis Ababa in the case of Total Ethiopian sh.c.

### **1.4.3 Specific Objectives**

- ✚ To examine the level of Total Ethiopia's sales promotion practices and its customer perception towards sales promotion.
- ✚ To identify the effect of utilitarian and hedonic benefits to enhance customer loyalty
- ✚ To analyze the overall effect of sales promotion on customer loyalty of lubricants
- ✚ To determine the effects of companies' sales promotion relevance for *saving, convenience, quality, & entertainment* affect Customer loyalty.

### **1.5 Research Hypothesis**

Based on the benefits congruency framework of sales promotion effectiveness the hypothesis for this study is formulated.

The central premises of this research are the effects that sales promotion effectiveness is determined by the utilitarian and hedonic nature of the benefits it delivers, and the congruence of these benefits has with the promoted product. Therefore the research has constructed research hypothesis by adopting a benefits congruency framework of sales promotion effectiveness by Chandon (2000).

Bridge (2006) stated that promotional activities that related to the core values of the customer can play roles in driving customer loyalty to specific brand.

According to Luk and Yip (2008) the buying behavior of consumers is mainly determined by the values it has with them. Based on these premises, the following hypothesis is formulated.

Blattberg and Neslin (1989), postulated that the increase in promotional activities in relation to the uses of new technology and highly novel items can lead to the customer's loyalty to a brand and avoiding switch to the competing ones. Based on this the following hypothesis formulated.

**H1:** *Entertainment* has significant positive effect on customer loyalty in lubricant products in Addis Ababa.

**H0:** *Entertainment* has no significant positive effect on customer loyalty in lubricant products in Addis Ababa.

Simonson, Carmon, and o, curry (1994), suggested that a new feature on the promotional activities of a brand increase overall profitability Based on this assumption.

**H1:** *Quality* has significant positive effect on customer loyalty in lubricant products in Addis Ababa.

**H0:** *Quality* has no significant positive effect on customer loyalty in lubricant products in Addis Ababa.

The existence of convenience in obtaining a product provides a stepping stone a customer to loyal to a specific brand Chandon (2000). The idea is those promotions that are compatible with the promoted product. Based on the benefits they provide, have greater impact on the demand of the product. Based on this the following hypothesis is formulated.

**H1:** *Convenience* has significant positive effect on customer loyalty in lubricant products in Addis Ababa.

**H0:** *Convenience* has no significant positive effect on customer loyalty in lubricant products in Addis Ababa.

According to Liao (2006), monetary promotion rewards can be perceived as saving or loss reduction. On the other hand, for promotion in units other than money (e.g., samples, premiums), The benefits more difficult to be integrated in to price reference. These promotions are then framed as gains. Have the benefits of being segregated from the reference price, where as promotion as reduced loss are seen as merely reducing price. Based on this premises the following hypothesis is formulated.

**H1:** *Savings* has significant positive effect on customer loyalty in lubricant products in Addis Ababa.

**H0:** *savings* has no significant positive effect on customer loyalty in lubricant products in Addis Ababa

### **1.6 Significance of the Study**

The research will have the following contributions to different parties living inside and outside

- ✚ The company would have better understanding on the vital aspects of effective Sales promotion.
- ✚ The finding of the study would help the company's managers to know and realize their customers' perception towards company's product.
- ✚ Managers' and subordinates' would get some insight on how "sales promotion" enhances their customers' loyalty as well as the companies' capabilities.
- ✚ Based on the paper findings, researchers might perform further study on the underlining concepts.
- ✚ Practitionaries and scholars might get evidence how it is possible to attract and retain customer through effective sales promotion and understood the vital role of sales promotion in their daily marketing activities in order to assure sustainable company image.

### **1.7 Scope of the Study**

The research paper had focused on the investigation of, "The Effect of sales promotion on customer loyalty in lubricant products in Addis Ababa in the case of total Ethiopia sh.c" of total Ethiopia individual customers in Addis Ababa which is capital city of Ethiopia. The researcher only focused on individual and corporate customers of total Ethiopian Sh.c. since wholesalers were excluded from this research paper considering the time, cost limit i.e. the researcher acknowledged that the total Ethiopian customers were not real or loyal customer whom purchase has been by their own personal initiation rather it is by auto-mechanic technical or other forces extorted on specific total Ethiopian customer.

### **1.8 Operational Definition of Key Terms**

- ✚ **Loyalty:** is a commitment to continue to make business with a company, on the long term, is a state of mind, a set of attitudes, beliefs or desires or loyalty is a relationship between attitude and behavior, where attitudinal loyalty is generated by satisfaction, trust and involvement and behavioral loyalty is the act of purchase (BOBÂLCĂ, 2013).

- ✚ **Lubricant:**(Collectively, **Lube**, although this may refer to personal lubricant) is a substance (usually a liquid) introduced between two moving surfaces to reduce the friction and wear between them
- ✚ **Sales promotion:** Peattie and Peattie (1994) defined the sales promotion as marketing activity specific to a group of customers, a particular place and/or time bound, which encourages an immediate or direct response from customer by offering additional valuable benefits.
- ✚ **Serviceability:**-refers to the efficiency, competency and convenience of the product
- ✚ **Perceived quality:**-is the customer's perception of the overall quality of the product or service to its intended purpose.

### **1.9 Organization of the Paper**

This study is organized in five chapters. The first chapter will introduce about the study, define the problem, identify research questions, and state the objectives, significance, delimitation and limitations of the study. The second chapter will be dedicated to text materials from various literatures, discusses topics within the study area or research problems and describes relevant models.

Chapter three will give methodologies to be employed to gather information from the targeted population. Chapter four will describe data presentation, analysis and interpretation of this research which is a backbone of this thesis. When it comes to Chapter five covers conclusion and recommendation of the research.

## CHAPTER TWO

### 2. Related Literature Review

#### 2.1 Introduction

In this chapter, issues related with the study and obtained from different sources including articles, different book, websites are reviewed and included to give insight about the theoretical framework of the study and conceptual framework with hypothesis of the study are presented.

#### 2.2 Theoretical Literature Review

##### 2.2.1 Promotion

Promotion is a marketing mix component which is a kind of communication with consumers. Promotion includes the uses of advertising, sales promotion, personal selling and publicity.

Advertising is non-personal presentation of information in mass media about a product, brand, company or store. It greatly consumer's image, beliefs and altitudes towards products and brands, in turn, influences their purchase behaviors (Evans, 1996).

According to Rowley (1998), promotion is an important element of a firm's marketing strategy. It is used to communicate with consumers with respect to product offerings, and it is also a way to encourage purchase or sales of a product or service. Sales promotion tools are used by most organization in support advertising and public relations activates, and they are targeted toward consumers as final users.

She also states that promotion has a key role in determining profitability and market success and is one of the key elements of the marketing mix which includes advertising, direct marketing, sales promotion, public relations and publicity, personal selling and sponsorship.

##### 2.2.2 What is Sales Promotion?

Sales promotion refers to those promotions activities other than advertising, publicity and personal selling that stimulate interest, trial or purchase by final customers or others in the channel (Bagavathi 2007)[ 4].

According to Kotler (2003), sales promotion is key ingredient in marketing campaigns and consists of a diverse collection of incentive tools, most short term designed to stimulate quicker or greater purchase of a particular product or services by consumers.

Whiles High (1983), defined sales promotion as “a direct inducement that offers an extra value or incentive for the product to the sales force, distributors or the final consumer with the primary objectives of creating an immediate sale”.

Achumba (2002), considered sales promotion as those marketing activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and expositions, demonstration etc. sales promotion has been defined as a direct inducement that offers an extra value or incentive for the product to the sale force, distributors or the ultimate consumer with the primary objective of creating an immediate sale, (1998).

American Marketing Association (AMA) defines sales promotion as a pressure created through non-media and media activities to augment consumer demand for a limited and predetermined time period. It has become an integral part of the promotion schemes of both manufacturers and retailers of durables as well as well as non-durable consumer goods. It consumes a very significant portion of the promotional expenses of marketers. Brand managers are now relying heavily on sales promotion because its impact on sales is more direct, immediate, and quantifiable as compared to advertisement. Marketers use both price and non-price promotions either independently or in association with each other.

Huff and Alden (1998), Chandon *et al.* (2000) stated that Sales Promotion Provide Utilitarian benefits such as monetary saving, increased quality (higher quality products become attainable), and Convenience, as well as hedonistic benefits such as entertainment, exploration, and self-expression. Sales promotions are comparatively easy to apply and are likely to have abrupt and considerable effects on the volume of sales (Hanssens, Parsons and Schultz 2001). Oyeniy (2011) mentioned that to retain consumers in the face of keen competition, service providers must develop marketing strategies that will not win customer but help to retain them. Sales promotion plays an important role in retaining old consumers and attracting new ones

### **2.2.3 Sales Promotion Objectives**

Sales promotions have many objectives, which are interlinked to the objectives of marketing and communication. Promotions are often used to increase short term sales of a product or a service (Peattie, 1994). According to this literature, sales promotions are targeted to different groups with different promotional objectives. The general consumer groups that promotion are targeted for potential users, competitor loyal, brand switchers and loyal consumers. Potential users are currently not using the service but can be persuaded to do so by promotional activity. Successful sales promotion can also encourage competitor loyal to change. Brand switchers are consumers who are switching through service providers according to whom has the best offers at the moment. Likelihood for them to switch is dependent on switching costs. When switching costs are low, brand switchers are easily persuaded to switch by sales promotion. However, making switchers loyal to the brand remains difficult. Loyalty of loyal customers can be also strengthened by sales promotion. (Peattie, 1994).The aforementioned consumer groups provide different strategic possibilities for service marketers. Encouraging potential users and competitor loyal to try can expand market share and erode competitors share. It also opens up long –term benefits if new customers can be converted to loyal customers. Promotion targeted to brand switchers can create temporary sales uplift and possibilities to increase loyalty. Sales promotion to loyal customers should create extra value in order to retain and reward them, and to reinforce loyalty (Peattie *et al* 1994).

### **2.2.4Types of Sales Promotion**

The majority of past studies on the effectiveness of consumer sales promotion have focused on monetary sales promotion (Dhar and Hoch, 1996). However, in practice, a range of both monetary and non-monetary sales promotion is used and there are important differences between them (Campbell and Diamond, 1990).

Monetary promotions (e.g., shelf-price discounts, coupons, rebates and price packs) tend to provide fairly immediate rewards to the consumer and they are transactional in character; non-monetary promotion (e.g. sweepstakes, free gift and loyalty programs) and tend to involve delayed rewards and more relationship-based. (Pride and Ferrel, 1989) states that sales

promotion methods falls in to one of the two groups. Consumer sales promotion methods are directed toward consumer and include coupons, contests, bones, vacation, gifts tie-ins and free samples (Lamb *et al.*, 1992). Trade sales promotion method focuses wholesaler, retailers and sales persons. Example include sales contests, free merchandise, demonstration, point-of purchase, and display (Neslin, 1990) summarize the various definitions offered by several authors (Kotler, 1998), and develop the following definition of sales promotion “ sales promotion is an action focused marketing event whose purpose is to have a direct impact on the behavior of firm’s consumers”.

### **2.2.5 Benefits of Sales Promotion**

Drawing on Keller (1993), the benefits of sales promotion can be defined as the perceived value attached to the sales promotion experience, which can include both promotion exposures (e.g., seeing a promotion on a product) and usage (e.g., redeeming a coupon or buying a promoted product). This definition implies that consumers respond to sales promotion because of the positive experience they provide, or following Holbrook’s (1994) definition, because of their customer value.

Sales promotion can offer many consumer benefits. Past studies have concentrated on monetary saving as the primary consumer benefit (Blattberga and Neslin, 1990).

However, there is evidence to suggest consumers are motivated by several other benefits, including the desire for: saving, quality, convenience, value expression, exploration and entertainment. These benefits are further classified as either utilitarian or hedonic (Babin, 1994).

Utilitarian benefits are primarily functional and relatively tangible. Utilitarian benefits refers to such benefits such as quality, convenience in shopping, saving in time efforts and cost (Luk and Yip, 2008).

They enable consumers to maximize their shopping utility, efficiency and economy. In general, the benefits of saving, quality and convenience can be classified utilitarian benefits. By contrast, hedonic benefits are more experiential and relatively intangible. Hedonic goods as ones whose consumption is primarily characterized by an affective and sensory experience of aesthetic or

sensual, pleasure fantasy, and fun (Hirschman and Holbrook, 1982). Consistent with this definition, the benefits of value expression, exploration and entertainment can be classified as hedonic benefits. Based on the distinction between the types of sales promotion and promotion benefits. Chandon (2000), shows that monetary promotions provide more utilitarian benefits while, non-monetary promotion provides more hedonic benefits. These relationships are a matter of degree rather than absolutes; for examples, coupon promotions (i.e. a monetary promotion ) may still provide some hedonic benefits such as the enjoyment in redemption, although its main benefits of saving is utilitarian (Mittal,1994).

Moreover, (Chandon *et al.*, 2000) tried to find out a answers for a few questions like, are monetary savings the only explanation for consumers response to a sales promotion and if not, how the different consumer benefits of a sales promotion influence its effectiveness? They found that monetary and non-monetary promotions provide consumers with different levels of three hedonic benefits (opportunities for value expression, entertainment and exploration) and three utilitarian benefits (saving, higher product quality and improved shopping convenience).

It is argued that sales promotion's effectiveness is determined by the utilitarian and hedonic nature of the benefits it delivers and the congruence these benefits have with the promoted product.

### **2.2.6 Sales Promotion Strategies**

Philip Kotler, Gary Armstrong, John Saunders and Veronica Wong in their books laid emphasis on two strategies that is *push* and *pull* strategies such that a push strategy involves 'pushing' the product into distributor's channel. Marketing activates aim to encourage distribution or retain outlet to stocks, promote and sell the product. Push techniques include personal selling, trade advertising, and promotion and trade exhibitions.

On the other hand, a pull strategy involves 'pulling' the product through the distribution channel towards consumers. Marketing activates aim to arouse consumer's awareness, interest and desire to that key approach distributors and/or retail out let to make enquires and purchases. Pull techniques include television and press advertising, sales promotion, customer loyalty Program and point of sale display.

### **2.2.7 The Scope and Role of Sales Promotion**

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.” There are several important aspects to sales promotion that should be kept in mind.

First, sales promotion involves some type of inducement that provides an extra incentive to buy. This incentive is usually the key element in a promotional program and can include a coupon or price reduction, the opportunity to enter a contest or sweepstakes, a money-back refund or rebate, or an extra amount of a product. The incentive may also be a free sample of the product, which is given in hopes of generating a future purchase, or a premium, which also serves as a reminder of the brand name and reinforces its image. Most sales promotion offers attempt to add some value to the product or service. While advertising appeals to the consumer's mind and emotions in hopes of giving the individual a reason to buy, sales promotion appeals more to the pocketbook and provides an extra incentive for purchasing a brand.

A second point regarding sales promotion is that it is essentially an acceleration tool that is designed to speed up the selling process and is often used to 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. Companies may also use limited time offers such as price-off deals to retailers or a coupon with an expiration date to accelerate the purchase process. Sales promotion attempts to maximize sales volume by motivating customers who have not been responsive to advertising or other efforts to purchase a brand. The ideal sales promotion program is one that generates sales that would not otherwise be achieved by other means such as advertising. However, as we shall see later, many sales promotion programs end up being used more by current users of a brand rather than attracting new users

### **2.2.8 Consumer Loyalty**

It is usual to explain consumer loyalty in terms of repurchase intention of products and services that is the goal of every business, all the business in the world desire for the customer loyalty

because they know that it's very cheaper to retain a customer than to win the new one (Rust & Zahorik, 1993).

A group of researcher has used repeat purchase and repurchases imitations to measure the brand, product or service loyalty (Jones, 1994). According to Jones and Sasser (1995) customer loyalty can be categorized into three parts. First one of them is the re-buy initiation, the second is primary level behavior and the third is the second level behavior. Re-buy initiation relates to the future purchase of the customer to re-purchase the desired product or service. Secondary level means the customer himself physically visits the place to purchase the product.

While in the third level customer deliberately recommends the product or the service to the people around him and thus exhibits the loyalty by human interaction. Oliver (1999) elaborated loyalty as a situation, which customer consistently uses and recommends the product and prefers the same brand over the time.

Prus and Brandt (1995), pointed out customer loyalty through attitudes and behavior. The attitude includes the initiation to repurchase the product, the imitation to recommend and the immunity to competitors. The behavior consists of behavior of repurchase, purchasing other products from the company, and recommending it to other.

- ✚ After studying the pervious literature, following indicators are used for measuring customer loyalty namely The intention and behavior of frequent repurchase, The intention and behavior of recommending product to others, and The immunity to the promotional activates of competitors

### **2.2.9 Sales Promotion and Consumer Loyalty**

Sales promotion is one of the very exciting tools of marketing communication. This technique not only works for grasping the attention of the customer but also facilitates the customer to purchase the product by encouraging through different incentives (Omotayo, 2011). The consumer loyalty can be divided in two different categories, hard core loyal and brand switcher.

A hard core loyal customer is one who does not affect from the price change and makes the repeat purchase on the normal prices. He/she is less prone to the price cuts or discounts (Evans, 1996).

Lau, Chang, moon and liu (2006), described the difference between hardcore loyal and the brand switcher. According to them hardcore loyal shows the highest level of commitment and makes the repeat purchase of the same product, even in the case of premium price.

Whereas the brand switcher keeps on moving within one or two of the brands in order to satisfy the needs fully. Brand switcher does not satisfy from one particular brand sales and sales promotion is very useful tool to attract brand switchers. The gap still exists in literature to find the relation of sales promotion with both loyal as well as brand switcher

#### **2.2.10 Sales promotion practice in Total Ethiopian S.c**

Since there are more than 18 oil companies which distribute fuel and lubricants here in Ethiopian so there is strong computation among them from those companies Total Ethiopian one of the pioneer this companies promoting its products through different advertising like print media billboard, magazine, even in celebrity endorsement and also in broadcast like in Television , radio and other social media when comes to its sales promotion there are rewards and incentive like coupons , Tie, Contests and Sweepstakes and there are also augmented products and services which makes customer to purchase products frequently and loyal to the brand.

#### **2.2.11 Types of Sales Promotion Activities**

A final point regarding sales promotion activities is that they can be targeted to different parties in the marketing channel. As shown in Figure 8-1, sales promotion can be broken into two major categories: consumer-oriented promotions and trade oriented promotions. The various activities involved in consumer-oriented sales promotion include couponing, sampling, premiums, bonus packs, price-offs, rebates, contests, sweepstakes, and event sponsorship. These promotions are directed at the inducement of purchase of the marketer's brand.

Consumer-oriented promotions are part of a promotional "pull strategy" and work along with advertising to encourage consumers to purchase a particular brand and thus create demand for it.

It should also be noted that consumer-oriented promotions can also be used by retailers as a way of encouraging consumers to shop in their particular stores. For example, many grocery stores use their own coupons or sponsor contests and other promotions as ways of increasing store patronage.

Trade-oriented sales promotion includes activities such as promotional allowance, dealer incentives, point-of-purchase displays, sales contests and sweepstakes, trade shows, and other programs designed to motivate distributors and retailers to carry a product and make an extra effort to promote or "push" it to their customers. Approximately 60 percent of all sales promotional dollars are spent on trade promotions, with the remaining 40 percent going to consumer-oriented promotions. Many marketing programs include both trade-and consumer-oriented sales promotion programs, as it is important to stimulate both groups in order to maximize the effectiveness of the marketing and promotional program.

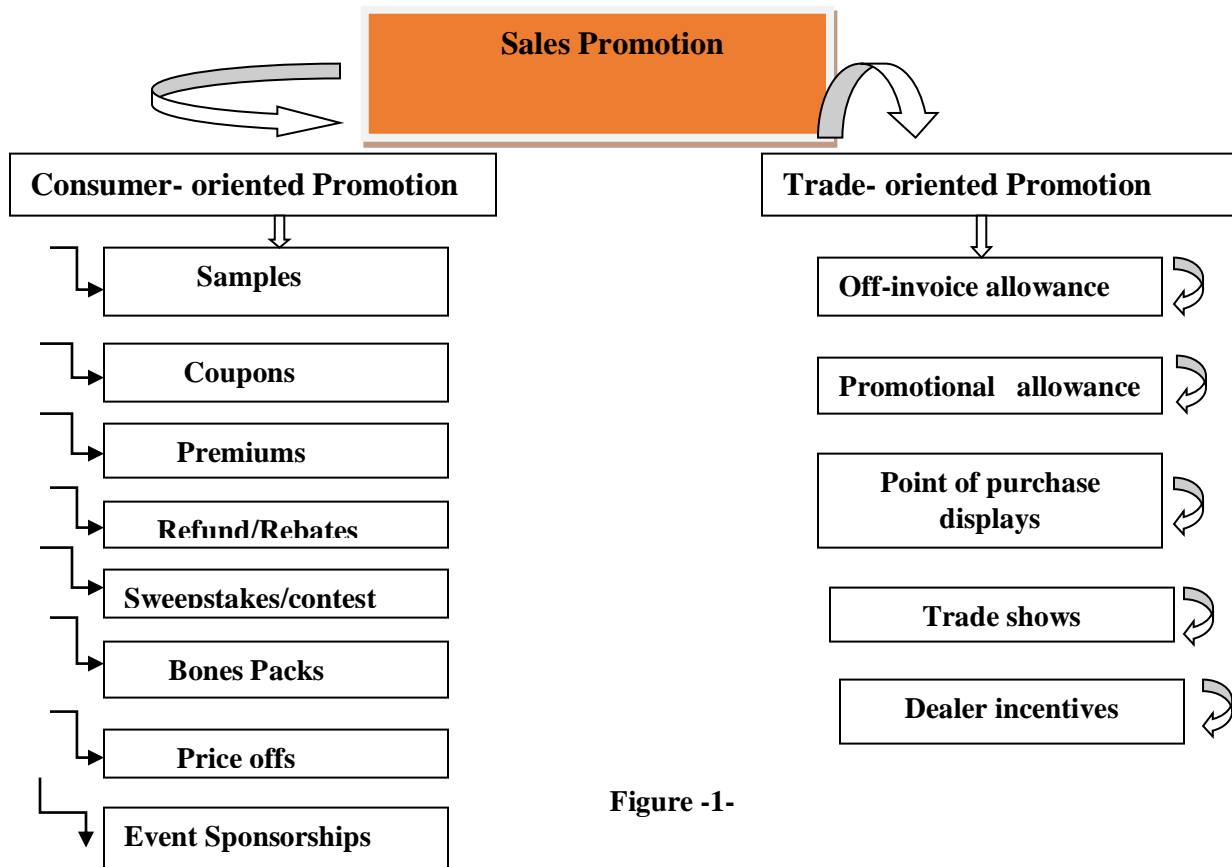


Figure -1-

### **2.2.12 Consumer-Oriented Sales Promotion Techniques**

Although sales promotions are often the best means of stimulating sales, over reliance on sales promotions can damage a firm and its brand equity. Service organizations must carefully weigh the advantages and disadvantages of each promotion and choose only those that fit their operational position, firm image, customer value package, and sustainable competitive advantage.

Firms have eight major consumer oriented sales promotion options

1. Coupons,
2. Premiums,
3. Contests and Sweepstakes,
4. Tie-ins,
5. Frequency Programs
6. Rebates and Refunds,
7. Sampling, and
8. Price-offs.

#### **1. Coupons**

Coupons, printed price reduction offers, are an excellent strategy for stimulating sales, especially in the short term. However, coupons cannot be used as a long-term strategy. Overuse tends to reduce a firm's image and brand equity. It is an excellent strategy for organizations operating in the cost-efficiency operational position. Customers expect low prices and often look for coupon discounts. It is not a good strategy for firms in the service quality or customization operational positions because of the potential negative impact on firm image. The drastic rise in coupon use demonstrates that coupons are an effective means of swaying customer purchases. For services in the cost-efficiency operational position, this is especially true. The lack of brand loyalty makes coupons an effective means of persuading consumers to switch brands.

## **2. Premiums**

Premiums offer consumers free merchandise or service for purchasing the service. With premiums, customers will always pay full price for the service. Premiums offer a major benefit not possible with coupons: because customers pay full price for the service, brand and firm equity are not adversely affected. Premiums are a good strategy for firms using either the service quality or customization operational approach. With both of these operational strategies, brand and firm equity are important. Unless overused, premiums tend to support both. Premiums are used almost exclusively by regular customers of a service and are not as effective as coupons in encouraging trial purchases. If a firm wants to reward customers for their loyalty, offering premiums is one way of accomplishing this goal. Premiums can also be used to encourage customers to stock up. Stocking up on a service would make coupons from competitors less attractive. To be effective, premiums must be attractive to the customer. If a free gift is being offered, the gift must be an item that is desirable. The gift must reinforce the image of the firm. For example, a firm using the customization approach may want to offer a personalized gift such as an attaché case with the customer's name inscribed on it.

## **3. Contests and Sweepstakes**

Both contests and sweepstakes allow consumers an opportunity to win prizes. The difference between contests and sweepstakes is what a consumer must do to win. In a contest consumers may be required to perform an activity or to make a purchase to be eligible to win. In sweepstakes consumers do not need to make a purchase and the winners are determined by a drawing. While coupons appeal to price-conscious consumers, contests and sweepstakes appeal to individuals who enjoy high levels of excitement and stimulation. Price-conscious consumers may not participate in contests and sweepstakes because they see the contest or sweepstakes as increasing the cost of service. To increase the effectiveness of a sweepstakes or contest, firms should emphasize fun, fantasy, and stimulation. Consumers enter contests and sweepstakes for the experience as well as the hope of winning. Contests should be structured to provide participants a challenge as well as excitement.

#### **4. Tie-Ins**

Promotional tie-ins include two or more goods or services within the same promotional offer. The tie-ins can be either intra-company or inter-company. Inter-company tie-ins are those involving two or more distinct services within the same company. Tie-ins can be an excellent means of stimulating demand for a particular service. Demand is stimulated by tying a high-demand service to a low-demand service. The best approach is to offer consumers some type of promotional incentive for the high-demand service if the low-demand service is purchased. Another approach is to offer a combination ticket where the consumer gets two services for a reduced price. Inter-company tie-ins are more difficult to coordinate because two firms have to agree to the promotion. More lead time is needed since both companies will have to approve each detail of the joint promotion.

#### **5. Frequency Programs**

Most sales promotion programs are of short duration and are designed to encourage brands switching and their impact on brand and firm equity is questionable. In an attempt to correct these negative aspects of sales promotions, service firms have developed frequency-marketing programs. Frequency programs are sales promotions aimed at current customers that are designed to build repeat purchase behavior and brand loyalty by rewarding customers for their patronage.

#### **6. Sampling**

Sampling is a sales promotion used extensively in the consumer goods area, but seldom by service firms. However, within the last decade, more service firms have tried sampling as a means of attracting new customers. Sampling is the free delivery of an actual service or portion of a service to consumers with the intent of gaining future purchases. Today, many attorneys offer free initial visits. Potential clients can describe their case and discuss their legal options. Many who make this initial visit will later retain the attorney to represent them. Sampling can be used to reduce purchase risk by getting the consumer to try the product or service. A fitness

gymnasium club may offer a free session. These free sessions are scheduled at low-demand times when the gymnasium facilities are most likely to be idle.

## **7. Price- Offs**

A price off is temporary reduction in the price of a good or service designed to stimulate immediate sales increases. Price-offs involves a reduction in a service's retail price. A price-off is used to attract consumers to a service. The price-off will reduce purchase risk and increase the probability of purchase.

## **8. Rebates and Refunds**

Rather than use coupons to reduce the price of services, some firms will use a rebate or refund. Rebates and refunds refer to cash reimbursement to a consumer paid with a proof of purchase. Technically the rebate refers to reimbursements paid to customers with a proof of purchase for a durable good or service, while refund refers to reimbursements in the nondurable, soft goods, or consumer service sector. However, the words are often used interchangeable today. Refunds and rebates are given to buyers upon proof of purchase. The primary objective of the sales promotion is to reward individuals for using the service. It is also an attempt to prevent brand switching.

### **2.2.13 Customer Loyalty**

Customer Loyalty is a behavioral result of consumers' preferences for a specific brand from a set of similar ones. Loyalty is a commitment to continue to make business with a company, on the long term, is a state of mind, a set of attitudes, beliefs or desires. loyalty also defined as "the proportion of times a purchaser chooses the same product or service in a specific category compared to the total number of purchases made by the purchaser in that category, under the condition that other acceptable products or services are conveniently available in that category". It is also defined as "deeply held commitment to re-buy the favorite product or service in the future, in spite of situational influences and marketing efforts which can modify the behavior"

(BOB ÂLCĂ, 2013).

According to (Li & Green, 2010), to be loyal, the customer must consistently confirm that his or her expectations about the goods or services are met. Second is the affective sense (favored attitude) in which consumers are repeatedly satisfied from purchasing decisions. Third is the cognitive stage that consumers have a behavioral intention – committed deeply to buy. The intention leads to the fourth stage of action i.e. behavior.

### **2.2.14 Building Customer Loyalty**

Singh and Sirdeshmukh (2000) as cited in Ahmed, J. and Kamal, N. (2002) suggested the customer loyalty as “the market place currency of the twenty-first century”. They pointed out that the cost of serving a loyal customer is five or six times less than a new customer. This statement shows the importance of customer loyalty. Walsh et al. (2005) as cited in Kazi Omar Siddiqi (2012) mentioned that it is better to look after the existing customer before acquiring new customers. He stated the advantages of customer loyalty are as

- ✚ The service cost of a loyal customer is less than new customers
- ✚ They will pay higher costs for a set of products; and
- ✚ For a company, a loyal customer will act as a word-of-mouth marketing agent

According to Foss and Stone (2001) as cited in Ahmed, J. and Kamal, N. (2002), customer loyalty relates to what customers think and do (or try to do). Most customer loyalty experts would agree that loyalty is best defined as a state of mind, a set of attitudes, beliefs, desires etc.

Loyalty is developed by approaches which reinforce and develop a positive state of mind and the associated behaviors. The exchange of information is one of the keys of loyalty, and provides a critical bridge between state of mind and behavior. Loyal customers are more likely to give information to the service provider (because they trust the service provider and expect from the service provider to use the information with discretion and to their benefits). Managing loyalty is important because it means not only managing behaviors but also managing a state of mind. Customer loyalty includes a company’s set of measures seeking positive orientation of behavioral intentions of current and future customers to a vendor and/or its offers to obtain stabilization, respectively a development of the relationships with these customers. (Bruhn, 2001)

The correlation between customer satisfaction and its loyalty is not directly proportional. When customer evaluates their satisfaction relative to the performance of the tender (delivery), it differs depending on the customer. (Kotler, Keller, 2008) this item could mean just in time delivery, pre-term delivery, fully delivery of the order. So customers can be satisfied, but for different reasons.

Customer loyalty is a part of a cause-effect chain that comprises processes from the initial contact with the client to the economic success of the organization. The phases of chain are (Bruhn, 2001).

The **first phase**:- the customers first contact with the tendered by the purchase of a product/service.

The **second phase**: - the customer compares previous expectations with the product/service and assesses the level of satisfaction.

If the client's assessment is favorable or customer expectations have been exceeded, the **third phase** arises- the customer loyalty. A loyal customer has trust; plan to buy again the same brand, same product/service.

Switching to customer loyalty occurs in the **fourth phase** when this purchasing conviction becomes repeated purchase and recommends the product or service to other potential customers.

The chain ends with the **fifth phase** which leads to the economic success of the enterprise.

The more competitive a market is, all the more difficult is to get customer loyalty through the satisfaction offered by the product/service delivered (Daffy, 2009).

Customer loyalty is not the result of strategies implemented by the organization or customer club. To create effective retention strategies, organization need a thorough understanding of customer behavior and needs. Loyalty is a physical and emotional commitment given by customers in exchange for meeting their expectations.

Emotion represents the feeling, positive or negative, bought to mind by an object or idea.(BudicaBarbu, 2010).

The specialized literature identified the following types of loyalty :( Daffy, 2009)

**Bonus loyalty**-occurs when an organization offers customer any benefits, bonus or reward for staying loyal.

**Inertial loyalty**-occurs when an obstacle exists or is created causing the client a difficulty in changing the tendered.

**Convenience loyalty**: customers remain loyal to one product/service, vendor, because they do not want to find another alternative. But when another competitor with a better offer shoes, customer can migrate to it.

**Price loyalty**:-in any market there are customers who are loyal to the organization with the lowest price. So, customers remain loyal as long as the organization maintains its price. If another competitor with a lower price enters the market, then customers will migrate to it.

**Loyalty for life**:-true occurs when customer remain faithful to the organization, its products or service in the condition where on the market there are also other competitors offering better benefits.

Expert who have studied this phenomenon even reached the loyalty equation: (Daffy, 2009)

<b>Loyalty =satisfaction x affinity x involvement</b>
---

First the product must meet or exceed customer expectations; otherwise we can't move towards loyalty. *Involvement* also implies relationship between business and customer and based on the customer's feedback, decisions made are revised.

Affinity occurs when there is satisfaction and involvement. Thus, customers will feel they have found an organization that provides goods or service at the expected level and involve them in the process of discovering their needs and desires. The more involved it the relationship with the company the customer is, the greater the chance that the relationship would last. Some units treat

their customers as partner and require their help in designing new products or initiatives to improve customer service. (Kotler, Keller 2008).

### **2.3 Empirical Reviews**

The empirical review part provides a framework for establishing the importance of the study as well as a benchmark for comparing the result of a study with other findings. Moreover it shares with reader the result of other studies that are closely related to the study being reported. Effects of sales promotion on consumer behavior have been widely studied in literature (Nagar, 2009). Salepromotion has effects on various aspects of consumer's purchase decisions such as brand choice, purchase time, quantity and brand switching (Nijs, 2001).

Oyedapo, Akinlabi and sufian (2012) examined sales promotion and its effects on organizational effectiveness in Nigerian manufacturing industry. The study focus on how sales promotion is used to generate higher sales, increased profitability and grater market share. The study focused on sales promotional tools and how NESTLE Nigerian Plc has adopted sales promotion to generate its effectiveness. Sales promotion is an important component of any organization's overall marketing strategies.

Adebisi& Babatunde(2011) conducted a study on the strategic influence of promotional mix organizational sale turnover in manufacturing organization. The result of the findings revealed that strategic promotional mix influences the sales turnover with little 25% while other variable not included in the variable tested takes the larger 75% that will rapidly lead to organization growth. Since promotional mix constitute few percentages of variables that can push an organization to the highest level, therefore other factors of marketing mix such as product development, effective pricing, distribution of right quality and quantity to the consumers should be appropriately considered.

### **2.4 Conceptual Framework of the Study**

The general hypothesis of the below conceptual model is drown from the below exemplary theoretical concept acknowledged by different authors.

The traditional approach to brand loyalty was product quality which was the major reason for brand loyalty; perceived high product quality often resulted from prolonged brand positioning based on quality association ( Denoue & Saykiewicz, 2009).Hence, Positioning is an evolution, build and maintained over time and their benefits come back over timer as well ( Semans, 2010).

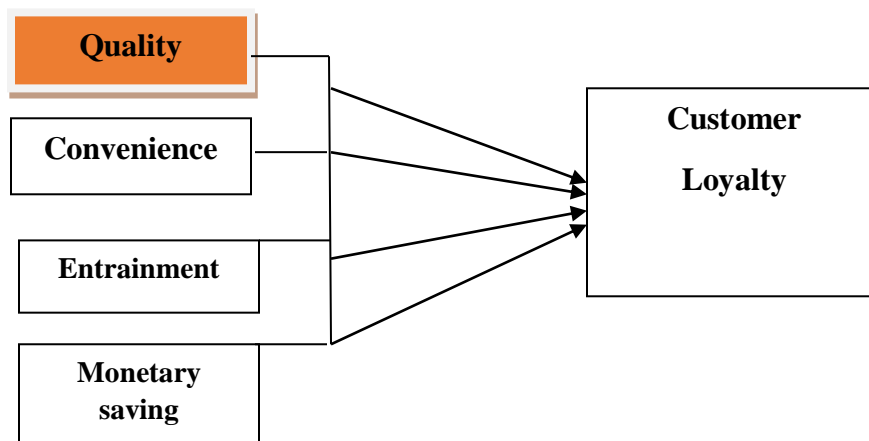
Customer loyalty is the result of successful marketing strategy in competitive markets that creates value for customers (Li & Green, 2010). Hence sales promotion an element of marketing strategy in which everything else is aligns with it (Dickens, 2013). Marketing mix are the tactical details of the positioning strategy ( Kotler& Armstrong, 2011).

The specific hypothesis of the below conceptual model is also emanated from the sales promotion concept itself i.e. value expression, exploration, entertainment (Hedonic benefits) and quality, Convenience, Monterey saving.

(Utilitarian benefits) Hence, those variables are identified by different authors as:-

Consumer is motivated by either utilitarian or hedonic benefits (Babin, 1994); customer loyalty through attitudes and behavior Prus and Brandt (1995) of; loyalty of loyal customers

### **Conceptual Framework of sales promotion effectiveness by Chandon (2000)**



**Figure 2. 1 Benefits Congruency Framework of sales promotion Effectiveness**

## **CHAPTER THREE**

### **Research Design and Methodology**

This chapter describes the methodological procedures to be used for answering the research questions proposed in Chapter 1. It includes seven sections: Research Design, Population and Sampling, Sampling Technique, Data Collection Method, Data Analysis Methods and Variables Description and Validity, Reliability & Generalizability.

#### **3.1 Research Design**

The study is a quantitative research using survey design. Descriptive and inferential research method has been used. Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group, whereas diagnostic research studies determine the frequency with which something occur or its association with something else. The reason is that these methods are suitable to explain and interpret relations of variables in the study. Descriptive analysis refers to statistically describing, aggregating, and presenting the constructs of interest or associations between these constructs and inferential statistics are the statistical procedures that are used to reach conclusions about associations between variables. They differ from descriptive statistics in that they are explicitly designed to test hypotheses (Bhattacharjee, 2012). Questionnaire was used as instrument of data collection and inferential analysis was done to see the effects between the variables. Inferential statistics, correlation, has also been applied to identify the relationship between sales promotion and customer loyalty specifically in lubricant product in the case of total Ethiopian sh.c

#### **3.2 Research Approach**

The study was conducted to analyze the effects of sales promotion on customer loyalty in lubricant products in Addis abeba in the case of Total Ethiopian S.c for this reason, quantitative analysis was used to describe the research problem. In this respect, quantitative analysis and data collection tools are used to describe quantitative analysis between sales promotions and customer loyalty in lubricant products, the quantitative research has provided empirical investigation about research purpose regarding the effects of sales promotion on customer loyalty in lubricant products in Addis abeba in the case of Total Ethiopian S.c.

### **3.3 Population and Sampling**

The population of the study was all Total Ethiopian lubricant consumers who are uses lubricant for automotive and other industrial purpose. The sample were taken from two selected sub-cites to make the data collection easier as a research is conducted by a single individual. The respondent may bought the product for their personal automotive and for others, therefore. Both level of consumption and length of loyalty with the company with the specified time period was the units of analysis.

#### **3.3.1 Target Population**

The population of the study encompassed individual and corporate lubricant customer who use lubricants for different purposes; for the findings of a study to be representative, it should use a sample that accurately represents the population under the study. The population is a composition of varied background characteristics in terms of sex, ages, level of education and experiences.

#### **3.3.2 Sampling Techniques**

The selection of the sample was through non-probabilistic sampling technique of convenience sampling because all the population of the customer cannot be available at the same time.

Convenience sampling also called accidental or opportunity sampling is a technique in which a sample is drawn from that part of the population that is close to hand, readily available, or Convenient. The questionnaires are distributed to customers of the Total lubricant customer.

The researcher prefers Total Ethiopia Sh.c because of its highest market share and pioneer for importing and distributing lubricants. The researcher chose, kolfe and lideta sub-cites , in Addis Ababa but the necessary data will be collected from individual and corporate customer of Total Ethiopian Sh.c which are located in Addis Ababa because of money and time constraint. Collection of data only from two selected sub-cites located in Addis Ababa

#### **3.3.3 Sample Size Determination Method**

According to the 2007 CSA Census, the population of Addis Ababa is 3,430,000. From ten sub-cites the research area is lideta and kolfe sub-cites when comes to lideta sub-cites population (315,613) and kolfe (428,654) and according to the 2016 Total Ethiopian sh.c annual report there

are more than 400 corporate customer in those two sub-cities territories. With a 95% confidence level and a confidence interval of plus or minus 5, the sample size of this research will be 384 respondents following the Kothari way of sample size calculation which follows the following formula.

Where, 
$$N = \frac{Z^2 \cdot N_p \cdot \sigma_p^2}{(N-1) \cdot e^2 + Z^2 \cdot \sigma_p^2}$$

**N** = size of population  
**n** = size of sample  
**e** = acceptable error (the precision)  
 $\sigma_p$  = standard deviation of population  
**z** = standard variant at a given confidence level

Adopting convenience sampling in which the population elements are selected based on ease of access (Kothari, 2004) the researcher selected respondents based on their availability to the survey. The researcher also coupled this sampling method with the expert judgment that the respondents should be those who either consume or purchase the products under consideration. 384 respondents were selected and interviewed during or just after an actual shopping activity. This has been useful in alleviating the memory bias (Xu & Griffiths, 2008) as well as in improving the strength of the sample representativeness as the sample selection was undertaken in individual shopping centers across all the two selected sub-cities of Addis Ababa.

### **3.3.4 Source of Data Collection**

There are two types of sources when collecting data; primary and secondary data sources. Primary sources are directly related to the study purpose. Primary data consists of all the data collected throughout the study that directly can be related to the study purpose, both personally gathered as well as data from a third party that has been collected with equivalent purpose.

Secondary data on the other hand, contains relevant data that has been collected for a different purpose, but from which the conclusion is valuable for the purpose. The researcher uses both primary and secondary data sources. Primary data, directly related to the purpose, collected through an empirical study. The empirical study was made through conducting a questionnaire regarding sales promotion. Secondary data, indirectly relating to the purpose is collected through

a theoretical study comprised of; books, research thesis, articles, internet, manuals and annual reports.

### **3.4 Data Collection Instruments and Variables**

The study used both primary and secondary data as its source of information. Primary data was collected based on open ended and close ended questionnaire and in-depth semi-structured individual interview. The secondary data was collected by reviewing books, articles and journals related and online information available.

The questionnaire that was filled out by customer respondents was designed beforehand and distributed among the sample population. A great deal of care was taken while preparing the questionnaires, because questionnaires by their nature are filled out in the absence of the researcher. Besides referring to the guideline that Kothari (2004: 100 - 104) sets, model questionnaires with standardized format were reviewed from different sources to develop the questionnaire. The questionnaire was designed to be with two parts. The first part was prepared to gather general information about the respondent's gender, age, education and for exposure of Total Ethiopian Sh.c sales promotion one in other ways. This part consisted of 9 questions. Part Two was prepared to ask respondents about the effects of Total Ethiopian Sh.c sales promotion practices on its customers' loyalty. This part consisted of 21 open ended questions. The close-ended questions provided the respondents with alternatives arranged in the five point Likert scale, going through strongly disagree (measured as 1), disagree (measured as 2), uncertain (measured as 3), agree (measured as 4), and strongly agree (measured as 5). The other instrument of data collection was an in-depth semi structured individual interview. Bryman (2004: 543) makes the following statement while discussing the advantage of semi-structured interview. Semi-structured interview covers a wide range of types.

It typically refers to a context in which the interviewer has a series of questions that are in the general form of interview guide but is able to vary the sequence of questions.

The questions are frequently somewhat more general in their frame of reference from that typically found in a structured interview schedule. Stating another merit of the semi structured interviews, Hancock (2002: 13) says that they involve a series of open ended questions based on

the topic areas the researcher wants to cover. The open ended nature of the question defines the topic under investigation but provides opportunities for both interviewer and interviewee to discuss some topics in more detail. “If the interviewee has difficulty answering a question or provides only a brief response, the interviewer can use cues or prompts to encourage the interviewee to consider the question further. In a semi structured interview the interviewer also has the freedom to probe the interviewee to elaborate on the original response or to follow a line of inquiry introduced by the interviewee”.

The semi-structured individual interview consists of 11 questions with regard to the effects of sales promotion activities on customer loyalty in the company. The researcher deliberated the use of it as a technique of gathering data from the Total Ethiopian Sh.c top level managers and Lubricant sales manager. In addition, this gave the interviewer ample time to focus on the Lubricant sales Promotion interviews. When come to my research variables I stated earlier

The independent variable is sales promotion and measured with the help of the six dimensions – value expression, Exploration, Entertainment, Quality, Convenience and monetary saving. The dependent variable is customer loyalty.

### **3.5 Data Collection Procedure**

The study was conducted based on both primary and secondary data source. It was begun by secondary data analysis through the detailed review of related literature and survey questioner was used as the main primary data gathering instrument for this study. Questioner were prepared and distributed to the respondent of Total Ethiopian S.c lubricant customer in selected sub-cities from Addis abeba.

The first part of the survey was in relation to demographics. The research believed it would be beneficial to collect information in relation to customer’s income, age group, gender and educational qualification. Those questions benefits when analyzing the data as they will show perspective of customer in different level of income, what may differ respondent’s perspective between their levels of consumption.

The next part involves a serious of statement about the effects of sales promotion on customer loyalty, the respondent must rate on these statement on a scale. These are called Likert Scales.

Likert Scales are a method of rating scales generally used to gather the opinions and attitude of people. The respondent is given a series of statement and is asked to choose a position on a five point scale between strongly agree and strongly disagree. The objective of the questioner was to gather data in order to measure both attitudes and the opinion of the Total Ethiopian Lub. Customer in relation to effectiveness of sales promotion and customer loyalty.

### **3.6 Data Analysis**

After collecting the data through questionnaire and interview, the process of analysis began. Analysis of data in this research was done by using statistical tools like regression and correlation models. Regression analysis was used to see how much the independent variable – Sales promotion explains or influences the dependent variable, which is customer loyalty. Correlation analysis was also conducted to measure the strength of the association between sales Promotion dimensions and customer loyalty. And also descriptive analysis was used for the demographic factors such as gender, age, educational level, and the length of relationship with the Industry. The data gathered by the use of semi-structured individual interview was analyzed qualitatively. Tools like tables and percentage were used to present the data, and the analysis was performed by using SPSS software version 20.00. In order to reduce the possibility of getting wrong answers, different actions were taken to ensure the soundness of this study.

- ✚ Data was collected from reliable sources, from respondents who are customers of the industry.
- ✚ The questionnaire was based on literature review to ensure the soundness of the results.
- ✚ SPSS software version 20.00 was used to analyze the data and special care was given to the process of data coding

### **3.7 Validity and Reliability of the Instrument**

#### **3.7.1 Content Validity:-**

Is the extent to which a measuring instrument provides adequate coverage of the topic under study if the instrument contains a representative sample of the universe, the content validity is good. Its determination is primarily judgmental and intuitive. It can also be determined by using a panel of persons who shall judge how well the measuring instrument meets the standards, but

there is no numerical way to express it (Kothari, 2004). In this study since, all population were employed as sample (n=N) the content validity is good.

### 3.7.2 Reliability Test Result

Alpha reliability is regarded as a measure of internal consistency of the mean of the items at the time of administration of the questionnaire. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another. It is computed in terms of the average inters correlations among the items measuring the concept. Reliability is calculated in such a way that it represents the reliability of the mean of the items, not the reliability of any single item. So, the alpha reliability of 10 items would be higher than that of 5 similar items. This coefficient can hold a value of 0 to 1. The result of 0.7 and above implies an acceptable level of internal reliability. The result of reliability test for the questionnaire is shown in the following table. As it is indicated in the table, the test result is between 0.702 and 0.938. Therefore, based on the test, the results for the items are reliable and acceptable.

3.10 Research Ethics Sometimes the researchers undertake research without telling the truth about the purpose and nature of the research. In addition, sometimes respondents mislead about the reality of the study because of fearing of lack of confidentiality. The participants in the study were briefed about the purpose and nature of the research study by the enumerators. In relation to this, the participants were asked for their informed consent to participate in the study. To make the participant free from stress or anxiety the issue of confidentiality was promised for the information that they provide.

**Table 3.1 Reliability test for the questionnaire**

	No. of Items	Cronbach's Alpha
Quality	4	0.938
Monterey saving	4	0.920
Convenience	5	0.702
entertainment	5	0.811
Customer loyalty	5	0.914

Source: Survey Result of 2018

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS & INTERPRETATION

#### Introduction

The major purpose of the study has been to investigate the effect of sales promotion on customer loyalty by formulating hypothesis with the four independent variable of Sales Promotion. In order to meet the purpose of the study this chapter presents the data analysis part of the study. The analysis presentation part is depicted in five sections. These are data sample information, descriptive static's of the samples Correlation analysis, Regression Analysis. These were presented as follows.

#### 4.1.1 Questionnaire Response Rate

Among the questionnaires distributed, 19(5%) of the respondents fail to return the questionnaire whereas 24(6.25%) of them returned incomplete or erroneously filled questionnaires. Only 341 questionnaires were used in the study which will account to 88.80% response rate. It can be clearly seen here that the contingency questionnaires has contributed to the increasing number of respondents, thus increasing the representativeness of the sample

Table 4.1: Summary of Demographic Profile of Respondents

Variables		Frequency	Percentage	Cumulative Percent
Gender	Male	274	71.4	71.4
	Female	100	28.6	100
	<b>Total</b>	384	100	
Age	18-34	114	29.7	29.7
	31-45	248	64.6	94.3
	46-60	12	3.1	97.4
	Greater than 60	10	2.6	100
<b>Total</b>		384	100	

Source: Survey Result of 2018

The gender of the respondents, as shown in Table 4.1.1, is male dominated. Most of the respondents are male (71.4%) while the female are 28.6%

The respondents' age is presented in the above table. The table shows that 64.6 % of the respondents is between the age of 31-45 years, followed by the respondents who are between at 18-34 years age to be 29.7. % and 46-60 years age to be 3.1%, the rest 2.6% are above 60 years old.

#### 4.1.2 Educational Level of the Respondents

The educational level of the respondents looks like what is shown in table 4.2. As it can be seen from the table 34.4 % of the respondents hold a first degree. 33.3. % of them are second degree and above holders and 18.2% secondary school completed the rest 14.1 % have got their diploma.

Table 4.2: Educational level of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	up to twelve grade	70	18.2	18.2	18.2
	B.A degree	132	34.4	34.4	52.6
	Diploma	54	14.1	14.1	66.7
	second degree and above	128	33.3	33.3	100.0
	Total	384	100.0	100.0	

Source: Survey Result of 2018

#### 4.1.3 Marital Status of the Respondents

The marital status of the respondent looks like what is shown in table 4.3 as it can be seen from the table below 47.1% of the respondent are married, followed by 45.1% of the respondent are single and the rest 3.6% of the respondent are divorce.

Table 4.3: Marital Status of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 4	16	4.2	4.2	4.2
single	173	45.1	45.1	49.2
married	181	47.1	47.1	96.4
divorce	14	3.6	3.6	100.0
Total	384	100.0	100.0	

Source: Survey Result of 2018

#### 4.1.4 Monthly Income of the Respondents

The Monthly Income of the respondents as shows in the table below 4.4 as it can seen 72.1% of the respondent their monthly income is below 4000 followed by 21.1% of the respondent their monthly income 4001-8000 birr per month and the rest 6.8% of the respondent their monthly income  $\geq 12000$

Table 4.4: Monthly Income of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid below 4000	277	72.1	72.1	72.1
4001-8000	81	21.1	21.1	93.2
$\geq 12000$	26	6.8	6.8	100.0
Total	384	100.0	100.0	

Source: Survey Result of 2018

#### 4.1.5 Consumption of the Product

The data indicating the consumption of the respondents has with customers of company is presented in Table 4.5. Accordingly 52.3 % of the respondent's consumes the product rarely, 31.0%, followed by the respondent level of consumption is once in awhile and 9.6% of the respondent uses the product twice in month and the rest 7% of the respondent uses the product every week.

Table 4.5: Consumption of the lubricant

	Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b> every week	27	7.0	7.0	7.0
twice in month	37	9.6	9.6	16.7
once in awhile	119	31.0	31.0	47.7
Rarely	201	52.3	52.3	100.0
<b>Total</b>	384	100.0	100.0	

Source: Survey Result of 2018

#### 4.1.6 How many of the respondents have their own automotive?

As shown in Table 4.6 below 42.2% of respondents have their own cars while 57.8% Most of the Respondents are employees as drivers of public are transport like taxi, autobus

Table 4.6 do you have personal automotive

	Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b> yes	162	42.2	42.2	42.2
no	222	57.8	57.8	100.0
<b>Total</b>	384	100.0	100.0	

Source: Survey Result of 2018

Table 4.7 How long have been a customer of Total Ethiopian Sh.c

	Frequency	Percent	Valid Percent
Less than 2 years	10	2.6	2.6
2-6 years	105	27.3	27.3
7-10 years	65	16.9	16.9
11-19 years	150	39.1	39.1
Above 20 years	54	14.1	14.1
<b>Total</b>	384	100	100

Source: Survey Result of 2018

## 4.2 Correlation Analysis

Like the demographic factors, the data from the scale typed questionnaire were fed to the SPSS software version 20.00, to process the correlation analysis. Based on the questionnaire which was filled by the customers of Total Ethiopian, the following correlation analysis was made

		Correlations					
		SP	QUA	MS	CON	ENT	CL
Sales promotion	Pearson Correlation	1	.062	.063	-.140**	.076	-.027
	Sig. (2-tailed)		.227	.221	.006	.136	.604
	N	384	384	384	384	384	384
quality	Pearson Correlation	.773	1	.008	.1	.093	.487
	Sig. (2-tailed)	.000		.875	.651	.069	.000
	N	50	50	384	50	384	50
Monetary saving	Pearson Correlation	.064	-.008	1	.079	.015	.056
	Sig. (2-tailed)	.000	.875		.120	.774	.277
	N	384	384	384	384	384	384
convenience	Pearson Correlation	.140**	.023	.079	1	.055	-.012
	Sig. (2-tailed)	.006	.651	.120		.281	.809
	N	384	384	384	384	384	384
entertainment	Pearson Correlation	.076	.093	.015	.055	1	.063
	Sig. (2-tailed)	.136	.069	.774	.281		.221
	N	384	384	384	384	384	384
Customer loyalty	Pearson Correlation	.575	-.089	.056	.012	.063	1
	Sig. (2-tailed)	.00	.082	.277	.809	.221	
	N	50	384	384	384	384	50

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### 4.2.1 Correlation Analysis between sales Promotion and Customers' Loyalty

Pearson correlation test was conducted to know the degree of relationship between the independent variable, which is sales promotion, and the dependent variable, customers' loyalty. The results of the correlation between these variables are shown in table 4.5. As it is indicated in

the table there is a significant correlation between sales promotion and customers" loyalty. In other words sales promotion and customers" loyalty have relationship

( $r = 0.575$  with  $p < 0.01$ )

**Table 4.8: Correlations between sales promotion and customers' loyalty**

	Sales Promotion	Customer loyalty
Sales Promotion Pearson Correlation Sig. (2-tailed) N	1  50	.575 0.000 50
Customer loyalty  Pearson Correlation Sig. (2-tailed) N	.575  .000 50	   50

Correlation is significant at the 0.01 level (2-tailed)

#### 4.2.2 Correlation analysis between Convenience and customers' loyalty

Pearson correlation test was also conducted for Convenience and customers" loyalty and the results are as shown in table 4.6. As it can be seen from the table, there is significant positive correlation between Convenience and customers" loyalty. This is to say that Convenience and customers" loyalty are correlated in a relationship ( $r = 0.487$ )

**Table 4.9: Correlations between Convenience and customers' loyalty**

		<b>Convenience</b>	<b>Customer loyalty</b>
Convenience	Pearson Correlation Sig. (2-tailed) N	1 50	.487 0.000 50
Customer loyalty	Pearson Correlation Sig. (2-tailed) N	.487 .000 50	1 50

Correlation is significant at the 0.01 level (2-tailed)

#### **4.2.3 Correlation Analysis between Quality and Customers' Loyalty**

For these variables, Quality and customers' loyalty, also Pearson correlation test was conducted and the results shown in Table 4.7 were able to be acquired. As it is shown in the table, there is significant correlation between Quality and customers' loyalty. This implies that Quality and customers' loyalty have high relationship ( $r = 0.773$ ).

**Table 4.10: Correlations between Quality and customer loyalty**

		<b>Quality</b>	<b>Customer loyalty</b>
Quality	Pearson Correlation Sig. (2-tailed) N	1 50	.773** 0.00 50
Customer loyalty	Pearson Correlation Sig. (2-tailed) N	.773** .000 50	1 50

Correlation is significant at the 0.01 level (2-tailed)

**4.2.4 Correlation Analysis between Monterey Saving and Customers’ Loyalty**

In order to see the correlation between Monterey Saving and customers’ loyalty, Pearson correlation test was conducted, and the results found were like shown in table 4.8. As it is clearly indicated in the table, there is significant positive correlation between Monterey Saving and customers’ loyalty. In other words Monterey Saving and Customers’ loyalty have moderate relationship or correlation ( $r = 0.604$ ).

**Table 4.11: Correlations between Monterey saving and customers’ loyalty**

		<b>Monterey Saving</b>	<b>Customer loyalty</b>
Monterey saving	Pearson Correlation Sig. (2-tailed) N	1 50	.604 .000 50
Customer loyalty	Pearson Correlation Sig. (2-tailed) N	.604 .000 50	1 50

Correlation is significant at the 0.01 level (2-tailed)

**4.2.5 Correlation Analysis between Entertainment and Customers’ Loyalty**

Pearson correlation test was also conducted to know whether there is significant correlation between entertainment and customers’ loyalty, and the results are shown in Table 4.9. As it is clearly indicated on the table, there is positive correlation between entertainment and customers’ loyalty. The result of correlation analysis prove that empathy and customers’ loyalty are correlated with a relationship ( $r = 0.319$ ).

**Table 4.12: Correlations between entertainment and customers' loyalty**

		<b>Entertainment</b>	<b>Customer loyalty</b>
Entertainment	Pearson Correlation Sig. (2-tailed) N	1 50	.319 .024 50
Customer loyalty	Pearson Correlation Sig. (2-tailed) N	.319 .024 50	1 50

Correlation is significant at the 0.01 level (2-tailed)

### 4.3 Regression Analysis

This regression is conducted to know how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (Quality, monetary saving, convenience and entertainment) explains the dependent variable, which is customers' loyalty. The results of the regression analysis are presented as follows

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)		140		10.617	.000
	quality	1.509	.047	.033	-.643	.000
	Monterey saving	.677	.040	.093	-1.807	.072
	convenience	.465	.041	.058	1.124	.262
	entertainmen	.347	.054	.024	-.454	.000
	Customer loyalty	.078	.054	.074	1.443	.150

a. Dependent Variable: customer loyalty

### 4.3.1 Regression Analysis of Sales Promotion and Customers' Loyalty

The Results of regression analysis against customers' loyalty can be seen in Table 4.10. The result shows that sales promotion has the power to explain customer loyalty. In this case the results of correlation of sales promotion and customers' loyalty and R Square (0.331) are taken into consideration. The regression analysis model summary indicates that sales promotion which is entered into the regression model on SPSS has relationship with customers' loyalty with correlation coefficient of 0.575. The R square is the explained variance and it is actually the square of the multiple R (0.331)<sup>2</sup>. Therefore, it is pointed out that 33 percent of sales promotion can explain the dependent variable that is customers' loyalty. As it is indicated in Table 4.11, total sales promotion was considered as predictors of customers' loyalty and reported high level of significance  $p < 0.01$ . And also the R square value of 0.331 confirming that, 33% of the variation in customer loyalty is explained by sales promotion.

Sales promotion as used for prediction was found to be significantly related to customers' loyalty as the p-value is less than 0.01.

Table 4.13: Regression analysis result for sales promotion and customers' loyalty

#### Model summary

Model	R	R Square
1	.575 a	.331

Table 4.14: ANOVA result for sales promotion and customers' loyalty

Model	F	Sig.
Regression	23.709	.000 b
Residual		
1 Total		

Table 4.12 titled as coefficients of relationship marketing dimensions, helps us to understand which variables among the four independent variables is the most important in explaining the variance in customers' loyalty. As it is indicated in the table, high beta value shows that it is

significant in explaining. If we can see the Beta column under standardized coefficients below, we can understand that the highest number in the beta is 0.773 for Quality dimension and the second highest is Monterey saving with 0.604. Therefore, Quality and Monterey Saving are the major determinant of customers “loyalty. It can be seen also from the table that the four independent variables were significant in explaining customers” loyalty.

**Table 4.15: Coefficients of sales promotion dimensions**

<b>Model</b>	<b>B</b>	<b>Beta</b>	<b>T</b>	<b>Significance</b>
Convenience	.465	.487	3.868	0.000
Quality	1.509	.773	8.437	0.000
Monterey saving	.677	.604	5.253	0.000
Entertainment	.347	.319	2.334	0.24

### **4.3.2 Regression Analysis of Convenience and Customers’ Loyalty**

As it is indicated in the model summary in Table 4.13, Convenience explains customers” loyalty. In this case, the results of correlation of Convenience and customers” loyalty and R Square (0.238) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple

R (0.487) which is 0.238. Therefore, it is pointed out that 24% of Customers” loyalty is explained by Convenience. As it is indicated in table 4.14, Convenience was considered as predictors of customers” loyalty and reported high level of significance  $p < 0.01$ . And also the R square value of 0.238 confirming that, 24% of the variation in customer loyalty is explained by Convenience. Trust as used for prediction was found to be significantly related to customers “loyalty as the p-value is less than 0.01

**Table 4.16: Regression analysis result for Convenience and customers' loyalty**

**Model summary**

Mode	R	R Square
1	.487 a	.238

**Table 4.17: ANOVA result for trust and Convenience loyalty**

Model	F	Sig.
Regression	14.963	.000 b
1 Residual		
Total		

**4.3.3 Regression analysis of Quality and Customers' Loyalty**

Table 4.15 shows below the results of regression analysis for Quality and customers' loyalty. In this case, the results of correlation of these two variables and R Square (0.597) are taken into consideration. Here the R square is the explained variance and it is actually the square of the multiple R (0.773)<sup>2</sup> which is 0.597. Therefore, it is possible to state that 60% of customers' loyalty is explained by Quality. As it is indicated in Table 4.16, Quality was considered as a predictor of customers' loyalty and reported high level of significance  $p < 0.01$ . The R square value of 0.597 also confirms that, 60% of the variation in customer loyalty is explained by Quality. Quality as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.01. It is the highest of all the independent variables in explaining customers' loyalty.

**Table 4.18: Regression analysis result for Quality and customers' loyalty**

**Model summary**

Model	R	R Square
1	.773 a	.597

Table 4.19: ANOVA result for *Quality* and customers' loyalty

Model	F	Sig.
Regression	71.186	.000 b
1 Residual		
Total		

#### 4.3.4 Regression analysis of Monterey saving and Customers' Loyalty

The regression analysis result of Monterey saving and customers' loyalty is as presented in Table 4.17. As it is clearly indicated in the table, Monterey saving can explain customer loyalty in Total Ethiopian Sh.c. The correlation result of these variables and the R square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R (0.604)<sup>2</sup> which is 0.365. Therefore, it is possible to state that 37% of customers' loyalty is significantly explained by Monterey saving. Monterey saving was considered as a predictor of customers' loyalty and reported high level of significance  $p < 0.01$  as it is indicated in Table 4.18. And also the R square value of 0.365 confirms that 37% of the variation in customer loyalty is explained by Monterey saving. Monterey saving as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.01. It is the second highest of all the independent variables in explaining customers' loyalty

Table 4.20: Regression analysis result of Monterey saving and customers' loyalty

Model summary

Model	R	R Square
1	.604 a	.365

Table 4.21: ANOVA result for Monterey saving and customers' loyalty

	<b>Model</b>	<b>F</b>	<b>Sig.</b>
1	Regression	27.596	.000 b
	Residual		
	Total		

### 4.3.5 Regression Analysis of Entertainment and Customers' Loyalty

The result of regression analysis of *entertainment* and customers' loyalty indicates that entertainment can explain customers' loyalty to some extent. In this case also, the correlation result of these two variables and the R square are taken. The R square is the explained variance and it is actually the square of the multiple R (0.319)<sup>2</sup> which is 0.102. Therefore, it is possible to conclude that 10.2% of customers' loyalty is explained by entertainment. As it is indicated in table 4.20, entertainment was considered as a predictor of customers' loyalty and reported high level of significance  $p < 0.01$ . And also the R square value of 0.102 confirming that, 10.2% of the variation in customer loyalty is explained by entertainment. Entertainment as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.01.

Table 4.22: Regression analysis result of entertainment and customers' loyalty

#### Model summary

	<b>Model</b>	<b>R</b>	<b>R Square</b>
1		.319 a	.102

Table 4.23: ANOVA result for entertainment and customers' loyalty

	<b>Model</b>	<b>F</b>	<b>Sig.</b>
1	Regression	5.449	.024 b
	Residual		
	Total		

#### **4.4 Results Discussion**

This research is concerned in the elements of sales promotion towards customers' loyalty in fuel and Lubricant industry in the cases of Total Ethiopian Sh.c. The objective of the study is to explain the effects of Sales promotion on customer loyalty within the Total Ethiopia Sh.c Lub. Brand by analyzing the effects of sales promotion on customers loyalty in the theoretical framework

Demographic factors such as gender, age, level of education, and length of customers' relationship with the Company have been taken into account to learn the general characteristics of the respondents. The research took 71.4.0% male and 28.6.% of female respondents. In terms of age, the majority (64.6%) of the respondents are found to be between 31 – 45 years of age. Those who are between 18 – 34 constituted 29%. With regard to the level of education, 34.4% of the respondents are Bachelors' Degree holders while the 14.1% got Diplomas. And up to twelve completed counts 18.2% while the respondents with Masters' Degree accounted for the rest 33.3%. Looking at the length of customers' relationship to the company, 39.1% of them have a relationship that aged b/n 11-19 years. The relationships that stayed b/n for 2-6 years accounted 27.3% and 26.0% of the customers have relationships less than 2 years the rest 16.9% and 14.1% stayed with the company 7-10 years and above 20 years respectively.

Based on the results of Pearson correlation Convenience, is positively correlated with customers' loyalty ( $r = 0.487$ ). In other words if company convenient to the customer, they will be loyal to it. In order to increase this positive relationship, Total Ethiopian Sh.c should be able to establish retail out let to make the product accessible wherever the customer need the product to its customers so that it encourages repeat purchase to establish strong relationship. In addition, Convenience only will exist if customers have confidence in the company product ability to perform satisfactorily. Therefore, Convenience has power to determine the loyalty of customers. With regard to Convenience, the company can be perceived by its customers as convenient in its performance if it has strong and lasting relationship with customers. Customer has a significant role in building long-term relationship and achieving customer loyalty (Berry, 1983). So, the finding of this research in this aspect is in line with what Berry (1983) states.

The regression analysis of Convenience dimension and customer loyalty indicates that 24.0% of the variance R square in customers loyalty has been significantly explained by Convenience.

The finding of Chandon *et al.* (2000) showed that utilitarian benefits such as Convenience is an important ingredient in firm-customer relationships and ultimately in the development of loyalty. And also the finding of Luk and Yip, (2008). Concluded that customers with convenient in the producer's capability would probably be willing to commit to a relationship for meeting their expectations. Therefore, the result of this study on Convenience dimension is similar to the above findings that Convenience has the power to increase customers' loyalty.

Quality is another element of sales Promotion that is taken into account to explain customers' loyalty. Based on the correlation test result, Quality is positively and highly correlated with customers' loyalty. The correlation coefficient between Quality and customers' loyalty is the highest of all correlation results of sales promotion dimensions which is 0.773. This shows that Quality is a major determinant of customers' loyalty, and customers will critically evaluate the Quality of the product offers to the customers. The Quality of the product will help it to retain customers by improving the quality of products with company chain of distribution channel. By having Quality of products, company can continue retaining existed customers and attracting new customers to generate more profit. To this extent the Quality dimension of sales promotion plays great role.

Therefore, company imported and distributes right quality of products as expected to the customers as they want. This particular result is supported by the study of Whiles Haugh (1983). According to this researcher, Quality has a strong positive effect on the softer aspects of customer loyalty such as advocacy and willingness to pay more for the products.

With regard to the regression analysis of Quality dimension and customers' loyalty, 60.0% of the variance R square in customers loyalty is significantly explained by Quality. It is the highest of all the independent variables in explaining customers' loyalty. The result of Whiles Haugh (1983), Views that the Quality of products crates the relationship to endure indefinitely and is willing to work at maintaining it. Research by Bagavathi (2007) also suggested that Quality of products retain the customers to maintain current purchasing activities, and also increase both the

level and proportion of their purchasing activities over time. Therefore, the result of this research, regarding, Quality is similar to the above findings that Convenience has the power to increase customers' loyalty.

The other factor that is included in the dimensions of sales promotion is Entertainment. It was found to have positive and moderate relationship with customers' loyalty. The correlation coefficient between these variables is 0.319. Entertainment is one of the important tools to create long term relationship with customers. Nearly high number of customers wanted to be treated as they want to be treated by company. If this is the case, company need to treat and entertain customers by declaring like entertaining and customers days so that they acquire loyal customers. When the customers are treated in a good way they become satisfied and loyal. As a result, entertainment has power to create lasting relationship with customers and shaping the minds of the existed customers to talk favorably about the company to other customers. Therefore, Total Ethiopian Sh.c needs to understand its customers' needs and wants and continuously crate long lasting relationships by entertaining and rewards those who area attracting customers in a better way. With regard to the regression analysis of entertainment and customers' loyalty, 10.0% of the variance R square in customers loyalty is significantly explained by entertainment. The finding of Burnett (1995) showed that a sale promotion consists of marketing activates that leads limited time directly stimulate customer Purchasing by using different sales promotion strategies one of those is rewarding, entertaining. So, the result of this research on entertainment of customers supports the above findings that entertainment has power to make customers loyal.

The last but not the least factor included in the sales promotion dimension was Monterey Saving. As it is indicated in the correlation analysis, Monterey Saving dimension has positive and moderate relationship with customers' loyalty. The correlation coefficient between Monterey Saving and customers' loyalty is 0.604. It is the second highest of all correlation results of Sales Promotion elements. When manufacturers producing goods in cost reduction manifested reasonable price of the product offers to the customers, the customers express their satisfaction and they are willing to become loyal customers. In order to encourage customers to become loyal when there is reasonable price of the products; manufacturers are responsible to aware and inform their customers in advance how the products long when customer uses the products.

Generally, appropriate and acceptable Monterey Saving procedure will create strong relationship with customers. The results from this study indicate that sales promotion tools used by almost to enhance customer loyalty at large with related to benefits customer as well as company to become loyal.

## CHAPTER FIVE

### Conclusions and Recommendations

This study has attempted to examine the effects of sales promotion on customer loyalty in lubricant products in the cases of Total Ethiopian underpinnings on customer loyalty in the context of Total Ethiopian Sh.c. In order to do so, an attempt was made to examine the effects of sales promotion on Lubricant products in the domain of convenience, quality, Monterey saving, and entertainment in the context of Total Ethiopian Sh.c, to assess the effects of convenience, quality, Monterey saving, and entertainment on customer loyalty, and to describe the effects of sales promotion on customer loyalty in Total Ethiopian Sh.c.

The study was conducted by blending the two research approaches, qualitative and quantitative approaches, so as to fill the gap that might have happened if only one of the approaches were used. Data were gathered, analyzed and interpreted to enable conclusions to be drawn out of the findings of the study.

This chapter, so, wraps up by presenting the conclusions reached upon and based upon them forwarding things that must be given attention for the maximized effects of Sales promotion on customer loyalty that Total Ethiopian Sh.c might uses after finding the gaps.

#### 5.1 Conclusions

Based on previous theories and researches conducted in the areas of sales Promotion and its outcomes, this study could show clear links between sales promotion and customer loyalty, which helps to deeply understand the relationship and interaction between them. The findings support the assumption that sales promotion demission can enhance the loyalty of customer -. Convenience, quality, monetary saving and entertainment are not only the desired outcomes of sales promotion, but also the antecedents of customer loyalty.

1. In regard to the Pearson correlation analysis, it could be clearly seen that the four sales promotion dimensions namely Quality, Monterey saving, convenience, and entertainment are positively related to each other. The relationship between these dimensions appears to be as follows:

- ✚ Quality and Convenience have strong relationship.
- ✚ Quality and entertainment have moderate relationship.
- ✚ Quality and monetary saving have moderate relationship.
- ✚ Entertainment and Quality have moderate relationship.
- ✚ Entertainment and monetary saving have moderate relationship

2. In regard to the Pearson correlation analysis, it could be clearly seen that the four Sales Promotion dimensions namely Quality, Convenience, monetary saving, and Entertainment are positively related to each other. The relationship between these dimensions appears to be as follows:

From the analysis made to assess the relationship between customer loyalty and Sales dimensions, it could be found out the four dimensions of s sales promotion are positively related to customer loyalty. This could indicate that the dimensions positively affect the customers" loyalty. The relation customers" loyalty has with each dimension of Total Ethiopian Sh.c condition is put as follows.

- ✚ Convenience and customers" loyalty have moderate relationship.
- ✚ Quality and customers" loyalty have strong relationship.
- ✚ Monetary saving and customers" loyalty have moderate relationship.
- ✚ Entertainment and customers" loyalty have relationship.

3. Looking at the correlation between the demographic factors of the customers and their loyalty, it could be seen that only the customers" length of relationship with the company has strong correlation. The other demographic factors have no relationship with customer loyalty.

4. The correlation between Sales promotion and customer loyalty turned out to be positive. This implies that Sales promotion directly influences the level of customers" loyalty. It could also be clearly understood from the regression analysis part, that Sales promotion explains customers" loyalty. The regression analysis indicated that 33% customer loyalty is explained by Sales promotion. Each independent variable is also regressed against customers' loyalty and the result shows that all the independent variables can explain the

dependent variable – customers" loyalty. The regression analysis result looks like the following.

✚ 33% of customers' loyalty is significantly explained by sales promotion.

✚ 24% of customers" loyalty is significantly explained by Convenience.

✚ 60% of customers" loyalty is significantly explained by Quality.

✚ 10% of customers" loyalty is significantly explained by Entertainment.

✚ 37% of customers" loyalty is significantly explained by monetary saving

5. It could also be seen from the interviews that the company has a very good number of loyal customers who manifest their loyalty with repeated purchase
6. Another conclusion made out of the interviews was that Total Ethiopian Sh.c has not set a mechanism in which it measures the level of customers" convenient, Entertainment, and Quality of products in the customer's point of view
7. The data from the interviews could also lead to a conclusion that shows the efforts that the company made in recognizing its regular customers, providing individual and corporate attention to them, and rewarding those customers which long lasting customers of the company.

## **5.2 Limitations**

Some limitations are faced giving the research a hard time. The very big hindrance was the short time the researcher had to carry out the research. Another is that the researchers" unreserved attempt to make use of secondary data about the sales and sales promotion activates with the company could not succeed.

## **5.3 Recommendations**

1. Total Ethiopian Sh.c must develop an promotion sustainable sales program that will help it build and support positive relationships with its customers and retain customers enables it gather high market in the industry and finally makes the brand loyally and getting high profits compares to competitor
2. The company has to train and orient the employees, especially in the frontline staff, how important sales promotion is. This will increase the level of customer loyalty.

3. The company should Develops sales promotion strategies by providing attention to customers and by resolving inconvenience to their customers.
4. Company should develop a mechanism in which it measures all the variables of sales promotion, (Convenience, Quality, Entertainment, Monetary saving, and consequently act upon the findings in its Sales promotion program
5. The company must also install a reward mechanism, especially for its frontline staff members, based on their contributions to the success of the sales promotion program and thereby to the increase they make to the level of customers" satisfaction and customers loyalty.

#### **5.4 Further Studies**

This study focused on the examining the effects of Sales promotion on customer loyalty, in the particular case of Total Ethiopia. So it took the four dimensions of Sales promotion –Quality, Monetary saving, convenience and entertainment into consideration to reach upon its findings. This research topic, however, can be further explored by adding more sales promotion dimensions others which could influence customer loyalty. This research has not looked into the possible influences of socio-demographic factors on the sales promotion, the sales promotion dimensions and customer loyalty. Future research studies might fruitfully investigate such moderating influences. Another issue that future studies can attempt to do is a survey by applying longitudinal design and increasing the sample size

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## APPENDIX B

### QUESTIONNAIRE IN ENGLISH Addis Ababa university school of commerce Masters of Marketing Management

A questionnaire has to be filled by customer of total Ethiopian sh.c lubricants living in Addis Ababa,

#### **Dear Respondent,**

This questionnaire has been prepared to collect raw data which will serve as an input for thesis titled as “**effects of sales promotion on customer loyalty in lubricant products in Addis Ababa in the case of total Ethiopian sh.c**”

There by to earn my masters of art degree in marketing management from Addis Ababa university school of commerce As this study is meant only for academic purpose, the provided information from your honor will be kept confidential. I, therefore, kindly beg you to fill this questionnaire honestly and accurately. The correct information you provide, determines the acceptable quality of the study that is its reliability.

I would like to express my great gratitude in advance for your willingness for sparing your time to provide the prompt responses in filling these academic use questionnaires.

Thank you again!!

Sirak Fekadu

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E-mail Sirakfw456@gmail.com



**Part B:** To indicate how much you agree or disagree with each statement, please circle one answer. You may "strongly disagree", "disagree", "uncertain", "agree", or "strongly agree" with each statement.

**NOTE:** In the following questions chose in from a given alternative.

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Uncertain</b>	<b>Agree</b>	<b>strongly</b>
<b>Entertainment</b>					
Total lubricants promotions are fun	1	2		4	5
Total sh.c promotions are entertaining	1	2		4	5
Total lubricant promotions are enjoyable	1	2		4	5
<b>Quality</b>					
Total lubricant is a higer- quality product at the same price	1	2		4	5
I am willing to afford a better for total lubricants	1	2	3	4	5
Total lubricant upgrade me to a better brand	1	2	3	4	5

	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>uncertain</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>Convenience</b>					
Total Ethiopia Sh.c promotions remind me the product is suitable for my purpose	1	2	3	4	5
Total Ethiopian Sh.c Promotions makes easy how to use the product	1	2	3	4	5
Promotion makes me to remember what I need	1	2	3	4	5
<b>Savings (Monetary saving)</b>					
I really save money when I buy total lubricants	1	2	3	4	5
I fell that I am getting a good deal when I buy total lubricants	1	2	3	4	5
I really spend less when I total lubricants	1	2	3	4	5
<b>Customer Loyalty</b>					
I would like to use lubricants again	1	2	3	4	5
I will consider other total lubricants categories	1	2	3	4	5
I would love to recommend total lubricant to my friends.	1	2	3	4	5

**Thank you again!**

**ADDIS ABABA UNIVERSITY**

**COLLEGE OF COMMERCE**

**MASTERS DEGREE IN MARKETING MANAGEMENT**

**Interview questions for Marketing Manager of Total Ethiopian Share Company.**

1. How does Total Ethiopian Share Co. want to be perceived by the customer?
2. How much does the organization benefit from the customer loyalty analysis and marketing research; for what purpose does the company utilize this information and what marketing opportunities does your company get from it?
3. How do you cope up with the dynamic nature of the environment?
4. What are your customers buying criteria & how much do you exert to know customer loyalty which is to be addressed?
5. What is your company unique or distinctive feature or benefit related to your competitor and what are your competitive advantages?
6. Does the company actually deliver the promised product accordance with?
7. Do you think that the organization communicate its key product value & benefit to its customers?
8. What are the company's inputs to entertain or enhance customer loyalty level of its ultimate customers & what is your opinion about the company's positioning relevance, differentiation, delivery & communication