

Comparative Analysis of Promotion Strategies in the Industry of Energy Drinks in Kosovo

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Abstract

Energy drinks remain one of the most dynamic segments of soft drinks. Recent developments indicate that companies are extending their activities. The fact that the category of energy drinks is so successful is leading to a highly competitive environment. Therefore, to increase profit and to create a firm position in such a competitive market, promotion policies and its strategies and forms by companies should be properly understood and implemented.

To this end, this part of the paper will review literature from various authors for purposes of understanding the role of drafting and implementing promotion strategies and marketing itself in companies in general. Data from theoretical aspect have served as guidance in conducting the practical part of this paper on the ground.

In the second part of the paper, a practical research was conducted; a survey questionnaire with owners of two energy drink producers in Kosovo was carried out, i.e., "Golden Eagle" and "Red Rain". As a result of primary data we have obtained from the survey, we established the extent of the basic knowledge of these companies. At first, regarding marketing in general, but also on promotion and promotion strategies in particular. Also, there were selected 30 customers of these two companies from the random sample to see

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whether there was an impact of promotion forms that these companies used on their choosing of products.

Finally, from the data obtained from primary and secondary sources we managed to come to certain specific and meaningful conclusions both in terms of the companies we studied, but also about other companies of the same or other similar sectors.

Key Words: Promotion; promotion strategies; energy drinks; industry of energy drinks in Kosovo; Golden Eagle; Red Rain

1. Introduction

History of energy drinks in the United States of America indicates that early on, athletes were the key consumers. This shows that energy drinks even at the beginnings had targeted a selected crowd; a group of people with special interests. Nevertheless; market of energy drink has increased and expanded where athletes are not their main objective anymore. Nowadays, majority of energy drinks target teenagers and young adults 18-34 years old.

In the years after 2000 this industry began to thrive in Kosovo; initially with a technology not so advanced; and also with a capacity much smaller than the current one. Now, after a 10 year period, this industry is operating with a highly advanced technology, with professional staff; products provided are checked by intern laboratories but also by the National Institute in Prishtina, Agricultural Institute of Peja; including many international laboratories. Domestic producers operating in this industry have managed to such an extent, as they have already started to develop a very successful export as well. There are producers that export their products to: Albania; Macedonia; Montenegro; Serbia; Bosnia; Slovenia; Austria; Italy; Germany; Switzerland; Belgium; Great Britain; Senegal; Libya; Togo; etc.

Currently energy drinks are consumed a lot; according to statistics in Kosovo their consumption is approximately 3.5 liters per capita; the same applies to Albania, whereas for other countries it ranges at about 2 liters.

2. Literature Review

Marketing aims at creating a value for customers and in return customers could benefit from it (Kotler - 22). Marketing is customer benefit relationship management. It may be said that sound marketing is critical for success of any company.

Customers are now facing a wide range of products and services which could fulfill a given need. Customers create an expectation as far as value and satisfaction that various offers in the market would give to them and they buy in accordance with this. Satisfied customers would buy again and would share their good experiences with the others. Unsatisfied customers would oftentimes move to the competitors and this would lower value of these products in the eyes of the others.

Marketing experts should be careful in establishing a proper level of expectation. If they set expectations too low, they could satisfy those who buy but they cannot attract many buyers. If they increase expectations too high, buyers would be disappointed. Customer value and his/her expectation are the main building blocks of and management of customer relations (Ibid - 7).

Marketing is made of a mix of four basic elements, such as: product; price; promotion; and distribution. Each of them has its irreplaceable value and significance; and each company in order to succeed in the market should know how to best mix these elements.

Promotion policy is one of the elements that would enable companies to communicate with their current and potential customers. Promotion is the process of communication between a company and buyers, intended at creation of a positive attitude towards products and services. It is a process of permanent communication of a company with current and potential buyers. Promotion might impact company's efficiency and business (Ceku, Reshidi - 183).

According to Kotler (Kotler - 621) promotion involves all tools of marketing system whose duty is communicating with potential buyers. J.Sudar (Sudar - 14) with promotion implies interweaving of different activities by which a company communicates with individuals, groups and society in the form of personal and non-personal orders to harmonize their interests and wishes.

Promotion is a flexible tool whereby the company communicates with the market. Role of promotion in a company business has a dynamic

character, therefore it does not have a defined role once and for all within the tools of marketing mix. With changes occurring in internal or external circles of a company; also the role of promotion of a company's business changes. It represents an integral part of overall marketing system of a company (Ceku, Reshidi – 184).

Promotion is not a unique tool; it is rather a combination of several tools. According to a concept of integrated communication in marketing; a company should carefully coordinate these elements of promotion in order to give a clear; sustainable and imposing message regarding the organization and its markets (Amstrong, Kotler – 430).

Digital revolution has created some kind of “division of media”; by putting traditional media such as television and magazines against digital media of the new era.

2.1. The promotional mix

The total promotional mix of a company; also called the mix of integrated communication of marketing consists of a specific combination of advertising; public relations; personal selling; and promotion of sales and direct marketing tools that a company uses to convincingly communicate the value to the customers and to build relationships with customers (Bennett – 27).

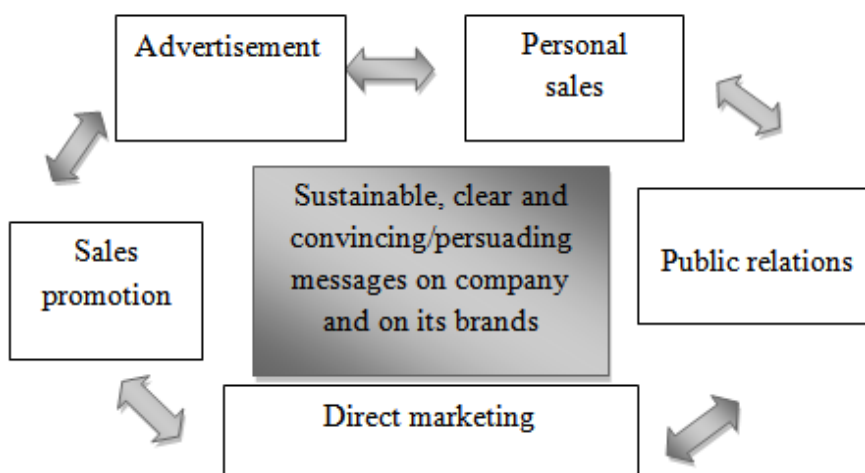
Below are given definitions for five tools of promotion:

- **Advertisement:** Any paid form of non-individual presentation and promotion of ideas; goods; and services by an identified sponsor.
- **Sales promotion:** Short incentives to encourage buying or selling of a product or a service.
- **Individual sales:** Personal interactions between the sales force of a company and customers aimed at realization of sales and building of relationships with customers.
- **Public relations:** Building good relations of a company with various public; benefitting from it a favorable publicity by advertising a good image of corporation and by addressing and preventing unfavorable words, stories and events.
- **Direct marketing:** Direct links with individual costumers; which are carefully targeted to also obtain an immediate response; and also to cultivate sustainable relationships with customer, by using direct postal services; television with direct and live answers; email; internet and other tools to communicate directly with specific customers.

In the last decade, marketing experts have perfected mass marketing; selling of highly standardized products. Along the process they have created effective techniques in mass media to support these strategies. Big companies now usually invest millions; even billions of dollars on advertisement, TV commercials, magazines or other mass media outlets; thus reaching out to millions of customers with a single advertisement. However; marketing managers nowadays face few new realities in terms of integrated marketing communication. Perhaps, no other field of marketing has changed as deeply as marketing communications did (Armstrong, Kotler - 433).

Figure 1: Integrated marketing communications

A careful mix of promotion tools



Source: Philip Kotler and Gary Armstrong (2013, pg. 436)

3. Effective marketing in the industry of energy drinks and its approach in Kosovo

Foreign drinks in the industry retain a continuous competition in the industry. Companies in Kosovo are exposed to foreign competition and competition amongst their ranks within Kosovo; competition which is becoming increasingly multifold. Findings in this situation; companies are obliged to discover new marketing strategies on how to increase it on continuous basis.

Based on the level of incomes for inhabitants; level of education they have now; as well as awareness of people on customers' rights is higher now than in the past. For this reason; for a successful and effective marketing, a different approach from the past is needed.

Marketing strategy shall be based on customer services and usage of modern technology. For a successful business operation; in a competitive environment; retaining of good customers and gaining new ones is possible only through specialized customer services and by loyalty building. Usage of modern technology in this industry is out of question. Technology based services are more than necessary. To attract businesses and customers; companies should adapt to technology based products and services which fit to customer's level on continuous basis.

4. Methods and Methodology

The work methodology in this paper is divided into two main parts. In the first part; there was collection of data through secondary sources from the literature of various authors. This data was collected through method of description and analysis. This data was reviewed and studied so as to reach specific results in terms of understanding the role and significance that implementation of promotion strategies by various companies has. Also; in this part; there was also applied the method of comparison; where the data obtained are compared against to draw the best possible results regarding the issues subject to study.

The second part of the paper; is characterized by collection of data from primary sources; thus in the field; by using the technique of a survey questionnaire. Initially; a survey questionnaire was drafted about the people in charge of the two companies which were part of the study; through which we managed to obtain rather productive data. Whereas; another questionnaire was drafted to conduct a survey with several customers of these two companies; a total of 30 persons; from which it was attempted to get information on products of which company they chose and whether forms of promotion that these companies had chosen had any impact on the choices they made. Surveyed customers have been selected out of a simple random sample.

The data obtained from the survey questionnaire on the companies are presented through Microsoft Excel tables; where the descriptive statistical method was used to describe each result individually. Whereas the data

obtained from the survey questionnaire on customers were processed through a statistical application of SPSS for data processing; and in that case several statistical methods were used to conduct necessary analysis which have contributed towards desirable conclusions. Results comparative method has been used between the studied variables; the method of bi-variable correlation analysis – through which the strength between the dependent and independent variable to be studied in this paper was measured; and the method of multi-variable regression analysis; through which we have managed to confirm or reject the predetermined hypothesis.

In the last part of the paper; the method of generalization was used; wherefrom out of all that materials and practical research was analyzed, broken down and carefully studied; we managed to come to certain conclusions.

4.1. Determination of hypothesis

Based on the secondary data generated from the review of literature and analyzing of energy drinks industry in Kosovo; there have been determined four hypotheses in this paper:

- H1: “Companies that produce energy drinks in Kosovo do not yet have marketing department within their organizational structures”;
- H2: “Companies that produce energy drinks in Kosovo do use only the push marketing strategy as a promotion strategy to communicate with their current and potential customers”;
- H3: “Companies that produce juices in Kosovo do use only advertisement as a form of promotion to transmit promotional messages to their current and potential customers”;
- H4: “Promotion forms that companies use to communicate with customers have a direct impact on choices that customers make concerning the energy drinks”.

5. Results and Analysis

In this part of this paper; we have presented results of the survey questionnaire which we have submitted to both companies for energy drinks production in Kosovo; namely; Frutex – Golden Eagle and Fluidi L.L.C – Red Rain. We had also conducted a research with 30 customers of these two companies on how they consume their products to see on how

and to what extent affect promotion forms and strategies that these companies apply in terms of choices that their customers make regarding their products.

In the following are presented the results derived from the survey questionnaire which was submitted to the companies that were subject to this paper.

In the question **Does your company have a marketing department?**; both companies have positively responded that they have marketing department within their ranks and that both of the companies stated that the department is there for more than three years.

1. Does your company have a marketing department?

Golden Eagle	Red Rain
a) Yes More than three years	a) Yes More than three years

In the question of **Market segmentation on which is the age of targeted audience**; the research provides data that the target audience for both of the companies is 18-25 years old. By analyzing the data we understand that the age that is targeted is more open to trust to supposed effects of the drinks.

2. Market segmentation and targeted audience

Golden Eagle	Red Rain
2.1 Age a) 18-25	5.1 Age a) 18-25
2.2 Social strata b) middle	5.2 Social strata b) middle
2.3 Connection to product c) connected	5.5 Connected to product c) very connected

In the question **which is the social strata of the targeted audience**; from both companies we have the same answer; that for both of the companies the middle class of the society is their target. This makes our companies even more competitive with each-other; but determination for the middle strata provides them with more potential customers. As notices; the low strata of the society is not in the interest of the companies; whereas the high

strata might be focused on international trends; which among other things; also have higher prices.

In the question **How much the customers are connected to the product**; we understand from the research that customers are fairly connected. The reference to a significant connection to the product; and even “very connected” the companies consider like their product is very good. Regarding this point we have little difficulties as judging is concerned because the answer “very connected” in this case leads us to the final question which relates to addiction due to alleged effects of energy drinks.

In the question *what are the goals of promotion?* The research singles out one of the companies that their promotion - advertisement intends to be informational and that company is Red Rain; where this form plays a huge role in the phase of product launching; with the main goal being to create the initial (primary) demand. On the other hand; there is Golden Eagle that applies a persuading form of advertisement; this being an important form in the phase of increase and maturity of the product; where goal of the advertisement is to stimulate the selective demand for certain product brands. Within the persuasive advertisement is partially also the comparative advertisement; where various brands are compared against.

3. What are the goals of promotion?

Golden Eagle	Red Rain
b) Persuasive	a) Informational

In the question **“Which promotion strategies does your company use?”** The research has revealed that our companies already use alternative promotion strategies. There is Red Rain; which uses Pull Marketing Strategy (Pull); which gives a huge significance to advertisement by which impact in terms of increasing final customer’s interests on certain products. When this strategy is efficient; then final customer would demand the product from the retail brokers; these would demand it from the wholesale ones; whereas the wholesale ones would demand it from the producer. On the other hand; Golden Eagle Company applies combined strategies. Mostly combined promotion strategy is used in rather diverse and a dynamic market nowadays. This strategy is an easier and a faster one; it adapts to changes in the market; but it requires a larger amount of data for market research and to synchronize promotion activities.

4. Which promotion strategies does your company use?

Golden Eagle	Red Rain
a) Combined strategy	a) Pull strategy

In the question “**How do you allocate (establish) promotion budget?**”; the research informed us that Golden Eagle makes this based on objectives. Red Rain makes it based on % of sales and on % of profit. As to how much should a promotion budget be is one of the most difficult decisions that company managers face. Budget allocation on promotion means budget allocation for all promotion activities; such as: advertisement; personal sales; advancement of sales; publicity; etc.)

5. How do you allocate (establish) promotion budget?

Golden Eagle	Red Rain
b) Based on objectives	b) Based on % of sales c) Based on objectives

In the question **Which tools of promotion strategy do you use most?**; we understood that advertisement is the main form of promotion used by our companies. After this follows personal sales; followed by buying points and finally there is sales promotion and sponsorships. What is seen and is worth mentioning is that in the last year; both companies gave more importance to all forms of promotion.

6. Which promotion strategy tools do you use the most? Mark from 1 the least to 5 the most; in years:

Golden Eagle					Red Rain				
	Strategy tool	2013	2014	2015		Strategy tool	2013	2014	2015
a.	Advertisement	5	5	5	a.	Advertisement	5	5	5
b.	Personal sales	3	3	4	b.	Personal sales	5	5	5
c.	Sales promotion	2	2	4	c.	Sales promotion	5	5	5
e.	Point of purchase	4	4	4	e.	Point of purchase	4	5	5
f.	Sponsorship	3	3	5	f.	Sponsorship	3	4	3

5.1. Correlation between variables

On the table below; based on the analysis of bi-variable correlation there has been calculated the coefficient of Pearson correlation from the studied variables; type of the energy drink chosen by customers/respondents subject of the survey was taken as an independent variable; whereas as dependent variable; upon which the independent variable has an impact; was taken the form of promotion that impacted these customers to choose the drink they chose. For purposes of the study; a sample of 30 current customers of energy drinks in Kosovo; namely Golden Eagle and Red Rain are asked.

It should be mentioned the fact that the correlation coefficient represents a relation that exists between the two variables and it may take values from 1.00 up to -1.00. Where values 1.00 and -1.00 represent a strong correlation between the variables; whereas values 0.00 or very close to zero; represent a weak correlation between the analyzed variables.

		Which drink	Form of promotion that impacted on choosing the drink
Which drink	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	30	
Form of promotion that impacted on choosing the drink	Pearson Correlation	-.150	1
	Sig. (2-tailed)	.428	
	N	30	30

As it may be seen from the data on the table above; there is a weak negative correlation between the type of energy drink that the costumers chose and form of the promotion which impacted their choosing; with a correlation coefficient $r = -.150$ and level of significance $p = 0.428$. Given that level of significance turns to be greater than 0.05; then we come to the conclusion that there is no significant relation between these two variables. This implies choosing that customers made regarding energy drinks; there wasn't any huge impact from the promotion forms that were used by the companies to inform and persuade their customers to buy their products.

5.2. Analysis of multi-variable regression

During a research it is very important to analyze effects that dependent variables might have on independent variables. We may find out these effects through multi-variable regression analysis. Usually; independent variable is marked with letter "X"; which in our case is a promotion form used by the companies to impact on the choices that customers made as regards to energy drinks; whereas dependent variable is marked with letter "Y"; which in our case, is the type of energy drink that customers have chosen. According to Higgins (Higgins - 2005) the formula for multiple regression analysis is:

$$Y' = a + b_1X_1 + b_2X_2$$

Y' = A predicted value of Y (which is your dependent variable)

a = The "Y intercept".

b₁ = The change in Y for each 1 increment change in X₁ (In our case, this is Highest Year of School Completed).

b₂ = The change in Y for each 1 increment change in X₂ (In our case, this is level of motivation as measured by the Higgins Motivations Scale).

X = an X score (X is your Independent Variable) for which you are trying to predict a value of Y.

We will present this type of analysis below through the table.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.150 ^a	.023	-.012	.686
a. Predictors: (Constant); Which drink				

From this table; we got some pretty important data; such as: multivariable correlation coefficient R = 0.150; determination coefficient R² = 0.023 and standard error with value 0.686. in this case; value of R equals that of 0.150; which does not represent a satisfactory result in predicting of dependent variable Y (choosing of the type of energy drink from customers). Also; result of R² = 0.023 as well; shows that the independent

variable (X) may interpret only 2.3% of variability on the dependent variable Y; which in this case is choosing of the energy drink by customers.

Whereas; on the table below; is presented the statistical test of the variant analysis; which is otherwise known as ANOVA.

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.305	1	.305	.648	.428 ^b
	Residual	13.195	28	.471		
	Total	13.500	29			
a. Dependent variable: Form of promotion which impacted on choosing of the drink.						
b. Predictors: (Constant); Which drink						

According to data presented on the table above; we may come to a conclusion that independent variable "X" does not have a significant relation with dependent variable Y; which in our case is "choosing of the energy drink by customers"; with value $F(1; 28) = 0.648$; and the value of significance $p = 0.428$ (so; there is not significant because value of p is greater than 0.05).

In the following table below are used dependent and independent variables to conduct the test through which we will manage to confirm or reject the hypothesis outlined. From results on the table; we come to conclusion that between the dependent variable "Y" and independent variable "X"; there is no statistically significant relation; because level of significance $p = 0.428$; turned out to be greater than the standard value $p = 0.05$.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.792	.384		4.671	.000
	Which drink	-.204	.253	-.150	-.805	.428
a. Dependent variable: Form of promotion which impacted on choosing of the drink.						

From these results we could see that hypothesis H4: "Forms of promotion that companies use to communicate with customers have a direct impact on choices of customers as regards to energy drinks"; is rejected; because value of significance turned to be $p = 0.428$; so it is greater than the required standard which is $p < 0.05$. Therefore; there is no significant statistical relation between these two variables.

6. Conclusions and Recommendations

From the data we got from reviewing the literature; we may come to a conclusion that the role of promotion; of its strategies and forms; is very important for every kind of company in every kind of sector. This due to the fact that promotion; as mentioned also regarding the review of literature; represents one of the elements of marketing mix; whose duty is communication with current and potential customers of certain specific companies.

On the other hand; during the discussion part and analysis of results deriving from the survey which is dedicated to juice producing companies in Kosovo; it has been confirmed that juice producing companies have a marketing department within their organizational structures. This fact turns down the hypothesis H1: "Companies that produce energy drinks in Kosovo do not yet have a marketing department within their organizational structures"; which was set before the research/survey is conducted.

Also; the hypothesis H2: "Companies that produce energy drinks in Kosovo do use only the push marketing strategy as a promotion strategy to communicate with their current and potential customers"; is turned down because from the data we obtained from the survey questionnaire which is dedicated to companies subject of this survey/research; it has been confirmed that these companies do not use this kind of strategy to communicate with their costumers at all. They use the other two strategies; Golden Eagle Company stated that they use the combined strategy; respectively, Red Rain Company stated that they use pull marketing strategy¹.

Whereas; the hypothesis H3: "Companies that produce juices in Kosovo; all forms of promotion in combination to transmit promotional messages to their current and potential customers"; it is confirmed because from the

¹ Answers to the fourth question of the survey questionnaire dedicated to companies.

data obtained from the survey questionnaire; the companies subject to the survey/research stated that they do such a thing.²

On the other hand; as it is mentioned above; the hypothesis H4: "Promotion forms that companies use to communicate with customers have a direct impact on choices that customers make concerning the energy drinks"; it is turned down; because the value of significance turned out to be $p = 0.428$; thus greater than the required standard that is $p < 0.05$; which means that there is no statistically significant correlation between the two variables.

Finally; challenges of our dynamic environment require an effective and efficient promotion strategy for a continuous business growth. It may be said that companies have created techniques of effective communication in mass media outlets to support their strategies. Also significant investments are made by some companies. However; companies are facing and will be facing also in the future with new realities in marketing. It is believed that another sphere of marketing is not changing as vigorously and as deeply as promotion tools. Only companies that manage to make specific combination of advertisement; personal sales; public relations; direct marketing and sales promotion will manage to create effective promotion strategies.

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² Answers to the sixth question of the survey questionnaire dedicated to companies.

