

Impact of Advertising on Organizational Sales Turnover: Nigerian Breweries Plc Experience

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Abstract

Advertising is the blood of any organization; its activities cannot be underestimated for company who wishes to remain in a global competitive environment. This research paper examined the impact of advertising on sales turnover with special reference to Nigerian Breweries Plc. Data were collected through structured questionnaire and six years annual reports and accounts of Nigerian Breweries. Sample size for the study was ninety participants and data were analyzed through Pearson Product Moment Correlation coefficient with the aid of statistical package for social science (SPSS) version 16. Result showed that that is strong positive significant relationship between advertising and sales turnover and it was discovered that importance of advertising cannot be underestimated in achieving organization stated objectives especially in this global business competitive environment. Subsequently, recommendations were made to the management to improve advertising budget every year and also to engage in electronic advertising so as to have access to global market.

Key words: Advertising, sales, communication and Nigerian Breweries Plc

1.1 Introduction

Advertising has become a powerful communication tool in passing message about the products and services to both customers and potential customers. When there is adequate awareness through advertising, high patronage will be achieved, which will result to an increase in sales volume, productivity and profit level of the organizations. However, poor product communication to the final consumers could give competitors an edge in term of loyalty to brands, sales volume and high market share. Consequence of this has been the major setbacks for matured industries. Akanbi and Adeyeye (2011) believe that advertising campaign cannot solely responsible for recorded increase in its sales after campaign. Other unrecognizable factors like higher income for potential customers, reduction problems of competitors, improved customer relation of distributors and retailers and other unnoticeable factors apart from the campaign may be responsible for the company's improved sales (Akanbi and Adeyeye, 2011). Morden (1991) believes that advertising gives the knowledge about the product and create the idea in mind about it.

Busari, (2002) as cited in Adekoya,(2011) says that advertisements can also be seen on the seats of grocery carts, on the wall of airport walkways, on the sides of buses, airplane and train. Advertisements are usually placed anywhere an audience can easily and/or frequently a access visual and/or video. Akanbi and Adeyeye, (2011) discover that advertising as a subset of promotion mix has a significant effect on sales turnover. Adekoya (2011) finds that advertising influence consumer buying behavior, which means it helps to increase sales turnover. It is on this premise that this research work wishes to examine the impact of advertising on organizational sales turnover with special reference to Nigerian Breweries Plc.

2.1 Literature review

Advertising has really played an important role in increasing the sales volume of any company's product at any point; in fact, it has contributed immensely to increasing growth of many companies in various industries. Because it has placed positive image of the company's product in mind of the potential consumers and this can influence buying

behaviours.

Bennett (2006) sees promotion as a process of delivering message about the products or service from the marketer to the potential buyers. Basically, the main objective of communication is to inform and persuade. There is no gainsaying in the fact that consumers must know that a product exists; otherwise, they may not understand how the product can meet their needs. Therefore, the first objective of communication is to disseminate information. The consumers may want to be assured that the product can satisfy their needs. Hence, some persuasion is required to encourage the consumers to buy the products. Alonge (2001) views it as “means of drawing someone’s attention to something or notifying or informing somebody of something”.

Courtland (2003) sees advertising as non personal communication information, usually paid for and usually persuasive in nature, about products, services or ideas by identified sponsors through various media. Akanbi and Adeyeye, (2011) see advertising as a tool of marketing for communicating ideas and information about goods and services to an identified group, which employs paid space or time in the media or uses another communication vehicle to carry its message. Kotler, (2003) defines advertising as a non-personal communication paid for by an identified sponsor who is relayed through various media with the aim of influencing people’s behavior towards the advertiser’s products and services at the lowest possible cost. Frank (2005) as cited in Akanbi and Adeyeye, (2011) defined advertising as the aim to persuade people to buy. Advertising as the dissemination of information concerning an idea, service or product to compel action in accordance with the intent of the advertiser. Advertisement in such a media as print (newspaper, magazines, billboards, flyers) or broadcast (radio, television) typically consist of pictures, headlines, information about the product and occasionally a response coupon. Broadcast advertisement on the other hand consists of an audio or video narrative that can range from 15seconds spots to longer segments known as infomercials, which generally last 30 to 60 minutes (Busari 2002).

Wanoff (2007) observes that advertising consist of all the activities involved in presenting to a group a non personal, oral or visual, openly sponsored message regarding a product, service or idea. This message, called an advertisement, is disseminated through one or more media and is paid for by the identified sponsor. The major role of advertising is to inform, to persuade and to remind the potential customers about the available product. Alonge (2001) feels that advertising can be defined as any paid form of non-personal communication which is directed to the consumers or target audiences through various media in order to prevent and promote product, services and idea. Dunn et al. (1978) viewed advertising from its functional perspectives, hence they define it as a paid, non-personal communication through various media by business firms, non-profit organization, and individuals who are in some way identified in the advertising message and who hope to inform or persuade members of a particular audience.

Adekoya, (2011) says that advertising is branch of commerce which used to create awareness for particular product and it must be paid for. Advertising informs, educates and persuade people to buy the advertised goods or services.

Adekoya, (2011) highlights major categories of advertisement used by various organizations as follows:

- Retail advertising: Advertising to consumers by various retail stores such as supermarkets and small stores.
- Trade advertising: Advertising to wholesalers and retailers by manufacturers to encourage them to carry their products.
- Industrial advertising: Advertising from manufacturer to other manufacturers knows as “business-to-business” advertising.
- Institutional advertising: Advertising designed to create an attractive image for an organization, rather for a product.
- Product advertising: Advertising for a good or service to create interest among consumers, commercial and industrial buyers.
- Advocacy advertising: Advertising that supports a particular view on an issue (e.g. an ad in support of fake food and drug control). Such advertising is also known as cause advertising.
- Comparison advertising: Advertising that comprises competitive products.
- Interactive advertising: Customer- oriented communication that enables customers to choose the information they receive, such as interactive video catalogs that allows customers select items to view.
- Online advertising: Advertising messages that are available by computer when customers want to receive them.

2.2 Purpose of advertising

Advertising plays a vital role in marketing consumers' purchasing decision and promotion to particular. Most consumers have the erroneous impression that promotion is synonymous with advertising and vice-versa.

The partnership between producers and consumers through advertisement is solely aimed at achieving certain mutually beneficial objectives (Adekoya, 2011). There are:

- To introduce new product: One of the roles of advertising is to inform consumers about the existence of a new product in the market i.e. creation of awareness.
- Persuade customers to buy: Advertising helps in arousing the customer's interest and by so doing persuades them to buy the product.
- Creation of demand: Advertising stimulates demand by constantly reminding potential consumers about the availability of the product in the market.
- To change consumer belief: Advertisement is a very good instrument that can be used to change consumer mindset about a product or service. Hence, help to tap into their buying power and influence their thoughts.
- To create brand loyalty: The demand of the consumers can be maintained by constantly arousing their interest on a particular product and this will ultimately create brand loyalty.
- Develop large market: Advertising create large market segment which leads to the development of larger market.
- To promote the image of the firm: Advertising builds a corporate image for a company.

2.3 Influence of Advertising on sale turnover

Adeolu et al, (2005) seek to examine the influence of advertising on consumers' purchase of Bournvita, one of the products manufactured by Cadbury Nigeria Plc; find out that advertising has a major influence on consumers' preference for Bournvita and it has, in no small measure, contributed to its success. In the same view Adekoya, (2011) reveals that advertising has helped to position product or service strongly in the mind of the consumer in order to encourage repeated purchase of the product, so that the competitors will not have an edge over them. This also creates brand loyalty and product differentiation. Akanbi and Adeyeye (2011) carry out a research work on the influence of advertising on sales and linear regression using ordinary least square method was used to analyze the data. The result confirmed that a positive and significant relationship existed between advertising and sales. The positive relationship showed that an increase in advertising can lead to an increase in sales. Based on the result, it is clear that advertisement is significant and explaining sales and this result also in line with Adebayo, (2012) who find out that advertising is a predictor of sales turnover.

3.1 Methodology

The survey research design method was used in this study. It involves using a self-design questionnaire in collecting data from the respondents. The population of the study covered selected departments such as marketing, sales, and production in Nigerian Breweries Plc and its consumers in Ibadan. The sample size for this study was ninety (90) respondents while fifteen (15) staff were selected from marketing, sales, and production departments respectively and forty five (45) consumers were selected from nine (9) restaurants within Egbeda Local government in Ibadan, Oyo State, Nigeria. While the instrument used in this study is a close-ended questionnaire that was designed by the researcher. In order to establish the reliability of this instrument, a pilot study was carried out on a sample of ninety (90) respondents in Ibadan, using a test – retest method. The result of the reliability test was 0.80 showing that the instrument is reliable. In confirming the validities of the instrument, face and content validities were ensured the instrument was given to professionals for scrutiny and evaluation.

3.2 Hypothesis Testing

Ho: there is no significant relationship between advertising and sales turnover

4,1 RESULT AND DISCUSSION

From the table 1, if other factors remain constant (product quality, branding and packaging, promotion, goodwill and

employees motivation) it is understood that expenditure on advertising is an asset. There was increase in profitability level in each year as compare with proceeding year. For example, money spent on advertising in year 2008 was 9.25million while sales turnover, and profit after tax were 145.6 Million and 25.7million respectively, when 10.45million was budgeted for advertising in the year 2009, sales turnover and profit invariably increase to 164.21 million and 27.91 million respectively, also in the year 2010 when money spent on advert was geared up to 11.57 million, sales turnover and profit increased to 185.862 million and 30.33million respectively; in year 2011 also when money on advert increased to 12.2 million, sale turnover and profit jump up to 190.721 and 35.40 million respectively. It can be deduced from the table 1 above that there is strong significant relationship between advertising and sales turnover. This result is in line with Adebayo (2012) who states that advertising is backbone of any organization who what to remain in a competitive environment.

The result in table 2 shows that there is positive relationship between advertising and sales turnover with $r=0.226$; $df = 86$; $p<.05$. This implies that the higher the money spends on the advertising, the higher will be the sales turnover. This finding is in line with (Adekoya, 2011; Adebayo, 2012; Akanbi and Adeyeye, 2011; Adeolu et al, 2005) who believe that advertising is the vehicle that drive organization to its destination. Moreover, other factors such as goodwill, promotion and product have positive relationship with organizational sales turnover with ($r= 0.108, 0.001$ and 0.124 ; $df = 86$; $P<.005$) respectively. This result implies that goodwill, promotion and product also induce consumers' buying behaviour.

Furthermore, mean of goodwill is 4.90 follow by advertising 4.45, product 4.40, promotion 4.062. This indicates that goodwill of an organization is an important tool that stimulates demand follow by advertising, product itself and promotion respectively.

Conclusion and Recommendations

On the basis of the findings of this study, it can be concluded that advertising has significant effect on organization sales turnover. The study found that advertising has helped Nigerian breweries tremendously in increasing sales turnover and profit respectively. The study also found that advertising and other factors such as goodwill, promotion, and product have really improved customer post purchase behaviours. The current study discovered that importance of advertising cannot be underestimated in achieving stated objectives especially in this global competitive environment. Based on the findings, we hereby make the following recommendations:

- Management of Nigerian Breweries should engage in electronic advertising so that they can have access to global market.
- Government should compel all companies operating in the nation to educate consumers and the general public about advertisement of their products.
- Management of Nigerian Breweries should embark on companywide awareness of advertising through seminar and workshops to educate and intimate all categories of the employees on the strategy
- Management of Nigerian Breweries should improve budget for advertising every year in order to enable them meet their primary aims and objectives
- Management of Nigerian Breweries should continuously evaluate and monitor advertising so as to ensure that the goals and objectives set are achieved.

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Table 1: Extract of 6years financial summary between 2006 to 2011.

SIX YEARS FINANCIAL SUMMARY OF NIGERIAN BREWERIES PLC

Description	2006	2007	2008	2009	2010	2011
	₦(Million)	₦(Million)	₦(Million)	₦(Million)	₦(Million)	₦(Million)
Sales Turnover	86.32	111.75	145.6	164.21	185.862	190.721
Profit before Tax	16.44	27.88	37.52	41.40	44.880	52.317
Tax	(5.54)	(8.93)	(11.82)	(13.49)	(14.548)	(15.82)
Profit after Tax	10.90	18.94	25.70	27.91	30.332	35.400
Advertising	6.32	8.59	9.25	10.45	11.57	12.20

Source: Annual account and Report of Nigerian Breweries Plc

Table 2

Means, standard deviations and correlations for all variables

Variables	Mean	SD	1	2	3	4	5
1.Sales turnover	4.1875	.95591	1				
2. Advertising	4.4500	.95334	.226*	1			
3. Good will	4.9000	5.71164	.108	.127	1		
4. Promotion	4.062	1.14011	.001	-.259*	-.214	1	
5. Product	4.400	0.85091	.124	-.256*	.060	.013	1

- Correlation is significant at the 0.05 level (2- tail)