

Business research individual work 1 week 6

[Business](#)



Conducting a Research to Establish the Cause and Effect Relationship of Price Promotions and Sales

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Many businesses have opted to carry out sales promotions in a bid to influence the buying behavior of customers. Sales promotions comprise of different promotional strategies such as loyalty discounts, coupons, lowering prices, and promotion packs. Research has provided evidence that, sales promotions can have a direct effect on the percentage of sales registered by a company. Therefore, many companies opt to carry out sales promotions when they intend to stimulate the number of sales during certain seasons. Sales promotions are also used in the case of a new product when the business is trying to attract customers to the new product. However, sales promotions are commonly used when a business urgently needs to shorten the life cycle exhibited by a certain product or when there is the need to increase the usage of a certain product (Soguero-Ruiz et al, 2012). According to business experts who have sought to analyze the effect of different marketing strategies, sales promotions have exhibited both long term and short term effects. Understanding these types of effects is critical to any business as there is a salient need to assess the effect of the sales promotion carried out.

In the specific case of a tissue manufacturer, ranking fourth in the market share, it needs to understand the potential effect of sales promotion activities. According to the plans of the company, two types of coupons are to be tested in the months of November and December. A fifty cents-off coupon would be implemented in November in two identified stores, namely St. Louis and Kansas City. In December, the company would experiment with

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a “ buy one, get one free” coupon. In a bid to establish both the long term and the short term effects of the two coupons, the tissue manufacturer would need to carry out an appropriate experiment. Experts in this field have sought to describe effective methodologies of assessing the effects of sales promotions on sales (Magee, 2003).

One of the effective methodologies that have been described is the use of data scanners in the target stores that would provide a database of all the sales of the intended brand. This methodology would be effective in the case of the tissue manufacturer. In the month of November, data scanners would be used to keep records of sales in the target stores. The same would happen when testing the “ buy one get one free” coupon in December. After the data collection process, the analysis would follow. In the experiment to be carried out, the fifty cent-off coupon as well as the “ buy one get one free” coupon would form the independent variables. On the other hand, the sales unit registered for the tissue brand would form the dependent variable. The target population in the study would be buyers visiting St. Louis and Kansas City stores. In order to establish the cause and the effect relationship between the independent and the dependent variables, the obtained data would be obtained and analyzed using the linear model which employs ordinary least squares (Zikmund, 2013). From this data analysis, interpretation would follow determining whether sales promotions have positive effects on sales units.

References

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