

ROLE OF ADVERTISEMENT EXPENSES ON FMCG SECTOR: CASE STUDY OF DABUR INDIA LIMITED

Dr. L. BALAMURUGAN

Assistant Professor

Department of Business Administration

Mannai Rajagopalasamy Government Arts College

Mannargudi - 614 001

Abstract

This study has been conducted to investigate the role of advertisement on consumer. This paper aims to explore the role of advertisement expenses to increase the sale, and profit of the company which in turn increases the overall growth of the company. This study is done to see the relevance of research and development expenses, advertisement and promotion expenses on the sales and growth of the company. The results exposed that advertisement attracts towards the preference and choices to influence the consumer buying behaviour and ultimately leads the sales of the company to grow. Advertisement expenses influences the consumers and increases the sales of the company and also influences the price of individual product.

Key words: Advertisement expenses, impact of advertisement, sales promotion, etc.

1. Introduction

Advertising has become an institution of persuasion to promote such social and economic values as safety, health, education benevolence, liberty, democracy, free enterprise and tolerance. Today, advertising is widespread all over the world in different countries. But advertising trends vary from country to country. The turbulent environment of the 20th century, with rapid changes in technology, products, processes, methods cut-throat competition and emergence of new marketing challenges only indicates the significant role of advertising, which is expected to play in the survival and growth of business units. Over a century ago, advertising is simply an economic movement with only one objective behind to increase the consumer demand of the product as well as to enhance the sales volume. Many advertisers and agencies believe that advertising creates magic in the market place. Advertising helps in persuading a target market to purchase or to consume a particular brand. It serves to communicate an idea to a large number of people.

2. Importance of the study

Advertising is about striking the right note on those chords of the brain that most often are in sync with the heart. When this happens, a need is generated and brain directs to buy, be it a product or a service or an idea. Indian advertising too follows this rule but here age-old advertising trends are still thriving along with the latest innovative trends. According to American Marketing Association, advertising is any paid form, non-personal presentation of ideas, products and services by an identified sponsor. The essence of being in business by any business outfits is

to produce for sales and make good profits. The remaining in business as a profit oriented organization is to generate enough sales from its product or services not only to cover operating cost but also to sustain the future of the organization.

3. Statement of the problem

All the companies spend a lot of money on advertisements to establish the product in the market. Advertisement is more important to promote new product and also important for maintaining old product in market. Advertisement is involved in our daily life through on television, radio, newspaper, magazine and billboards. The companies are trying to increase their advertisement expenses to increase the growth of the company affecting the overall sales volume of the company and also increase in overall profit. In this study is relating to promotion of business organization in FMCG sector in India. It covers the advertising as major tool of promotion of product planning. Through the help of case study of Dabur India Limited Company it will be shown that advertisement expenses are very important to increase the overall growth of the FMCG sector of the companies. Promotion, advertising, research and development expenses play a major role in increasing sales and profit in leading FMCG Company. The present study helps in exploring the impact of advertisement expenses of the Dabur India Limited.

4. Objective of the study

1. To Analyze the impact of the advertisements expenses on consumer behaviour.
2. To calculate the preference regarding the most important category of this sector.
3. To study the impact of advertisement expenses on sales and overall growth of the company.

5. Research methodology

The main purpose of the study is to know the role of advertisement expenses on the overall growth of the company. Data were collected through secondary sources.

6. Data analysis

The most often tools such as percentage analysis, analysis of variance, and multiple regression analysis were employed.

7. Results and discussions

Dabur is India's one of the largest fast moving consumer goods company with a heritage of over 55 years in India and touches the lives of two out of three Indians. Dabur works to create a better future every day and helps people feel good, look good and get more out of life with brands

and services that are good for them and good for others. With over 40 brands spanning 21 distinct categories such as soaps, detergents, shampoos, skin care, toothpastes, deodorants, beauty, cosmetics, tea, packaged foods, ice cream, and aurvedic products, the company is a part of the everyday life of millions of consumers across India. Return on marketing investment is an area where the company has stepped up focus in recent times. The company continues to drive supply chain to deliver top-quality products with world class service, at a competitive cost. The company is deploying various techniques that allow them to assess all the marketing levers to drive growth and superior yields from marketing investment. The learning's from the past investments are being deployed to improve the effectiveness of future activities. All marketing costs and assumptions are evaluated and savings are derived by stopping non-productive activities or driving better efficiencies on the planned spends.

8. Findings

Table 1 represents the relevant figures of Dabur India Limited about the shareholders funds, equity shares of the company, reserve and surplus, loan funds, capital employed gross sales, net sales, advertising and sales expenses, expenses on research and development expenses and profit margin. The figures are taken from the annual records of the company which shows that as years are passing by, the company is making more and more profit leading to the growth and prosperity. A net sale of the company is growing year after year along with the growth of capital employed. But if the growth of sales had been result of capital employed only, the sales/capital employed ratio would have been same over the period. On contrary, the said ratio is increasing year after year. Table 2 indicates the impact of other independent variables on the sales or profit margin. So inter alia, we have taken into consideration the variables like advertisement and sales promotion and research and development expenses. These two expenses are increasing over time and both have the impact on the growth of sales and profit margin. But it is clear that the impact of advertising and promotional expenses is more significant in companies to that of capital employed or research and development expenses. It almost proves to be 96.4 per cent significant. The analysis of variance shows that the F value to be more. Hence, the variables taken in the analysis are significant. The variables taken are positively reacting and increasing the growth of sales of the company. The variables taken here are capital employed, research and promotional expenses and advertisement expenses. The multiple regression analysis helps us to interpret that advertisement expenses is the only independent variable which is affecting the gross sales in a significant way as its t value is more than 2 at significance level 0.078. Capital employed expenses are not the independent variable which is affecting the gross sales in a significant way. Research and promotional expenses is independent variable which is affecting the gross sales in a significant way.

9. Suggestions

Customers' awareness regarding advertising is very high. Companies should take steps to maintain it. Media are liked by customers due to their positive features. More media should be used to make consumers aware about it. Tough competition is being faced by companies in market. Media planners should be more careful in giving message to the customers. Media planners are playing important role major areas of advertising. The top level management should take care of them to satisfy, motivate and retain them in the current job. Media selection factors are proper and these should be focused more carefully by media planners. Proper selection of media would give satisfactory results.

10. Conclusion

It is important to study the consumer behaviour and their choices especially in FMCG sector. With the affluent and semi-urban Indian waking up to the consumption of personal care, packed foods and beverage products, the cluttered FMCG market is likely to enhance its spends on advertising markets. The Dabur India Limited is expending more on the research and development which is actually helping them in innovating more. In FMCG sector particularly where everyday newer and newer brands are coming in. No one perhaps will be able to retain the customers without advertising. Research and development expenses are necessary, otherwise new brand cannot be launched, but without advertising no new launch can be economically viable.

11. Reference

- Ayanwale, A. B., Alimi, T., & Ayanbimipe, M. A. (2005). The Influence of Advertising on Consumer Brand Preference. *Journal of Social Science*, 10 (1), 9-16.
- Eachambadi Naras, V. (1994). Does Advertising Work? *The McKinsey Quarterly*, 2, 117-129.
- Malhotra Naresh, K. (2007). *Marketing Research: Applied Orientation*, New Delhi: Pearson Publications.
- Ogilvy David (1983). *Ogilvy on Advertising*. New York: Crown Publishers.
- Sherlekar, S.A. (2007). *Marketing Management*. Mumbai: Himalaya Publishing House.
- Wells, W., Burnett, J., & Moriarty, S. (2000). *Advertising: Principles and Practice*. Upper Saddle River: Prentice-Hall.

TABLE 1
Annual reports of Dabur India Limited for the Last 10 Years

Year	Shareholders Fund	Equity Shares	Reserve & Surplus	Loan Funds	Capital Employed	Gross Sales	Net Sales	Advertising And Sales Promotion	Research And Development	Net Profit
Rupees in Crores										
2003	2138.73	220.12	1918.60	1704.3	3843.03	11096.02	10138.35	759.09	31.20	1804.34
2004	2092.71	220.12	1872.59	1471.11	3563.82	10888.38	9926.95	835.98	36.34	1199.28
2005	2305.63	220.12	2085.50	56.94	2362.57	11365.33	11060.55	1005.67	49.35	1354.51
2006	2723.48	220.68	2502.81	72.6	2796.08	12457.90	12103.39	1272.88	35.74	1539.67
2007	1439.23	217.75	1221.49	88.53	1527.76	14180.43	13717.75	1422.90	49.39	1743.12
15 months 2007-2009	2061.51	217.99	1843.52	421.94	2483.45	20239.33	20807.12	2130.92	74.47	2500.71
2009-2010	2583.52	218.17	2365.35	0	2583.52	17523.80	17873.44	2391.43	81.08	2102.68
2010-2011	2633.92	215.95	2417.97	0	2633.92	19401.11	19987.15	2764.23	93.57	2153.25
2011-2012	3512.93	216.15	3296.78	0	3512.93	23181.09	22116.37	2634.79	155.39	2599.23

TABLE 2
Relevant Ratios of Dabur India Limited

Year	Sales/Capital Employed Ratio
2003	2.89
2004	3.06
2005	4.81
2006	4.46
2007	9.28
15 months 2007-2009	8.15
2009-2010	6.78
2010-2011	7.37
2011-2012	6.60

FIGURE 1

Growth of Net Sales of Dabur India Limited

Net Sales

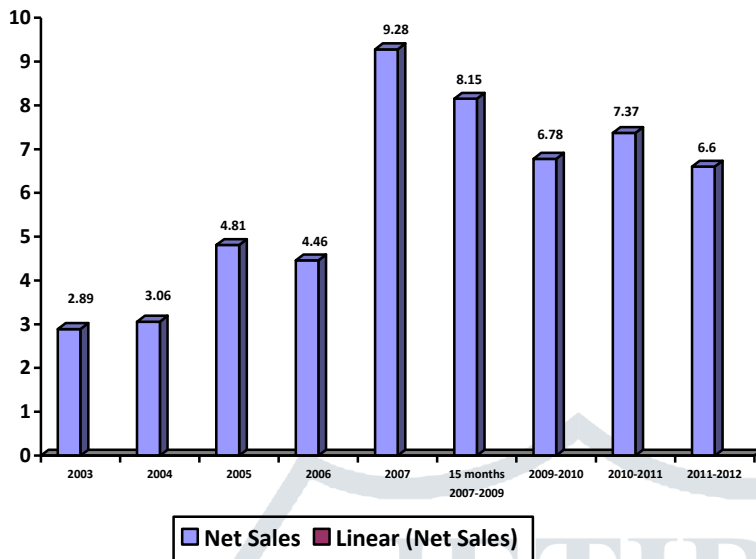


FIGURE 2

Advertisement and Sales Promotion Expenses of Dabur India Limited

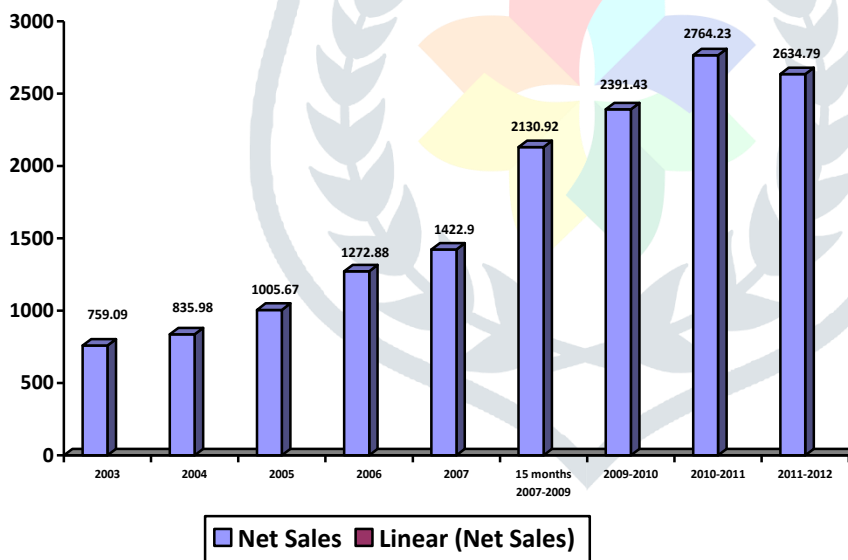


FIGURE 3

Increase of the Linear trend Ratio of Sales/Capital Employed

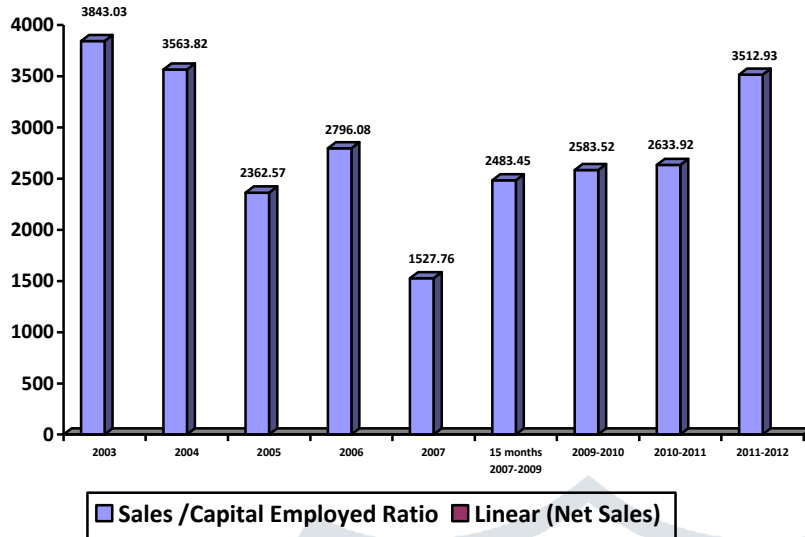


FIGURE 4

Growth of Profit Margin of Dabur India Limited

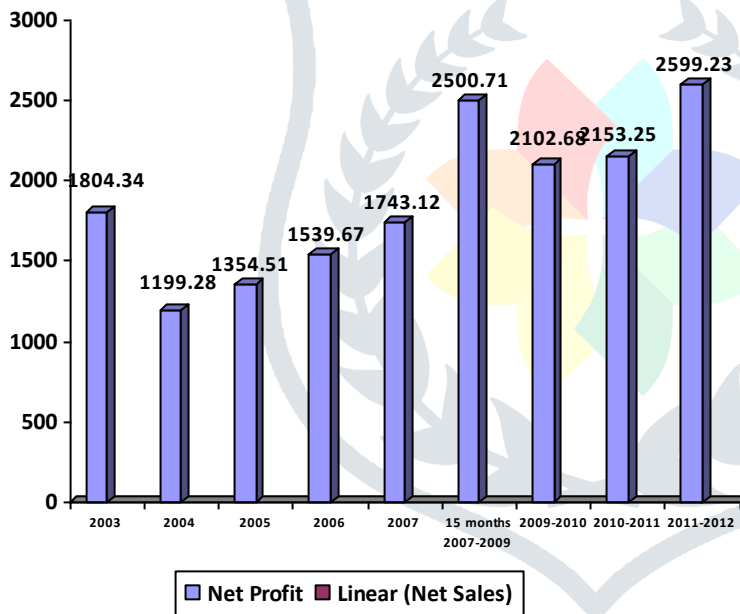


FIGURE 5
Growth of Research and Development Expenses of Dabur India Limited

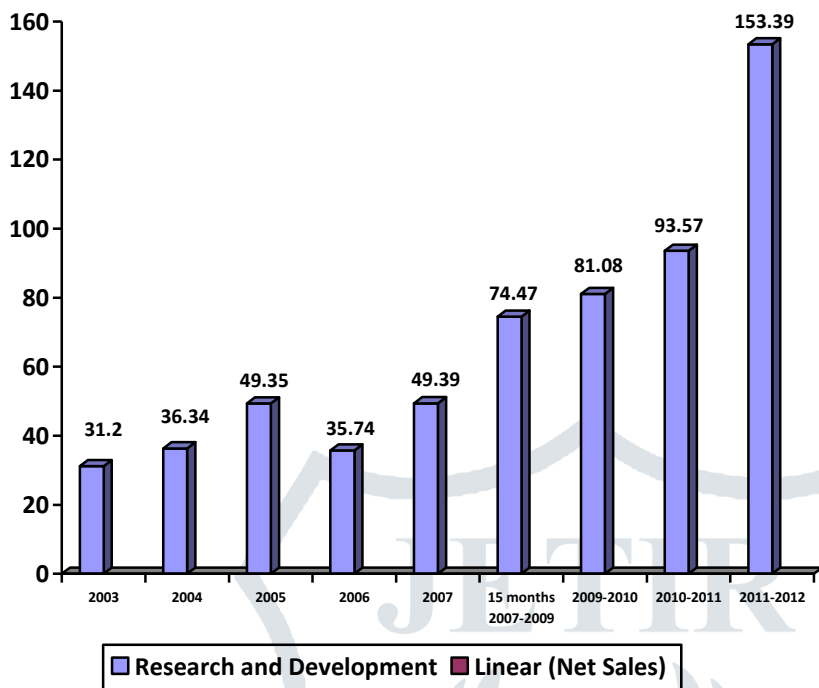


TABLE 3
Model Expressing the Percentage of the Dependent and Independent Variables

Company	R	R Square	Adjusted R Square	Std. Error of the Estimate
Dabur	0.964 ²	0.93	0.888	1538.572
a. predictors: (Constant), advertisement expenses, capital employed, research and promotional expenses				

TABLE 4

Significance Level of the Dependent Variable with the help of F Test

Company			Sum of Squares	DF	Mean Square	F	Sig.
Dabur		Regression	1.58E+08	3	52540000	22.194	0.003 ²
		Residual	11840000	5	2367205		
		Total	1.7E+08	8			
a. predictors: (Constant), advertisement expenses, capital employed, research and promotional expenses							
c. Dependent variable: Gross sale							

TABLE 5

Significance Level of the Dependent Variable with the help of Multiple Regression Analysis

Company		Unstandardized Coefficients		Standardized Coefficients	T	P-Value (Sig)
		B	Std Error	Beta		
Dabur	(Constant)	6827.519	3012.013		20.267	0.073
	Capital employed	-0.069	0.868	-0.011	-0.079	0.94
	Research and promotional expenses	49.839	29.645	0.43	10.681	0.154
	Advertisement expenses	3.312	1.496	0.571	20.214	0.078
a. Dependent variable: Gross sales						