

The Effect of Promotion Practices on Consumer's Purchase Decision: The Case of Some Selected Real Estates in Addis Ababa, Ethiopia

Maiden Worku*

Ayat Real Estate, P.O.Box 3372, Addis Ababa, Ethiopia

Mohammed Mohammednur

Assistant Professor, St. Mary's University, P.O.Box 1211, Addis Ababa, Ethiopia

Abstract

This study is intended to measure the effect of the five promotional elements such as sales promotion, personal selling, direct marketing, advertising, and public relation practiced in the real estate industry on the purchase decision of customers. A combination of descriptive and explanatory research design was used with a quantitative research approach. Primary data were collected using survey questionnaire distributed to 322 sampled respondents. Data were subjected to inferential statistical methods supported with SPSS software. The results of the analysis revealed that all the variables (such as sales promotion, personal selling, direct marketing, advertising, and public relation) have direct correlation with the customer's purchase decision at $p < 0.05$. All the variables jointly explained purchase decision of real estate consumers by 53.2%. The regression's result showed that, except advertisement practice, the other four promotional elements were statistically significant in affecting purchase decision of consumers.

Keywords: *Consumer's purchase decision, promotional practices, Real Estate, advertisement, Ayat Real Estate, Addis Ababa, Ethiopia*

* Corresponding author and can be reached through maidenworku@yahoo.com

1. INTRODUCTION

1.1 Background of the study

All companies derive sales by promoting the benefits their company's goods or services to pools of potential buyers. The way companies promote their product will largely determine whether they successfully select the right way of promotion to their target audience or not. Even a superior product doesn't sell itself. Our customers need information about our product or service before they buy it. The ways we communicate features and benefits to our potential customers is called a promotional mix (Kotler, 2000).

Marketing is the art of selling goods and services to the ultimate consumer. According to Philip Kotler (2006), the ingredients for a good marketing are the 4P's: product, price, promotion and placement. It is the main instrument used by the company to obtain strong position on the concerned markets. In particular, promotional mix, namely, advertisement, sales promotion, public relations, direct marketing, and personal selling are effective tools to spread the information about the products and services. A promotional mix should be designed in a way that informs the target market audience about the values and benefits of the product or service offered. It also changes the consumer perception and buying decision towards the product.

The real estate sector has been contributing its part a lot in this regard. One can see that the sector has been providing its services to the society and gaining experience and enhancing its capacity from time to time; putting it in a better position to satisfy the needs of the public. The amount of housing the government and the private sector have been making available falls far short of the demand for it. Under such circumstances it is important that the capacity of the public to afford residential houses be taken into account and addressed

accordingly. Addressing this challenge would create a win-win situation for both sides (Addis Chamber, 2016).

1.2 Statement of the Problem

The main reason that triggered the researchers to conduct the study on the problem at hand is the current unstructured and unintegrated way of using promotional mix elements on consumer decision on real estates. This unstructured and unintegrated way of applying and incorporating elements as one of the company's marketing strategy adversely affects the industry a lot, and studies show that companies have to apply the elements on structured and integrated manner so as to compete in this dynamic and competitive business environment. Effective use of promotional mix elements is not a choice for firms, rather it is a must. One previous study shows that billions of dollars are spent on advertising annually to promote business. According to a survey 50 percent of all advertising is wasted due to lack of effective advertising (Ads of the World Business Magazine, 2011).

In addition, at the moment when the sale of a flat of a certain building takes place, companies tend to apply different techniques to achieve their goals. How applicable and profitable are these techniques? The process of making a decision regarding a purchase is quite slow and will also be associated with data collection and comparison to realize the purchase. Since there is a stiff competition among the real estate companies, how do investors and real estate companies convince their customers to buy these apartments? What strategies and techniques do they use to inform their consumers and conduct a sale? There are other basic questions that need to be answered. Therefore, acknowledging the purchase of a real estate property is a major investment by a potential client, the decision to buy a house is a long process and is based on specific customer preferences.

The main gaps that are being observed in the real estate industry of Ethiopia regarding the application of the promotional mix elements (PMEs) are the unscientific approach of measuring and identifying which one of the PME is the most effective and workable for their existing market strategy in order to be competitive in the industry, lack of proper application of promotional mix elements, and poor message creation.

Despite the widespread employment of promotional mix elements in practice, there has been little attempt to integrate research to determine the relationship between the use of promotional mix elements and customer purchase decision in real estate business. The influence of promotional mix elements appear to be worthy of investigation in relation to customer buying behavior as different scholars contradict each other and argue for diverse outcomes (Netemeyer *et al.*, 2004; Mela *et al.*, 1997). However, to the best knowledge of the researchers, there has not been empirical evidence in Ethiopia regarding the relationship between promotional mix elements and consumer purchase decision in real estate companies. Even though there are studies on promotional mix in different industries, there is little empirical evidence that show the effect of promotional efforts on buyer's decision in the real estate business. This study is, therefore, intended to fill this literature gap. Given such limitations, this study therefore, tries to evaluate the effect of promotional mix elements on customer purchase decision on the selected real estate companies. It has therefore the following specific objectives:

1. To examine the effect of advertising practice by Real Estate Companies on consumer's purchase decisions.
2. To measure the effect of sales promotion by Real Estate Companies on consumer's purchase decision.
3. To identify the effect of personal selling practice by Real Estate Companies on consumer's purchase decision.

4. To evaluate the effect of publicity by Real Estate Companies on consumer's purchase decision.
5. To identify the effect of direct marketing by Real Estate Companies on consumer's purchase decision.

2. LITERATURE REVIEW

2.1 An Overview of Promotion Mix Elements

Promotion can be defined as a marketing activity that involves the persuasion contacting process through which the sender define of a commodity, or service, or an idea, or a place, or a person, or a pattern of behavior for the purpose of influencing the members of a particular audience minds, to appeal to their response behavioral about what promotes (Mualla, 2006). There are several promotional goals, and the three main objectives companies seek to achieve through the promotion include: (1) forming the appropriate mental image for the company: When the company markets its products, it seek to form a consumer mental image about the company by defining itself, and its goals in the early stages of the company's entry to the market (Kahaf, 2001); (2) defining the company's product: In general, the main task of the promotion is to define the product, specifications, price, places of distribution, how to use it, and places of service centers and maintenance, besides, trying to convince consumers of its benefits (Hamid, 1990); and (3) the development of the company's market share: Promotion is considered as one of the main tools the company relies upon to develop its market share. When consumers are convinced with the available features in the company's product, their demand on the company's product will increase.

2.2 A Glimpse on the Five Promotional Marketing Elements

According to Brassington and Pettitt (2000), promotion strategy is the direct way in which an organization communicates the product or service to its

intended customers. In addition, according to Swastha and Irawan (2008), promotional mix is information flow or one way persuasion which directs someone, people, or organization to make a demand. According to Belch et al. (2004), there are five major promotional elements in marketing communications mix. These are:

1. **Advertising:** Kotler & Keller (2006) defined advertising as any paid form of non-personal form of marketing communication about an organization, product, service or an idea by an identified sponsor. The non- personal component of advertising involves using mass media such as TV, radios, newspapers, magazines, etc. It is non-personal and does not have an immediate feedback as personal selling does and is implemented by a specific advertiser for a fee paid to influence consumer behavior. According to Wang (2009),since advertising is one of the most primary communication links with customers, customers' desired image and language along with culture, economy and commercial changes must be kept in mind. Moreover, advertising helps in building brand awareness and image by repetitive exposure to the intended message.
2. **Personal selling:** The main feature of personal selling is the effect it has. This means that a sales person is more likely to break through, get consumers' attention and even be remembered later on. The sales person has the chance to adjust the message to the type of customer dealing with. Since the communication is two-way, there is less danger of misunderstandings because the salesperson can get feedback immediately and on the spot.
3. **Sales promotion:** Cuizon (2009) stated that sales promotion methods used by the seller are not only effective to succeed in achieving short-term sales but are also more cost effective than advertisement. Nema,

(2012) classify sales promotions as Consumer Sales promotion and Trade Sales promotion. According to this study, consumer sales promotions indicate any short term promotion methods destined by retailers to boost customer immediate response to the products.

4. **Public relations or Publicity:** Any organization is interested to build and maintain strong relations with its consumers, to achieve satisfaction and complete mutual communication, either internally or externally, through the implementation of policies and programs based on the principle of social responsibility, and employing media to build a desired image of the organization. They also include all activities used by the organization to improve its image in the community such as supporting and participating positively in social, environmental, health activities, and public issues (Lovelock & Wirtz, 2004).
5. **Direct Marketing:** Direct mail involves the sending of information about a special offer, product, sale announcement, service reminder, or other type of communication to a person at a particular street or electronic address (Berry & Wilson, 2004).

Consumer Purchase Decision: Consumer buying decision process is a series of stages made by customers when and after buying a product. Pride and Ferrell (2012) noted that to understand customers purchasing decision, the marketer must understand the consumption process and the utility of products in customers' perceptions. The consumer buying decisions go through common five steps, indicated as follows:

1. The first stage in the purchasing decision is need/ problem recognition. It is a crucial and important stage because if the need is not recognized, then the purchase process will not happen.

2. The second stage of consumer buying decision process ,it can be classified as internal and external sources ,internal search refers to the buyer search the information from their memory and is determined by consumer existing knowledge about the products, external search is applied when the internal search is not sufficient.
3. The third stage is evaluation of alternatives where the buyer will establish a set of criteria in the evaluation process; this criterion differs from buyer to buyer depending on demographic and psychological variables as well as their purchasing power.
4. The fourth step is purchase decision which is a result of evaluation process and the choice among available alternatives to choose the appropriate item that satisfies buyer's needs and desires.
5. The fifth stage is when buyers compare purchased products with their previous expectations and are either satisfied or dissatisfied.

2.3 Review of Empirical Studies

Mahmud *et al.* (2014) examined the impact of promotional mix elements on consumers purchasing decisions in Amman, Jordan on Jordanian shareholders ceramic and glass Production Company. Advertising, personal selling, and sales promotion practiced by Jordanian shareholding ceramic and glass production companies has significant effect on consumers purchasing decision. They also argued that publicity and public relations have no significant effects on consumers purchasing decision. According to Jakstiene *et al.* (2008) advertisements shape the behavior of the people through cognition, which is the perception of a person towards the information communicated through advertisements. Hamadan (2015) argues that promotion can be a powerful derives to persuade consumers and lead into increase of sales.

Ajan (2015) also conducted a research on effects of sales promotion on consumer purchasing decision of Baskin Robbins Ice –Cream Franchise, Thailand. The research revealed that sales promotion plays a vital role in marketing in any business nowadays. Kumar *et al.* (2011) also found that advertising and sales promotion together with the image of a company influence the consumer buying decision. On a similar endeavor, Walla (2016) studied the relationship between publicity and public relations and demand in a non-personal way, and found out a positive relationship. De Pelsmacker (2001) argued that customers are personally addressed and are able to respond, resulting in that the company may adapt an offer to the needs of the customer based on the data that have been stored in a database from the transactions.

Isaac (2015) examined the influence of brand image and promotion mix on consumer purchasing decision conducted on beverage consumers in Lagos State, Nigeria. From this study, the findings have shown that promotional mix exert great influence on consumer buying decision thereby affirming that promotional mix are veritable marketing communication tools for influencing consumer buying decisions on sustainable bases. Chandon *et al.* (2000) confirmed that many consumers change brands so that they could receive greater deals that replicate and build up their smart buyer self-perception, and these consumers are favorably promotion prone, these consumers make an attempt to try a new product or service that have been promoted.

2.4 Conceptual Framework and Research Hypothesis

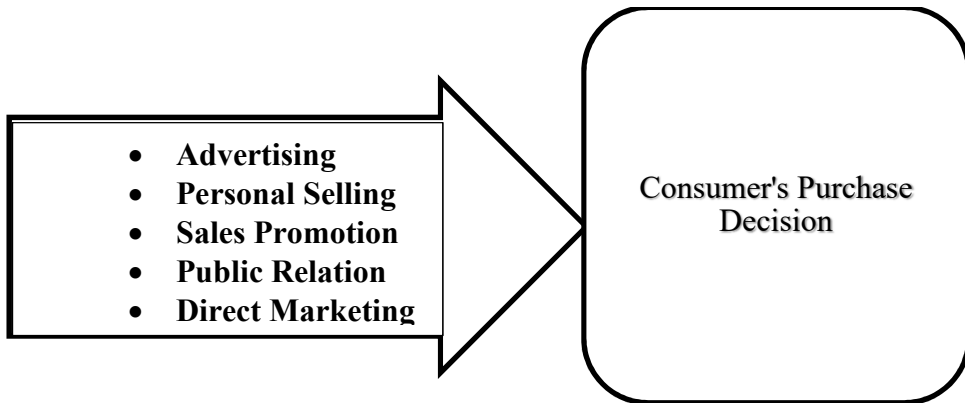


Figure 1: Conceptual Framework adapted from Mahsa *et al.* (2015).

Based on available previous literature, the authors developed the following five alternative hypotheses (H_A):

1. Advertising program of real estate companies is expected to have significant effects on consumer's purchase decision.
2. Personal selling program of real estate companies is expected to have significant effect on consumer's purchase decision.
3. Publicity (public relation) programs of real estate companies have not significant effect on consumer's purchase decision.
4. Direct marketing program of real estate companies is expected to have significant effects on consumer's purchase decision.
5. Sales promotion program of real estate companies is expected to have significant effects on consumer's purchase decision.

3. RESEARCH METHODOLOGY

3.1 Research Design and Approach

This study adopted a combination of descriptive and causal research designs as it helps to understand the existing promotional practices of the case company

as well as to explain the determinants of consumer's purchase decision. A quantitative research approach was adopted to achieve the objectives of this study.

3.2 Sample Size and Sampling Procedure

Before determining the sample size, the population where the sample is drawn from has to be determined. The target population of this research included real estate house owners and other potential real estate buyers. The nature of the target population does not allow to get specific figure which makes it infinite. Hence, the researchers used a sample size calculator to determine sample from infinite population. The following sample size determination formula was adopted following Tabachnick & Fidell (2007).

$$N > 50 + 8m$$

Where,

N = Sample size

M= number of questions available in the questionnaire.

So m= 34,

$$N > 50 + 8 * 34 = 272 + 50 = 322.$$

To select the sample from the target, a convenience sampling technique was used. The data for this study were generated from primary sources. It was generated by using questionnaire from those selected real estate customers and marketing staff. To analyze data collected from primary sources, descriptive statistics (frequency, mean standard deviation, percentages and correlation), and multiple linear regressions were used. Correlation was undertaken to determine the relationship between variables. The Statistical Package for Social Sciences (SPSS) version 20 was used to generate analysis results.

4. RESULT AND DISCUSSION

4.1 Results from Descriptive Analysis

Descriptively, the average or mean level of consumer purchase decision was (M=3.32, SD=0.88) on a five-point Likert Scale. This implies that, on average, the consumer purchase decision was above average. The result from this study showed moderate and above moderate mean values for the variables that are presumed to affect purchase decision (Table 1).

Table 1: Descriptive Statistics of variables

Variables	Mean	Std. Deviation
Customer Purchase Decision	3.32	0.88
Advertising	2.85	0.73
Sales Promotion	3.32	0.88
Public Relation	2.91	0.61
Direct Marketing	3.10	0.67
Personal Selling	3.71	0.88

Source: Authors' analysis result

4.2 Results from Inferential Analysis

1) Correlation Analysis

The Pearson Correlation test was used to conduct and measures the magnitude of correlation between customer purchase decision and the five promotional marketing elements such as advertising, public relation, personal selling, sales promotion and direct marketing.

From the correlation result (Table 2), it can be summarized that there is significant positive relationship between the five promotional marketing elements such as advertising, public relation, sales promotion, personal selling,

direct marketing, and customer's purchase decision. All the correlation coefficients are significant at either $p < 0.01$ or $p < 0.05$. This implies that increase or decrease in the adjustment of advertising, public relation, sales promotion, personal selling and direct marketing is associated with similar change in customer purchase decision.

Table 2: Correlation Matrix between Purchase Decision and Promotional Marketing Elements

	Variables					
	PD	Ad	SP	PR	DM	PS
Variables						
PD	1					
Ad	0.220 ^{***}	1				
	P=0.000					
SP	0.511 ^{***}	0.379 ^{***}	1			
	P=.000					
PR	0.211 ^{***}	0.442 ^{***}	.506 ^{***}	1		
	P=0.001					
DM	0.350 ^{***}	0.275 ^{***}	.590 ^{***}	.510 ^{***}	1	
	P=0.000					
PS	0.358 ^{***}	0.077	.139 ^{**}	.411 ^{***}	.276 ^{***}	1
	P=0.000					

PD = Purchase Decision; Ad =Advertising; SP = Sales Promotion; PR = Personal Relation; DM = Direct Marketing; PS = Personal Selling

^{***}Correlation is significant at $p < 0.01$ level (2-tailed) and ^{**}Correlation is significant at $p < 0.05$ (2-tailed).

Source: Authors' analysis result

2) Multiple Linear Regression Analysis Result

The results of the correlation analysis presented earlier show only relationship between consumer's purchase decision and the five marketing elements and doesn't tell us if at all there exists a causal relationship between them. Therefore, it is imperative to conduct a cause and effect analysis using inferential analysis. This section presents the analysis results of multiple linear regression model. Before presenting the analysis results, it is procedural to check if the assumption of multiple regressions are met. The researchers conducted diagnostic tests such as multicollinearity, autocorrelation, homoscedasticity and normality check. The results of the diagnostic tests revealed that the multiple linear regression model fulfilled all the assumptions. The summary of the test results are presented below:

Table 3: Summary of Diagnostic Test Results

Assumption	Result	Interpretation
Multi collinearity	VIF for all Variables <10; Tolerance <2	Non multi collinearity Problem
Auto correlation	Durbin-Watson value was 1.89	The residuals are uncorrelated
Homoscedasticity	The graph looks like random array of dots.	that errors are spread out consistently between the variables
Normality	In P-P plot, residuals are distributed normally	Dots are much closer to the diagonal line

Source: Authors' analysis result

Based on the model summary result the adjusted R square is 0.53, which means that all the independent variables (i.e, the five promotional marketing elements) jointly explained the variability in the dependent variable (customer purchase decision) by 53%. However, that still leaves 48.5% unexplained in this research. This means there are other additional factors that affect customer's

purchase decision have not been included in this research. The ANOVA result which explains the overall model fit is also found to be very good. It is explained in terms of the F value ($F=30.693$), which is statistically significant at $p<0.01$ (Table 4). The ANOVA table tells us whether the overall model results in a significantly good degree of the prediction of the outcome variable (Field, 2009).

Table Error! No text of specified style in document.: Estimation Results of Multiple Linear Regression

Variables	Unstandardized Coefficient		Standardized Coefficients		t-test
	Beta	Std. Error	Beta		
Advertising	0.161	0.092	0.10		1.74**
Sales Promotion	0.650	0.081	0.54		8.02***
Public Relation	0.407	0.999	0.28		4.11***
Direct Marketing	0.060	0.086	0.05		0.69
Personal Selling	0.394	0.058	0.38		6.76***
Adjusted $R^2=0.53$; $F=30.693$ ***					

Note: Predictors: (Constant), personal selling, sales promotion, advertising, direct marketing, public relation; Dependent Variable: Purchase Decision

Source: Authors' analysis result

As presented in Table 4, the individual effect of the independent variables can be explained by their respective standardized beta coefficients. Except direct marketing, all other variables were found to have significant impact on customer's purchase decision. Therefore, the null hypotheses that there is no relationship between the dependent variable (consumer's purchase decision) and the independent variables advertising, sales promotion, public relation, and personal selling) are rejected. More specifically, advertising is found to be a

significant determinant of purchase decision at $p < 0.05$. As the advertising variable increases by one level, consumer's purchase decision is estimated to increase by a factor of 0.1. In a similar way, as sales promotion increases by one level, customer's purchase decision increases by a factor of 0.54, which is statistically significant at $p < 0.01$. Public relation which is the third marketing element is also found to be statistically significant at $p < 0.01$, and as the variable changes by one unit, customer's purchase intention is found to increase by a factor of 0.28. The last variable is personal selling which is found to be statistically significant at $p < 0.01$. As the value of the variable changes by one unit, customer's purchase decision changes by a factor of 0.38.

5. CONCLUSION AND RECOMMENDATION

The results of this study reveal that Real Estate Companies should manage the promotional marketing elements in their effort to change their customer's purchase decisions. Promotional mix exert great influence on consumer buying decision, thereby affirming that promotional mix are veritable marketing communication tools for influencing consumer buying decisions on sustainable bases. The study also showed that, except direct marketing, all the promotion elements considered under this study are positively influenced the response variable (customer purchase decision). Among the independent variables, sales promotion possessed the highest effect on consumers buying decision, and Company managers should give priority to this independent variable. But, generally speaking, as long as resources are not a constraint, Real Estate Company Managers should work on the significant correlates of purchase decision in their endeavor to increase their sales.

REFERENCES

Access capital (2010) Yearly report of access capital. Addis Ababa, Ethiopia.

- Ajan S. (2015) Effects of sales promotion on purchasing decision of customer. A case study of baskin robbins ice – cream franchise Thailand, Bangkok University Thailand, unpublished.
- Asika, N. (2004) Research Methodology: A Practical Approach. Lagos, Mukugamu & Brothers Enterprises.
- Berry L. L., & J. Lindgreen (1980). How Bank Marketers View their Jobs. *The Bankers Magazine (USA)*, 163(6):35-40
- Chamber of Commerce (2016) Monthly report on Real Estate Industry, Addis Ababa, Ethiopia.
- Chandon, P., G. Laurent, & B. Wansink (2000). A Benefit Congruency Framework of Sales Promotion Effectiveness. *Journal of Marketing*. 64(4): 65-81.
- Chuana W. S. (2016) Advertising, Sales and Promotion Management. 6th ed. Mumbai: Himalaya Publishing House Pvt. Ltd.
- Cizinkota M. & L. Radebaugh (2004). International Business: Environments and operations 9th ed.: Upper saddle River NJKahaf, A. (2001) Marketing - a contemporary point of view. The Faculty of Commerce, Beirut Arab University.
- Cuizon, G. (2009). The Measurable Effects of Sales Promotions in Strategic Business Planning. Unpublished.
- De Pelsmacker P. (2001). Marketing Communications. Pearson Education Limited.
- Ferrell, O.C. & M.D. Hartline (2008) Marketing Strategy (4th Ed.). Mason, OH: Thomson South-Western.
- Fill & Jamieson (2011) Advertising, Sales and Promotion Management. 5th ed. Mumbai: Himalaya Publishing House Pvt. Ltd.
- Foskett, N.H. (1999). Marketing University Education: The South African Experience. *Higher Education Review*, 34(3): 35-51
- George E. & A. Michael (2003). Advertising and Promotion: An integrated Marketing Communication Perspective. 6th Ed. The McGraw–Hill Companies.
- Hamadan (2015). Strategic Management: Formulation. *Management International Review*, 32(1): 23-9.

- Isaac and Samuel (2015). A study of relationship effectiveness between marketing and sales managers in business markets, *Journal of Business*
- Jakstiene S., S. Dalia & N. Valdas (2008). The Psychological Impact of Advertising on the Customer Behavior. *Communications of the IBIMA*. Vol. 3, 50-55.
- Kotler P. & G. Armstrong (2004). *Principles of marketing*, 10th edition, Prentice Hall, USA.
- Kotler P. (2000). *Marketing management*. Prentice Hall – New Jersey
- Kotler P. & K. Keller (2006). *Marketing management* (12th ed.). NY: Prentice–Hall.
- Kotler P. & K. Keller (2009). *Marketing management. A South Asian perspective*, (13th ed.). India.
- Kumar V. & R.P. Leone (2011). Measuring the effect of retail store promotions on brand and store substitution. *Journal of Marketing Research*, 25: 178-85.
- Lovelock C. & J. Wirtz J. (2004). *Service marketing* (4th edition). UK: Pearson.
- Mahmud N., A. Mohammad & F. Sultan (2014). The impact of promotional mix elements on consumers purchasing decisions. *Journal of International Business and Management*, 8 (2): 143-151
- Mahsa F., A Alireza & H. Kambiz (2015). Analyzing the impact of promotion mix on consumer's purchase decision. *Advanced Social Humanities and Management* 2(1) 2015:72-81
- Nema, G. (2012). Impact of Sales Promotion Techniques on Consumer Buying Decision with Respect to Personal Care Products Among College Teachers of Indore. *Arash a journal of ISMDR*, 2(1), 29-35.
- Pride, W. & O. Ferrell (2012). *Consumer Behavior and Product Strategy*. In *Consumer Behavior and Marketing Strategy*. New York: McGraw Hill.
- Tabachnick, B.G. & L.S. Fidell (2007). *Using Multivariate Statistics*, Fifth Edition. Boston: Pearson Education, Inc.
- Wang, Y., S. Sun, W. Lei, & M. Toncar (2009). Examining beliefs and attitudes toward online advertising among Chinese consumers, *Direct Marketing: An International Journal*, 3(1): 52-66.