



“IMPACT OF ADVERTISING MANAGEMENT ON FIRM’S PERFORMANCE: A COMPARATIVE STUDY BETWEEN HINDUSTAN UNILEVER LTD. AND DABUR INDIA LTD.”

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Abstract:

This study compares the growth and performance of firms in terms of sales and revenue. Two companies are taken for the study viz. Hindustan Unilever Limited and Dabur India Limited. Descriptive research design and secondary data is used for the detailed study. I have used ANOVA for data analysis in my study. During my study, I have found out that, there is a significant difference in advertising expenses and net sales of Hindustan Unilever Limited and Dabur India Limited. Apart from advertising, there are many other factors which affect the company’s performance and these factors should also be considered.

Keywords: Advertising, Performance, Hindustan Unilever Ltd, Dabur India Ltd, Sales, Revenue/ Profit.

Introduction:

Advertising has become the buzz word. Advertising is the most important tool in this competitive era. It communicates the message and promote the product and services that is produced and provided by the companies. Advertising is gaining the popularity with the passage of time. Advertising does not only promote but also market goods, services and ideas. By advertising company creates demand of the product and services, aware the consumers, prepares ground for sale of product, faces competition and also increases goodwill of the firm in the national and international market.

New Economic Policy was announced in year 1991 and under this policy, Liberalization, Privatization and Globalization (LPG) policy was introduced, due to which number of restrictions on production,

consumption and trade have been removed, which results into entry of number of new firms in the market that has increased the competition also. Nowadays advertising has become an important tool to aware the consumers about the firm as well as the firm's product and services.

To make advertisement effective it should be unique, simple, product centered, directed towards customers, repetitive, believable, creative and attractive.

Fast-moving consumer goods (FMCG) sector is India's fourth-largest sector with household and personal care accounting for 50% of FMCG sales in India. As awareness is growing among the people and lifestyle is changing day by day and it also becomes easier to access the variety of products with minimum efforts, these all are become the main reasons of continuous growth of the sector.

In my research work, I want to study the performance of companies during lockdown and for this I am going to have a comparison between two FMCG companies. First one is Hindustan Unilever Ltd and second one is Dabur India Ltd.

HINDUSTAN UNILEVER LIMITED (HUL):

It was founded in 1933. Its predecessors are Hindustan Vanaspati Manufacturing Company (1931–1956), Lever Brothers India Limited (1933–1956) and United Traders Limited (1935–1956). These three companies were merged into Hindustan Lever Limited (1956–2007). The company was renamed in June 2007 as **Hindustan Unilever Limited**.

It is the market leader in Indian consumer products with over 700 million Indian consumers using its products. HUL is a subsidiary of Unilever, one of the world's leading suppliers of Food, Home Care, Personal Care and Refreshment products with sales in over 190 countries and an annual sales turnover of €51 billion in 2020.

DABUR INDIA LIMITED:

Dabur India Ltd founded in 1884 by S. K. Burman, a physician from Bengal, headquartered in Ghaziabad, Uttar Pradesh, it is an India multinational consumer goods company, which is the fourth largest FMCG Company in India with Revenues of over Rs. 9,500 Crore & Market Capitalization of over Rs 100,000 Crore. It manufactures Ayurvedic medicine and natural consumer products. This company, which has been running for 137 years, become the most trusted company of India and also world's largest Ayurvedic and Natural Health Care Company.

Literature Review:

1. **Emanuel Bayer, Shuba Srinivasan, Edward J. Riedl and Bernd Skiera** (2020) had studied on "The impact of online display advertising and paid search advertising relative to offline advertising on firm performance and firm value" and found that both display advertising and paid search advertising have positive effects on firm performance and firm value. However, Paid search advertising has a more positive effect on sales than offline advertising.

2. **Jian Xu, Feng Liu and You-hua Chen** (2019) had studied on "R&D, Advertising and Firms' Financial Performance in South Korea: Does Firm Size Matter?" and found that in case of large firms, advertising

is positively and significantly related with financial performance and the R&D expenditure has no significant affect but in case of small firms, both R&D and advertising expenditures are negatively related with the financial performance.

3. **Joséa. Pagán , Sukhjit Sethi & Gökçe A. Soydemir** (2010) had studied on "The impact of promotion/advertising expenditures on citrus sales" and found that orange and grapefruit sales are affected by both i.e. promotion and advertising expenditures.

4. **JUNSOO LEE, B. S. SHIN and IN CHUNG** (2010) had studied on "Causality between advertising and sales: new evidence from cointegration" and found that there exists a causal relationship between advertising and sales. This relationship runs in both directions not in onedirection i.e. both affects each other.

5. **Khawaja A. Saeed, Yujong Hwang & Varun Grover** (2014) had studied on "Investigating the Impact of Web Site Value and Advertising on Firm Performance in Electronic Commerce" and found out that if only advertising spending is used then it has a negligible impact on firm performance but if complemented with Web site features that support customers' purchase- requirements determination and product-ownership experience then it can enhance the performance of B2C firms. Advertising spending is used to increase Web site traffic.

Research methodology:

Objective of Study:

To compare the growth and performance of both firms (Hindustan Unilever Ltd & Dabur India Ltd).

Scope of the study:

- 1) This study will be helpful to the researchers in further research.
- 2) This study will be helpful to the companies to understand how advertising expenses affect the sales/revenue of the companies.
- 3) This study will be helpful to know the trend of growth and profitability of both companies.

Research design:

I have used descriptive research design.

Data source:

I have used secondary data for the study.

Sampling Design:

I have chosen non- probability sampling design.

Sample Size:

I have taken two companies as sample i.e. Hindustan Unilever Ltd. and Dabur India Ltd.

Sampling Method:

I have used Convenient Sampling method.

Limitations of the study:

- 1) I have taken data of only 10 years.
- 2) I have taken only two companies as sample for the study.

3) I have analyzed the impact of advertising on performance of Indian company only.

Data Analysis:

Table 1.1: Average of Net sales/ income from operations and advertising expenses/ admin. and selling expenses

AVERAGE VALUE		
COMPANY	NET SALES/ INCOME FROM OPERATIONS	ADVERTISING EXPENSES/ ADMIN. AND SELLING EXPENSES
HINDUSTAN UNILEVER LIMITED	31,983.48	3,850.52
DABUR INDIA LIMITED	5490.491	513.195

Figure 1.1: Average of Net sales/ income from operations and advertising expenses/ admin. and selling expenses

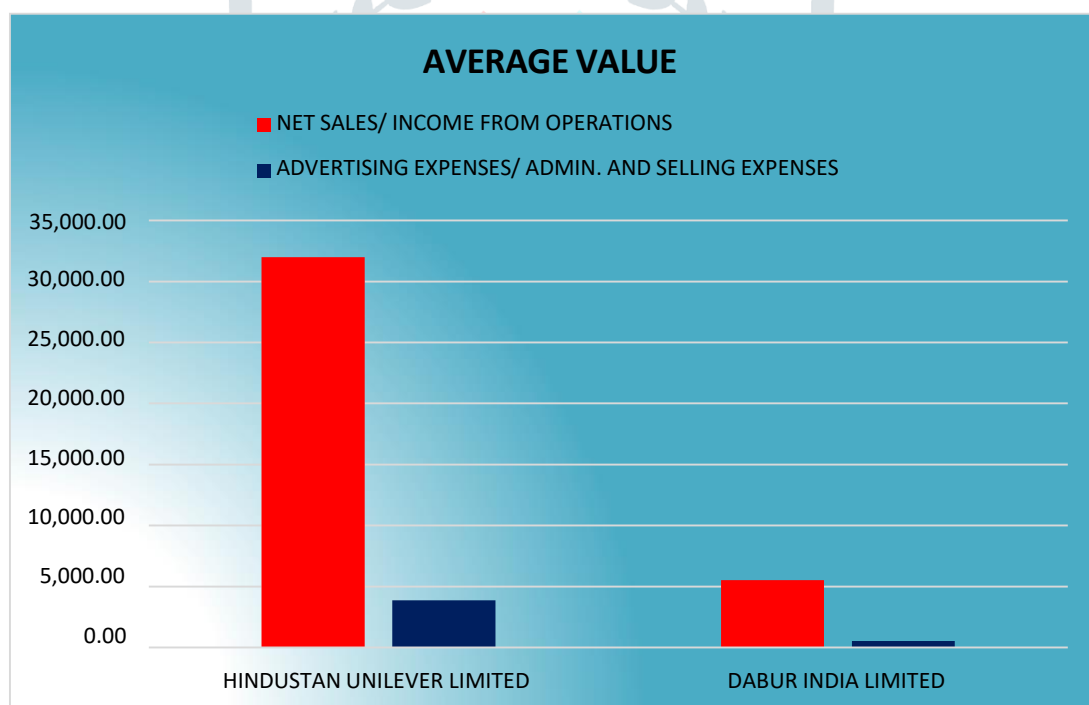


Table 1.2: Growth of net sales/ income from operations

YEAR	HINDUSTAN UNILEVER LIMITED		DABUR INDIA LIMITED	
	NET SALES/ INCOME FROM OPERATIONS	GROWTH %	NET SALES/ INCOME FROM OPERATIONS	GROWTH %
2011-12	21,154.30	-	3,757.54	-
2012-13	25,206.38	19.15	4,349.39	15.75
2013-14	26,336.66	4.48	4,870.08	11.97
2014-15	30,170.50	14.56	5,431.28	11.52
2015-16	30,499.00	1.09	5,750.00	5.87
2016-17	31,298.00	2.62	5,369.84	-6.61
2017-18	33,926.00	8.40	5,609.06	4.45
2018-19	37,660.00	11.01	6,273.19	11.84
2019-20	38,273.00	1.63	6,309.80	0.58
2020-21	45,311.00	18.39	7,184.73	13.87

Figure 1.2: Growth of net sales/ income from operations

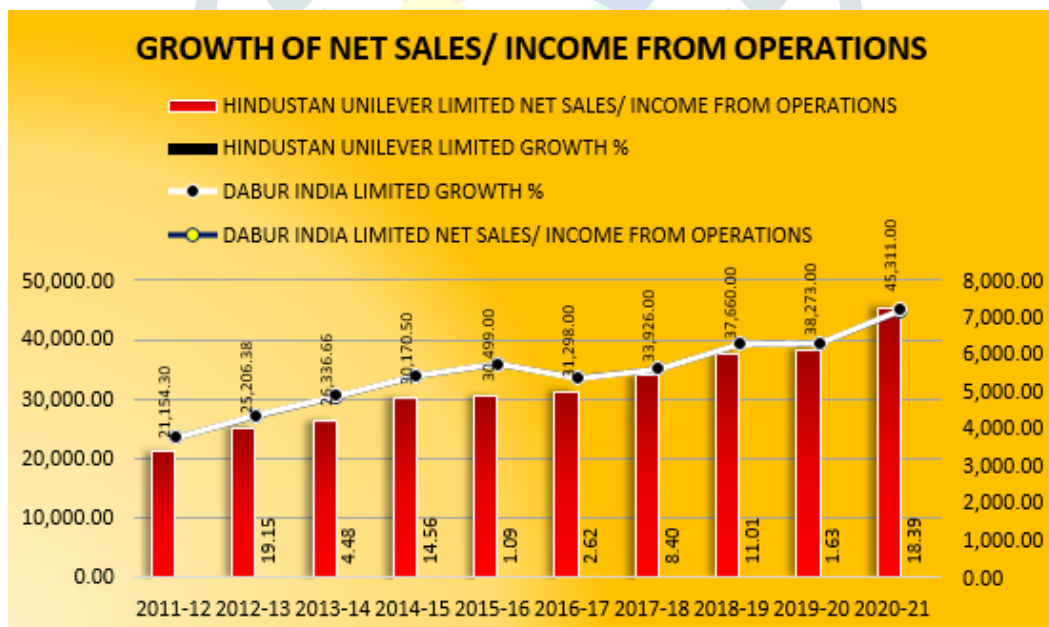
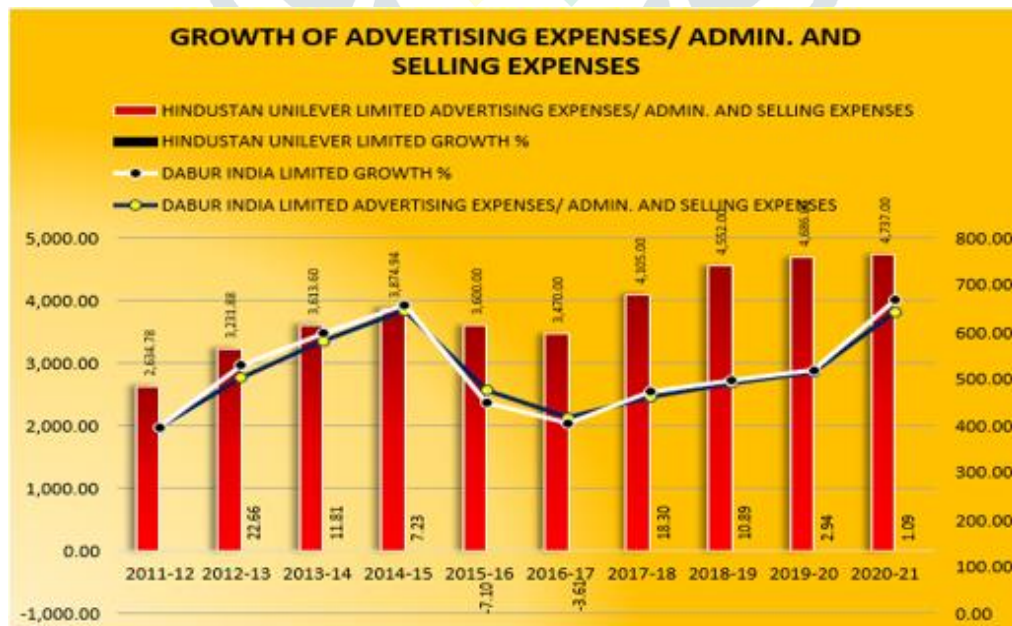


Table 1.3: Growth of advertising expenses/ admin. and selling expenses

YEARS	HINDUSTAN UNILEVER LIMITED		DABUR INDIA LIMITED	
	ADVERTISING EXPENSES/ ADMIN. AND SELLING EXPENSES	GROWTH %	ADVERTISING EXPENSES/ ADMIN. AND SELLING EXPENSES	GROWTH %
2011-12	2,634.78	-	397.66	-
2012-13	3,231.88	22.66	502.37	26.33
2013-14	3,613.60	11.81	581.11	15.67
2014-15	3,874.94	7.23	646.54	11.26
2015-16	3,600.00	-7.10	475.78	-26.41
2016-17	3,470.00	-3.61	418.03	-12.14
2017-18	4,105.00	18.30	461.95	10.51
2018-19	4,552.00	10.89	490.75	6.23
2019-20	4,686.00	2.94	514.26	4.79
2020-21	4,737.00	1.09	643.50	25.13

Figure 1.3: Growth of advertising expenses/ admin. and selling expenses



INTERPRETATION

Based on the Growth of net sales/ income from operations table it is concluded that,

- Net sales/ income from operations increases on an average 9.04% for Hindustan Unilever Limited while Net sales/ income from operations increases on an average 7.69% for Dabur India Limited.
- Highest growth in Net sales/ income from operations can be observed during the beginning of the period i.e. 2012-13 for Hindustan Unilever Limited and Dabur India Limited.
- Value of net sales/ income from operations increases year over year through out last ten years of study period for Hindustan Unilever Limited.
- During year 2016-17, growth of net sales/ income from operations declined by 6.61% compare to its preceding year.
- Lowest growth of net sales/ income from operations has been observed during the year 2015-16 in case of Hindustan Unilever Limited, whereas negative growth of net sales/ income from operations has been observed during the year 2016-17 in case of Dabur India Limited.

Based on the Growth of net sales/ income from operations table it is concluded that,

- Advertising expenses/ admin. and selling expenses increases on an average 7.14% for Hindustan Unilever Limited while advertising expenses/ admin. and selling expenses increases on an average 6.82% for Dabur India Limited.
- Highest growth in Advertising expenses/ admin. and selling expenses can be observed during the beginning of the period i.e. 2012-13 for Hindustan Unilever Limited and Dabur India Limited.
- Value of advertising expenses/ admin. and selling expenses increases year over year through out last ten years of study period except years 2015-16 and 2016-17 for Hindustan Unilever Limited.
- During year 2015-16, growth of advertising expenses/ admin. and selling expenses declined by 26.41% compare to its preceding year.
- Lowest negative growth of advertising expenses/ admin. and selling expenses has been observed during the year 2015-16 in case of Hindustan Unilever Limited and Dabur India Limited.

1. COMPARISON OF NET SALES/ INCOME FROM OPERATIONS

H₀ = There is no significant difference in performance of net sales/ income from operations between the selected companies.

H₁ = There is significant difference in performance of net sales/ income from operations between the selected companies.

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Hindustan Unilever Limited	10	319834.8	31983.484	50469374.96
Dabur India Limited	10	54904.91	5490.491	993770.8173

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3509393390	1	3509393390	136.3847211	7.80518E-10	4.413873
Within Groups	463168312	18	25731572.9			
Total	3972561702	19				

ANALYSIS

From above table for 1 and 18 degree of freedom. F is 136.38 and Fcrit is 4.41.

Thus, $F > F_{crit}$ and p-value is less than specified α of 0.05.

So, null hypothesis is rejected it is concluded that there is significant difference in performance of net sales/ income from operations between the selected companies.

2. COMPARISON OF ADVERTISING EXPENSES/ADMIN. AND SELLING EXPENSES

H_0 = There is no significant difference in performance of advertising expenses/ admin. and selling expenses between the selected companies.

H_1 = There is significant difference in performance of advertising expenses/ admin. and selling expenses between the selected companies.

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Hindustan Unilever Limited	10	38505.2	3850.52	462858.9158
Dabur India Limited	10	5131.95	513.195	7380.607539

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	55688690.8	1	55688690.8	236.8524	8.38296E-12	4.413873
Within Groups	4232155.71	18	235119.762			
Total	59920846.5	19				

ANALYSIS

From above table for 1 and 18 degree of freedom. F is

236.85 and F crit is 4.41.

Thus, $F > F$ crit and p -value is less than specified α of 0.05.

So, null hypothesis is rejected it is concluded that there is significant difference in performance of advertising expenses/ admin. and selling expenses between the selected companies.

Findings:

Based on the Growth of net sales/ income from operations table it is concluded that,

- Net sales/ income from operations increases on an average 9.04% for Hindustan Unilever Limited while Net sales/ income from operations increases on an average 7.69% for Dabur India Limited.
- Highest growth in Net sales/ income from operations can be observed during the beginning of the period i.e. 2012-13 for Hindustan Unilever Limited and Dabur India Limited.
- Value of net sales/ income from operations increases year over year through out last ten years of study period for Hindustan Unilever Limited.
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- Lowest negative growth of advertising expenses/ admin. and selling expenses has been observed during the year 2015-16 in case of Hindustan Unilever Limited and Dabur India Limited.

Suggestions:

To grow and lead in the market, every company must use advertising. It is more effective in the long run. It should be design keeping in mind about customer's distinctions. Consumers who are brand conscious tend to favour well-known brands over less well-known ones because they believe that their self-image is reflected in their choice of products. Therefore, advertising for famous brands should be done carefully. They should take advantage of the internet's brand building potential by utilising interaction, consumer engagement, and promptness to their advantage. The mode of advertisement should be chosen on the basis of target and potential customers. Apart from advertising, other factors which affect the company's performance should also be considered.

Conclusion:

The advertising is very important to increase the market value, market cap. and Goodwill of all companies across the globe. Advertising is an inevitable tool that company is using to enhance the sales, profitability of the company. Company uses various channel for advertising like magazines, newspapers, social media and media etc. From Small business multinational companies use advertising for the promotion of the goods and services provided by them. Today many companies are surviving and expanding across the world in the market through advertising. In my study I have compared the performance of both the company and found that there is significant difference between the performances of both the company. Though both the companies are spending on the advertising a lot, but there are some other factors which are affecting the performance of both the companies. So company should consider the others factors also which are affecting the performance of the company.

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