

Impact of Advertisement Expenses on Net Sales for the Selected Manufacturing Companies

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Abstract

The present study tried to observe the impact of advertisement expenses on net sales for the selected manufacturing companies over a period from 1997-98 to 2011-12. Additionally it seeks to analyze the usefulness of advertisement expenses on sales of selected companies working in India at aggregate and disaggregate levels. The learning is based on secondary data which is collected in panel form for advertisement expenditure and sales revenue of 60 randomly selected sample companies working in India, which are auxiliary classified on the basis of sum of sales revenue as well as on the basis of type of product produced. The empirical analysis of the study concluded that advertisement expenditure plays a vital role for the increase in net sale of companies but there should be focus on the other vital indicators also so as to make operations profitable over the period of time.

Keywords: Advertisement Expenses, Net Sales

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1. Introduction

Advertising is a form of communication which is used to encourage an audience to continue or take some new action. Most generally, the desired result is to make consumer behaviour with respect to a commercial offering, although political and ideological advertising is also common. The purpose of advertising may also be to reassure employees or shareholders that a company is viable or successful. Advertising messages are usually paid for by sponsors and viewed via various traditional media; including mass media such as newspaper, magazines, television commercial, radio advertisement, direct mail; or new media such as websites and text messages. Non-commercial advertisers who spend money to advertise items other than a consumer product or service include political parties, interest groups, religious organizations and governmental agencies. Non profits organizations may rely on free modes of persuasion, such as a public service announcement.

"Only the brave or ignorant can say exactly what advertising does in the market place" (Martin Mayer in Madison avenue, cited in Corkindale 1976:109). Schwartz (1999) finds that a large number of advertisers make no serious attempt to measure the effectiveness of their advertising and seems to be acquiescing in this unsatisfactory state of affairs. Thus, there is a strong case for the necessity for measurement of advertising effectiveness.

Advertising undeniably represents an allocation of corporate resources, and the allocation must be intended to maintain or improve return on investment (Corkingdale, 1976). A large part of this problem can be attributed to the difficulties that arise regarding the appropriate measures for advertising effectiveness. Kotler (2003, p606) presents two methods in the research for evaluation of advertising effectiveness:

With the dawn of the Internet have come many new advertising opportunities. Popup, Flash, banner, and email advertisements (the last often being a form of spam) abound. Recently, the advertising community has attempted to make the adverts themselves desirable to the public. In one example, Coke chose to advertise in the movie 'Taal', which as a result contained many scenes in which Coke was shown. Similarly, product placement for Rolex watches and BMW cars featured in recent James Bond films. Each year, greater sums are paid to obtain a commercial spot during the Indian cricket matches. Companies attempt to make these commercials sufficiently entertaining that members of the public will actually want to watch them. Particularly since the rise of "entertaining" advertising, some people may like an advert enough that they wish to watch it later or show a friend. In general, the advertising community has not yet made this easy, although some have used the Internet to widely distribute their adverts to anyone wishing to see or hear them.

Therefore, the above discussion provides an insight that advertisement whether in paid from or nonpaid form play a vital role for the overall profitability of organisations in long run. Its impact plays an essential role for making the purchase decision and thereby, helping the organisation for sustainable growth and revenue over the period of time. A major problem facing manufacturing companies in India is the growing trend of input costs which erodes business profit and leads to shut down of factory sometimes. This has led to a lot of firms in India closing down their manufacturing. As advertisement expenditure is not an input cost, but it has been included in the operating expenses of the company's annual report. It has clearly captured the major section of the operational cost of the domestic and international manufacturing units making their operations in India or world-wide.

Given the important contributions of the manufacturing sector to the economy, this research therefore deems it necessary to evaluate the effect of advertisement expenditure on the performance of various manufacturing firms belonging to different segment of products in India. The present study aims at determining impact of advertisement expenses on net sales for the selected manufacturing companies in India. The present study will not only enrich the existing literature but will also provide an enhanced picture regarding the performance measurement of selected manufacturing companies in India with respect to advertisement expenditure.

1.1 Objectives of Study

The present study will comprises of following objectives:

- To examine the impact of advertising expenses on Net sales for the selected companies.
- To Identify percentage share of advertising Expenses on total expenses for the selected manufacturing companies.

2. Literature Review

The review of literature guides for better understanding of the methodology used by the earlier studies and also the limitations of various available estimation procedures, database, logical interpretation and understanding conflicting results. A brief review of some of the earlier studies conducted on impact of advertisement expenditure or operating cost on the various manufacturing industries over the period of time in different economies of world is discussed in this section.

Sundarsan⁷ in the study evaluated the effectiveness of advertising on sales of small and large firms as well as for the multinational corporation. The results therefore, explained that advertising has discriminatory sales, though its relative effectiveness was not the same for all the categories of firms. Sharma

and Sharma⁴ examined the growth pattern and trend of sales and advertisement expenses for the selected companies over a period from 1992-93 to 2006-2007. The study further evaluates the effectiveness of advertisement expenses on net sales of selected companies operating in India at aggregate and disaggregates levels. The study is based on panel or collective secondary data collected for advertisement expenditure and sales revenue of 134 randomly selected sample companies operating in India over the period from 1992/93 to 2006/07 which are further classified on the basis of amount of sales revenue as well as on the basis of type of product produced. The study found that the growth rate of sales revenue of manufacturing and companies, whose sales revenue is more than 1000 crore, is highest inspite of the negative compound growth rate of advertising expenses of these two types of companies. The study further concluded that in case of non-manufacturing companies, it has been found that these companies are less popular among the consumers and they are also spending less on advertisements as compared manufacturing companies.

Cynthia and Birger⁸ carried out a research on sources of superior Performance: Market Share Versus Industry effects in the U.S Brewing Industry. They used financial measures of performance to investigate the sources of value creation in the U.S Brewing industry between 1969 and 1979. They found out that market share gains in the industry at that time are not correlated with changes in value and that the performance of individual leading firms is highly correlated. They concluded that the absence of fundamental shifts in the relative resource positions of industry firms, share gains may come at too high a price. In addition, the research shows that intra-industry correlations in returns may result from excessive competition rather than collusion. Advertising's efficiency lies in its potential to help motivate or maintain sales⁹⁻¹¹. Thus, advertising is commonly used as an independent variable in illumination changes in sales¹².

Abraham and Lodish¹³ believe that advertising effectiveness has to be captured by the additional sales of a product over and above those that would have happened in absence of any advertising or promotion. Although advertising managers have long believed that advertising's impact on sales can persist longer than the current period¹⁴, the tendency to assume that advertising's effect on sales is short-term is yet prevalent. They further disagree that the longer uses of advertising are better than less and shorter uses of it irrespective of the nature of contribution of advertisement to sales^{15,16}. The inability of measures to differentiate the impact of advertisement between its short term and long term effects have resulted in wastage of advertising expenditure¹³.

Raina and Khajuria¹⁹ explored the effectiveness of advertising in India in the current scenario. The study examines the motive behind purchase of product, major component of the advertisement and what extent the advertisements carry relevant

and believable message. For this purpose the primary survey has been done and data has been collected from 220 respondents from Jammu with the help of a well designed pre-tested structured questionnaire. The analysis has concluded that there is a significant impact of advertisement on these parameters. The customers have a positive perception towards advertising as they find it more satisfactory to invest after watching the advertisements. It is also concluded that the advertisements messages to be relevant as consumers consider them while taking buying decisions.

Popular studies have shown optimistic relationship between advertising expenses and net sales. Nearly all of the sequence have use used time series data to confine the long- term effects of advertising expenses on net sales of the firms but it is also important to know about the short run effects of advertising expenses on net sales of firms. The above review of literature suggests the gap in context to the manufacturing firms making operation in India and the dearth of relevant studies making the assessment of advertisement expenditure on the net sale of the manufacturing units. Thus, the literature provides the empirical substance to one of the theoretical advantages to measure the Impact of advertisement expenditure on the manufacturing companies/ firms in India.

3. Research Methodology

A methodology is usually a guideline system for solving a problem, with specific components such as phases, tasks, methods, techniques and tools. The main goal of this study is to identify cause and effect relationship between variables. Casual research attempts to establish that when we do one thing, another thing will follow. The type of research design used in the present study is empirical and exploratory research design. The present study is based on the advertising expenditure and net sales data of selected manufacturing companies for the period 1997/98 to 2011/12. The sample constitutes of 60 manufacturing companies quoted on the Bombay Stock Exchange. The inclusion of the selected 60 manufacturing companies in the analysis is based on the availability of data for the studied sample period. Data used in the present study is made available from secondary source. The data source is capital line and money control.

The study include the statistics of total net sales and advertising expenses and also the statistics of different type of companies i.e. Type-1, Type -2, Type-3, Type-4 companies where Type-1 companies are pharmaceutical companies. Type -2 companies are FMCG companies, Type-3 companies are automobiles companies and Type -4 companies are textiles companies. Yearly compound growth rate of the total net sales and advertising expenses and net sales and advertising expenses of different types of manufacturing companies will also be discussed. The method

of data collection used in the present study is the secondary data collection the tools and techniques used in this study are

3.1 Regression

It is a statistical technique for estimating the relationships among variables. It includes many techniques for modelling and analysing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps one understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 \dots \dots \dots + \beta_n X_n + e$$

The data in the present study comprises of panel form and to calculate the efficiency of advertising expenses on net sales of selected manufacturing companies of India, the fixed effect model and regression model has been used.

3.2 Model

3.2.1 Simple Model

Regression is engaged of relationship between sales and advertising.

$$S = \alpha_0 + \beta (A) + \mu_i$$

Where S = Sales (in rupees crores).

A = Advertising Expenditure (in rupees crores)

α = Intercept Term

β = Slope of Advertisement Expenditure

μ_i = Error Term

3.2.2 Fixed and Random Effect Model

However, in the present study the panel data set has been used thus, the ordinary least square estimation will tend to be biased, and to get over this problem, the study uses fixed effect (FE) or random effect (RE) model to estimate the results. As a consequence, the Hausman test has been used to test for correlation between the effects and the regressors, which is commonly used in literature to make a selection between the FE and RE specifications (Gaganis et al. 2009; Green 2008).

a) Fixed Effect Model:

$$\text{Net Sale} = \beta_0 + \beta_1 \text{Adv.} + \mu$$

b) Random Effect Model: Random effect model :

$$\text{Net Sale} = \beta_0 + \beta_1 \text{Adv.} + \mu$$

Supplementary, percentage per share and summing up statistics is also computed for making the comprehensive analysis of study.

4. Data Analysis and Discussions

The discussion about the statistics of total net sales and advertising expenses of different type of companies are mentioned in Table 1.

From the descriptive statistics, there has been overall understating about the working of various companies that belong to the different sectors. It has been observed that on an average the net sale of FMCG companies (8345.827) as per the Table-3 1997-2011 net sales is more than the other sectors that are making operations in Indian. On contrary to this as per the Table 2, pharmaceutical companies have come out on the lower side with average sale of 946.5017 crores. Alternatively the same type of consideration has been observed for the mean expenditure on

Table 1. Summary statistics of net sales and advertising expenses

Indicators	1997-2011(years)	
	Net Sales(Rs.cr)	Advertising(Rs.cr)
Mean	3624.8862	72.78706667
Standard Deviation	14208.816	188.4754026
Coefficient of variation	0.2551153	0.386188679
Median	2.4944325	94.57012195
No. Of companies	60	60

Source: Authors Calculations

Table 2. Summary statistics of net sales and advertising expenses of pharmaceutical companies

Indicators	1997-2011(years)	
	Net Sales(Rs.cr)	Advertising(Rs.cr)
Mean	946.5017	34.06978
Standard Deviation	1088.841	52.30283
Coefficient of variation	0.869275	0.651395
Median	567.59	13.95
No. Of companies	15	15

Source: Authors Calculations

Table 3. Summary statistics of net sales and advertising expenses of FMCG companies

Indicators	1997-2011(years)	
	Net Sales(Rs.cr)	Advertising(Rs.cr)
Mean	8345.827	178.3792
Standard Deviation	26903.06	332.3152
Coefficient of variation	0.310218	0.536777
Median	1202.38	96.17
No. Of companies	15	15

Source: Authors Calculations

Table 4. Summary statistics of net sales and advertising expenses of automobiles companies

Indicators	1997-2011(years)	
	Net Sales(Rs.cr)	Advertising(Rs.cr)
Mean	4256.794	67.11705
Standard Deviation	6750.399	112.4065
Coefficient of variation	0.630599	0.597092
Median	1542.71	19.44
No. Of companies	15	15

Source: Authors Calculations

Table 5. Summary statistics of net sales and advertising expenses of textiles companies

Indicators	1997-2011(years)	
	Net Sales(Rs.cr)	Advertising(Rs.cr)
Mean	959.3572	11.69831
Standard Deviation	1674.454	28.79879
Coefficient of variation	0.572937	0.406208
Median	226.57	0.38
No. Of companies	15	15

Source: Authors Calculations

advertising. It has further observed that coefficient of variation in case of all the selected companies also provide an insight the FMCG companies have relatively lower dispersions than the other companies included in the study.

4.1 Model 1

Null Hypothesis (H_0): Difference in coefficients is not systematic.

4.2 Hausman Test

The Hausman test has been conducted in order to determine the fixed effect model is better than random effect model or not. The Null hypothesis has been formulated to conduct the test. The Null hypothesis included in the earlier calculated tables is that the random effect Model is better than the fixed effect model while conducting both random and fixed effect model test, along with Hausman test. It has been determined that the value $\chi^2 = 23.54$ is statistical significant at 1 per cent level of significance. The results of the Hausman test indicate that FE model is the preferred specification in the case of change in the productivity growth, as the null hypothesis for this test is that the group-specific error is not so correlated and therefore the random effect model is preferable. The results confirms that the value of χ^2 is 23.00 and is having the p-value (0.000), suggesting that this test counts against the random effect and in favour of fixed effect. Therefore, the fixed effect model is better fitted in the present study.

Table 6(a). Fixed effect model

Fixed -effect(within)					No. of obs= 900
Group variable: Year					No. of groups= 15
within = 0.0209					Obs per group: min = 60
Between = 0.9861					avg = 60
Overall = 0.0322					max = 60
Net sales	Coeff	Std. Err	t vaules	p	
Advertisement	10.981	2.530	4.340	0.000	
Cons	2825.623	499.653	5.660	0.000	

Source: Authors Calculations

Table 6(b). Random effect model

Random -effect(within)					No. of obs= 900
Group variable: Year					No. of groups= 15
within = 0.0209					Obs per group: min = 60
Between = 0.9861					avg = 60
Overall = 0.0322					max = 60
Net sales	Coeff	Std. Err	t vaules	p	
Advertisement	13.520	2.475	5.460	0.000	
Cons	2640.798	499.802	5.280	0.000	

Source: Authors Calculations

Additionally, the present study also provides the estimated for the indicators by using the regression analysis technique for the overall model that include all the companies and then the individual impact of net advertisement on the sales of manufacturing units in India.

Here, the correlation coefficient represented by R between net sales and advertising is 0.179, confirming the lower level of correlation among the dependent and independent variables. In addition to this $R^2 = 0.320$ (coefficient of determination) implies that only 32 per cent of net sales is explained by expenses on advertising indicator. As observed by the table, the ANOVA (F-test) value that provides the overall fitness of the model is 29.842, which is statistically significant at 1 per cent level of significance level, thereby concluding that the model is best fitted in the present situation. As revealed from the table that R^2 which is slightly on lower side, indicates that there are some addition indicators that influence the net sale of the manufacturing companies in India.

Equation: Net Sales = f (Advertisement Expenditure)

Net sales = 26.798* + 0.152*(Advertisement Expenditure) + μ_t

Note: * represents statistically significant at 1 per cent level of significance level

The above equation state that even if there is no advertising, still there is 26.798 of Net sales and slope states that if there is 1

Table 7(a). Simple regression model: Total

Model	R	R ²	F
Net sales=f(adv)	0.179	0.320	29.842*

Source: Authors Calculations

Note: * represents statistically significant at 1 per cent level of significance level.

Table 7(b). Simple regression model: pharmaceutical companies

Model	R	R ²	F
Net sales=f(adv)	0.687	0.472	199.612*

Source: Authors Calculations

Note: * represents statistically significant at 1 per cent level of significance level.

unit change in the change in advertisement expenditure for all the companies in the model, there will be 0.152 unit changes in net sales of the manufacturing companies in India. It is also to be mentioned that the coefficient and intercept of slope are statistically significant at 1 per cent level of significance with associated p value= 0.000.

From the Table 7(b), the Pearson's correlation between net sales and the expenses on advertising is (R=0.687). This indicates that there is high level of association between the dependent variable (Net Sale) and the independent variable (Advertisement Expenditure) for the companies belonging to the Pharmaceutical industry. Additionally, the value of $R^2 = 0.472$ implies that 47.2

per cent of net sales is of the companies in the Pharmaceutical sector is been explained by expenses on advertising. As observed by the table, the ANOVA (F-test) value that provides the overall fitness of the model is 199.612, which is statistically significant at 1 per cent level of significance level, thereby concluding that the model is best fitted in the present situation.

Equation: Net Sales = f (Advertisement Expenditure)

$$\text{Net sales} = 45.051 + 0.307 * (\text{Advertisement Expenditure}) + \mu_t$$

Note: * represents statistically significant at 1 per cent level of significance level

The above equation state that even if there is no advertising, still there will be 45.051 of Net sales for the Pharmaceutical companies in India. Whereas, on the other hand, slope states that if there is a 1 unit change in advertising expense there will be 0.307 unit change in net sales of the companies. It has been further revealed that both the values of intercept and the slope are found to be statistically significant at 1 per cent level of significance level

The Table 7(c) gives details of the correlation between Independent and dependent variable initially. The table reveals that the predictor variable has a positive relationship with the criterion or the predicted variable. The Pearson’s correlation between net sales and advertising is (R=0.911). Simple regressions measure the naturally occurring scores on a predictor variable and try to establish the observed variable give rise to the best prediction of the dependent variable. In Table 7(c), the R² value indicates how much of the dependent variable, net sales, can be explained by the independent variable, advertisement expenses. In this case, 82.9 per cent of the variation in the dependent variable can be explained by the independent variable, and this is large. Table 7(c) further reports an ANOVA, which assesses the overall significance of our model. As can be observed from the table, an F statistics of 12.42, our model is significant at p= .000 < 0.05.

Equation: Net Sales = f (Advertisement Expenditure)

$$\text{Net sales} = 56.097 * + 0.691 * (\text{Advertisement Expenditure}) + \mu_t$$

Note: * represents statistically significant at 1 per cent level of significance level.

From the above estimated equation it can be revealed that even if there is no advertising, still there are 56.097 of Net sales and slope states that if there is 1 unit change in advertising

Table 7(c). Simple regression model: automobiles

Model	R	R ²	F
Net sales=f(adv)	.911	.829	12.420*

Source: Authors Calculations

Note: * represents statistically significant at 1 per cent level of significance level.

expenses there is 0.691 unit change in net sales of the companies belonging to the Automobile sector.

The Table 7(d) gives details of the correlation between Independent and dependent variable initially. The table reveals that the predictor variable has a positive but very week relationship with the criterion or the predicted variable. The Pearson’s correlation between net sales and advertising is (R=0.044). The Simple regressions measure the naturally occurring scores on a predictor variable and try to establish the observed variable give rise to the best prediction of the dependent variable. In Table 7(d), the R² value indicates how much of the dependent variable, net sales, can be explained by the independent variable, advertisement expenses. In this case, 2.0 per cent of the variation in the dependent variable can be explained by the independent variable, and this is very low, thereby, concluding that an advertisement expense does not play a vital role for the FMCG companies. Therefore, there must be some other indicator like expenses on the raw materials, expenses on R&D, expense on other promotional mixes etc. that are essential indicator for the sales of companies associated with the FMCG sector in India. This can be further confirmed by the insignificant F value of the model which is observed with p= > 0.05.

Equation: Net Sales = f (Advertisement Expenditure)

$$\text{Net sales} = 28.6 + 0.598 (\text{Advertisement Expenditure}) + \mu_t$$

Note: * represents statistically significant at 1 per cent level of significance level.

The equation states that even if there is no advertising, still there is 28.6 of Net sales and slope, with significant value of p=0.00 states that if there is 1 unit change in advertising there will be 0.598 unit change in net sales. Therefore, from this analysis it can be again concluded that along with advertisement there are some very essential indicator that impact the net sale of companies associated with FMCG sector in India.

The Table 7(e) gives details of the correlation between Independent and dependent variable initially. The table reveals that the predictor variable has a positive relationship with the

Table 7(d). Simple regression model: FMCG

Model	R	R ²	F
Net sales=f(adv)	.044	.002	.438

Source: Authors Calculations

Table 7(e). Simple regression model: Textiles

Model	R	R ²	F
Net sales=f(adv)	.825	.681	476.014*

Source: Authors Calculations

Note: * represents statistically significant at 1 per cent level of significance level.

criterion or the predicted variable. The Pearson's correlation between net sales and advertising is ($R=0.825$). Simple regressions measure the naturally occurring scores on a predictor variable and try to establish the observed variable give rise to the best prediction of the dependent variable. In Table 7(e), the R^2 value indicates how much of the dependent variable, net sales, can be explained by the independent variable, advertisement expenses. In this case, 68.1 per cent of the variation in the dependent variable can be explained by the independent variable, and this is large. Table 7(e) further reports an ANOVA, which assesses the overall significance of our model. As can be observed from the table, a very high value of F statistics = 476.014, statistically significant at $p=.000 < 0.05$, indicates that the model is best fitted and advertisement expenditure is responsible indicator for the increase in the net sale of companies associated with Textile industry in India.

Equation: Net Sales = f (Advertisement Expenditure)

Net sales = $38.065 + 0.981(\text{Advertisement Expenditure}) + \mu_t$

Note: * represents statistically significant at 1 per cent level of significance level.

The equation states that even if there is no advertising, still there are 38.065 of Net sales and coefficient of slope states that if there is 1 unit change in advertising expenses, there will be 0.981 unit changes in net sales. An absolute p value < 0.05 suggests that a predictor variable is having a large impact on the criterion or dependent variable. Thus, the intercept and the slope coefficient are also statistically significant at 1 per cent level of significance

To identify the percentage share of advertising expenses on total expenses made by selected manufacturing companies in different sector in India over the period of time, a graphical analysis have been made in the present endeavour. In order to estimate the trend of advertisement expenses on the total expenses, the data set have been compiled for the period of 1997/98 to 2011/12. All the four industries have been taken into

consideration individually so that a proper and clear view for the percentage share of advertisement expenses to the total expenses can be made.

From the Figure 1, the percentage share of pharmaceutical manufacturing selected companies can be observed and it has been found that over the period of time the percentage share has made a declining trend. It has been further observed that the percentage per share of pharmaceutical manufacturing firms in the year 1997/98 has been 5.65 per cent and over the period of study, drastic decline has been observed in the ratio till 2001, whereas, 2002 has experienced certain improvements but afterwards there has been no such improvements observed in the ratio and it has reached to the lowest limit of 2.51 per cent in 2011/12. It may thus argued that initially companies in this sector has not been familiar in the market and minds of customers and now after the period of one and half decade they have established themselves as the established and valued companies, therefore, the requirement of advertisement expenditure to the total expenses has declined over the period of time.

Figure 2 shows that percentage per share of advertisement expense to total expenses for selected companies in FMCG sector are depicting the increased trend. It has been observed that in the year 1997/98, the percentage per share of advertisement expense to total expenses for selected companies in FMCG firms is 1.85 per cent and it has increased to the level of 3.87 per cent in 2011. Thus it can be concluded that the percentage share of advertisement expenses to the total expenses has almost doubled over the last one and half decade. The reason behind this increase in the ratio is due to the introduction of more and more competitive firms in the market. As there has been continuous increase in the market, thus in order to survive in the market companies in this segment are trying their level best to attract the customers and retain them though the medium of advertisement.

Figure 3 shows that percentage per share of automobiles selected companies firstly increased from 1.79 per cent to 2.87

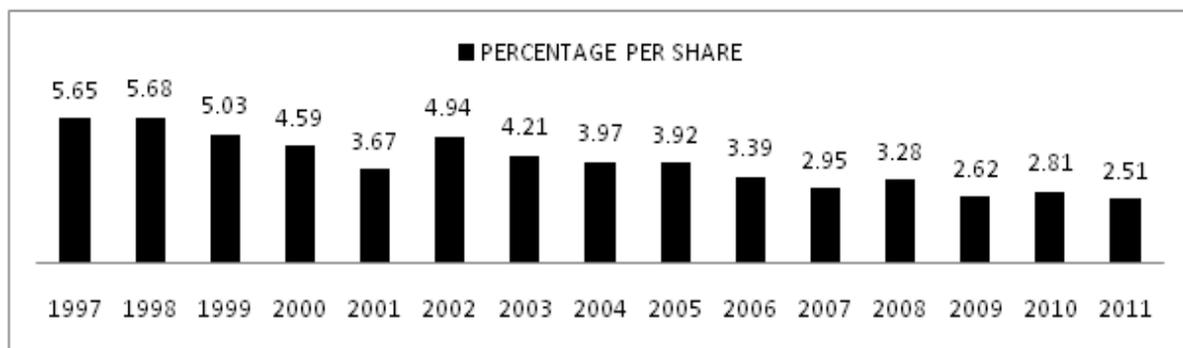


Figure 1. Percentage share of advertisement expense to the total expenses for the selected pharmaceutical companies.

Source: Capital Line (2011/12)

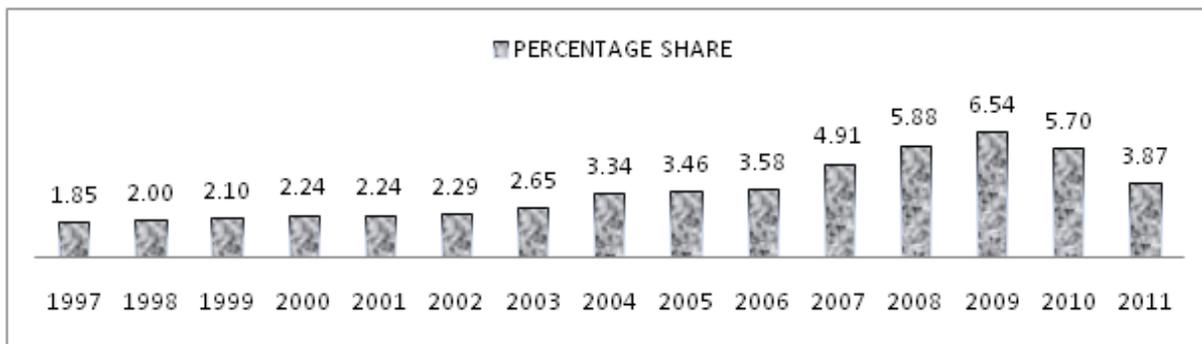


Figure 2. Percentage share of advertisement expense to the total expenses for the selected FMVG companies. Source: Capital Line (2011/12)

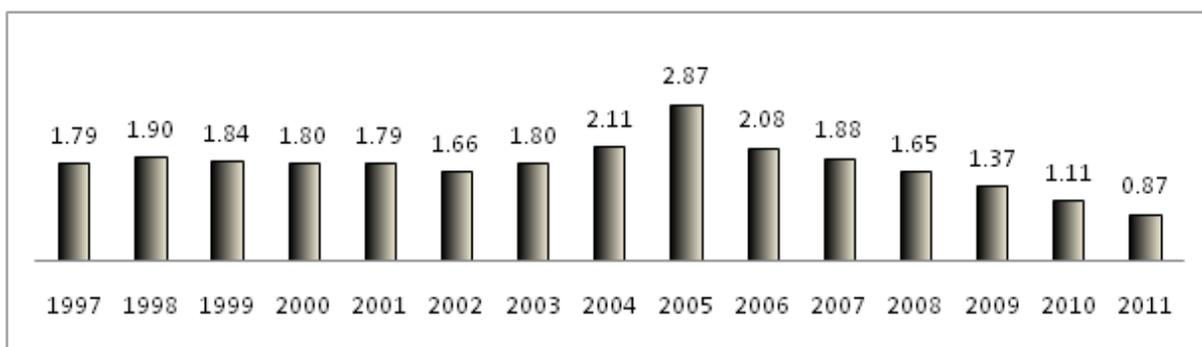


Figure 3. Percentage share of advertisement expense to the total expenses for the selected automobiles companies. Source: Capital Line (2011/12)

per cent in the year 2005 and after that it starts decreasing up to the level of 0.87 per cent. Thus, it can be concluded that the percentage share of advertisement expenses to the total expenses has almost doubled over the last one and half decade. The reason behind this increase in the ratio is due to the introduction of more and more competitive firms in the market. As there has been continuous increase in the market, thus in order to survive in the market companies in this segment are trying their level best to attract the customers and retain them through the medium of advertisement. On the other hand, it may thus be argued that the reason behind the decline after 2005/06 is because, initially companies in this sector have not been familiar in the market and minds of customers and now after the period of one and half decade they have established themselves as the established and valued companies, therefore, the requirement of advertisement expenditure to the total expenses has declined over the period of time. It has further been observed that due to these variations can also be due to the investment in the companies in other important inputs that are primarily responsible for the sale of products in this segment.

Figure 4 depicts that there has been a cyclic trend observed in the percentage share of advertisement expenses to the total

expenses for the companies in the Textile sector. As observed from the figure, it can be easily concluded that initially there has been an increase in the percentage share and after 2000, it starts declining till 2003, then again there has been an increase in the share till 2006, then a decline in 2007 and the trend goes on like this. Thus, it can be depicted from the analysis that due to the continuous change in the fashion for the textile industry in the market there have been different strategies adopted by the companies in India over the period of time. Any new fashion leads to the increase in the percentage share of advertisement expenses to the total expense for the companies associated with the textile industry.

5. Conclusion, Findings and Suggestions

The field of advertising management is made up of a system of organizations and institutions that play a crucial role in the advertising process. Organizations handle advertising in different ways. In small companies advertising is handled by someone in the sales or marketing department who works with an ad agency. A large company often sets up its own advertising depart-

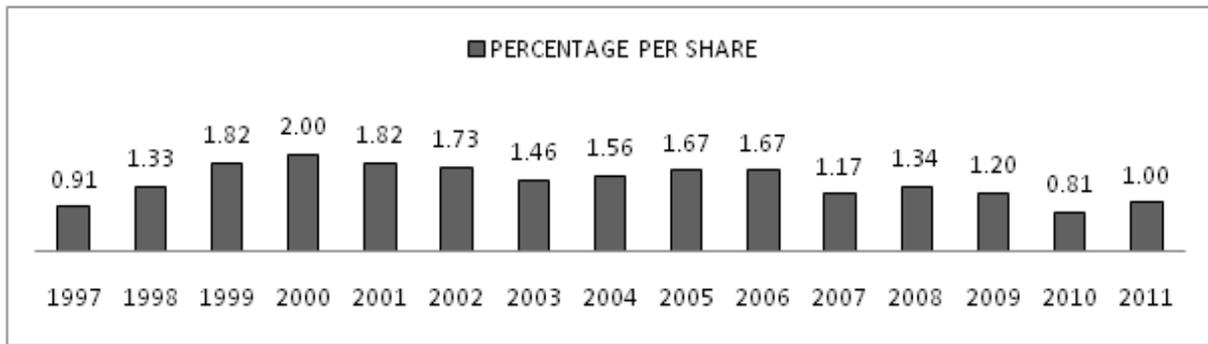


Figure 4. Percentage share of advertisement expense to the total expenses for the selected textiles companies.

Source: Capital Line (2011/12)

ment whose manager reports to the vice president of marketing. The advertising department's job is to propose a budget, develop advertising strategy, approve ads and campaigns and handle direct mail advertising, dealer displays and other forms of advertising. Most companies use an outside agency to create advertising campaigns and to select and purchase media. It is supposed that increase in advertising is positively related with increase in the consumption of firm's goods. It is fixed that, if increased advertising levels for the economy are associated with increase in consumption, this suggests that consumer are increasing current consumption at the expense of future spending.

In connection with this, the present is based on net sales and advertising expenditure data of 60 selected manufacturing companies of different – different sectors for a period of 1997/98-2011/12. The data which is used in this study is secondary and data source is capital line (2011). In this study, panel data, fixed effect and random effect models have been engaged to calculate the efficiency of advertising expenses on net sales of manufacturing companies. This is completed so because to study the growth pattern of net sales and advertisement for the selected manufacturing companies. There are 4 types of manufacturing companies. Type1 companies are related to pharmaceutical sector, Type 2 companies are related to FMCF sector, Type 3 companies are related to automobiles and Type 4 companies are relates to Textiles sector. There have been various conclusions evaluated while measuring the association Between Net sales and Advertisement expenditure, it includes-

- Increase in sales of Pharma Company as a result of increase in advertising charge.
- On the basis of Regression model, we have established that there is a constructive and statistically significant values, it means that there are other factors other than advertising also determines the sales of the company.

- Percentage per share of all manufacturing companies is decreasing and there is increase in the FMCG manufacturing firm only.
- The fixed effect model is better fitted in the present study, the value χ^2 is statistical significant at 1 per cent level of significance level.

Thus from these conclusions there have been certain implications that are to be suggested to the policy makers and managers that are responsible for the profitable functioning of firms in different manufacturing industries in India. Apart from the advertisement expenditures, there is need to check out the importance of other expenditures on the continuous basis also, as these indicators have also an essential role for the growth and profitable operations of firms in India. For instance, there must be some other indicator like expenses on the raw materials, expenses on R&D, expense on other promotional mixes etc. that are essential indicator for the sales of companies associated with the FMCG sector in India. In addition to this there has been fluctuations observed in the percentage share of advertisement expenses to total expenses for different firms in India. The reason behind these fluctuations is due to the introduction of more and more competitive firms in the market. It may thus argued that the reason behind these continuous changes is because, initially companies in has not been familiar in the market and minds of customers and after the period of one and half decade they have established themselves as the established and valued companies, therefore, the requirement of advertisement expenditure to the total expenses has declined over the period of time. It has been thus suggested that companies have to look over the market situations and based on the past trends they have to make the future strategies and make themselves sure for the investment in the other important inputs that are primarily responsible for the sale of products in this segment.

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Author of a Paper had no conflict neither financially nor academically.

ANNEXURE: List of Companies

PHARMACETICAL COMPANIES	FMCG COMPANIES	AUTOMOBILE COMPANIES	TEXTILE COMPANIES
LUPIN LTD.	ITC LTD.	HERO HONDA LTD.	GRASIM LTD.
RANBAXY LTD.	HUL LTD.	M & M LTD.	RAYMOND LTD.
PFIZER LTD.	DABUR LTD.	TA MOTORS LTD.	MAFAT LAL LTD.
DR.REDDY'S LTD.	GODFREY LTD.	EXIDE LTD.	GTN LTD.
NOVARTIS LTD.	RUCHI SOYA LTD.	MARUTI SUZUKI LTD.	BODAL LTD.
GLENMARK LTD.	NESTLE LTD.	MRF LTD.	VARDHMAN LTD.
FDC LTD.	TATA TEA LTD.	ESCORT LTD.	VIKRAM LTD.
P&G LTD.	BRITANIA LTD.	BOSCH LTD.	BOMBAY DYING LTD.
PIRAMAL LTD.	COLGATE PALMOLIVE LTD.	APOLLO TYRES LTD	LAXMI MILLS LTD.
ABBOT LTD.	EMAMI LTD.	BALKRISHNA LTD.	ARVIND MILLS LTD.
JUBLIANT LTD.	MARICO LTD.	ASAHI LTD.	ADDI LTD.
WYETH LTD.	RADICO KHAN LTD.	PUNJAB TRACTORS LTD.	DONEAR LTD.
GLAXO SMITHKLINE LTD.	CADBURY LTD.	AMTEK LTD.	SEASON LTD.
PANACEA LTD.	RELIANCE LTD.	BAJAJ LTD.	SHRI LAXMI LTD.
HIMALAYA LTD.	ESSAR OIL LTD.	AMARA RAJA LTD.	CENTURY TEXTILES LTD.