

**EFFECT OF ADVERTISING ON THE SALES REVENUE AND PROFITABILITY
OF SELECTED FOOD AND BEVERAGES FIRMS IN NIGERIA**

BY

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**BEING A RESEARCH THESIS PRESENTED TO THE SCHOOL OF POST
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FEBRUARY, 2015

DECLARATION

I, Abdullahi Dauda hereby declare that the work in this thesis entitled “Effect of Advertising on the Sales Revenue and Profitability of Selected Food and Beverages Firms in Nigeria” has been performed by me under the supervision of Dr.Bello Sabo. The information collected and materials used have been duly acknowledged by means of references. To the best of my knowledge and beliefs, it has not been previously presented in any form whatsoever in any application for the award of degree or Diploma in any University.

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CERTIFICATION

This thesis titled Effect of Advertising on the Sales Revenue and Profitability of Selected Food and Beverages Firms in Nigeria meets the regulations governing the award of the degree of Master of Science (M.Sc) in Business Administration of Ahmadu Bello University, Zaria and approved for its contribution to knowledge and literary presentation.

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DEDICATION

This thesis is dedicated to Almighty Allah for guiding me and good health.

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ABSTRACT

Advertising is a prominent feature of modern business operations. One could encounter advertising messages, while watching TV, reading magazines, listening to the radio, surfing the internet or even simply working down the street, as advertising has a stimulating influence on purchasing behavior of the consumers. Empirical evidence has proven that advertising increases sales revenue of firms. Advertising provides a platform for firms to create awareness about their products or services and how consumers could make the best out of such products. This study evaluated the effectiveness of advertising expenses on the sales revenue and profitability of selected food and beverages firms in Nigeria. This study was based on secondary data collected for advertising expenditures, sales revenue and profit of food and beverages companies listed in the Nigerian Stock Exchange over the period of 2000 to 2012 from the annual report and accounts of the firms under study. Among the objectives of the study is to determine the extent to which advertising costs impact on the sales revenue and profitability of the selected food and beverages companies in Nigeria. Correlational and Ordinary Least Square regression analysis study designs were adopted for the study. The first hypothesis test showed that advertising expenses has no positive significant relationship with the sales revenue of the companies. Further, the second hypothesis test showed a positive significant relationship between advertising and the profitability of the firms. This study concluded that advertising is one of the most important medium of communication influencing the companies' performance in more than one ways. But its influential strategic importance could be suppressed by other factors which also try to receive equal attention at time of deciding any sales and profitability strategy. It is therefore recommended that not only advertising should be given adequate attention while formulating strategies relating to sales revenue and profitability promotion policy. Other factors which are important to increasing sales revenue and profitability such as sales promotion, personal selling, publicity etc which are crucial should be considered.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The role of sales promotion in the form of advertising in promoting product and service awareness among consumers cannot be overstressed. Advertisement provides a platform for firms to create awareness about their products or services and how consumers can make the best out of such products. Olusegun (2006) opined that all advertisement must be honest and follow ethical standards and must not be perceived by the target consumer as lie; otherwise it can batter the image of a company and hinder it from building successful brands. Thus, for advertising to be effective, it must have an appeal, attract attention, command interest, inspire conviction and must provoke interest (Frank, 2005). In the same vein, Okeji (2008) posited that a good advert message should not be boring but rather reflect the lifecycle of the product. He concluded that advertising must be exposed in the right medium as this will enable organization to reach the right people with the right message.

A number of studies such as Herbert (1982), Nigel (1994), Gladson and Chinedu (2005) and Meshach (2007) have shown that advertising is a major competitive tool in establishing position in the market place. Companies use advertising not only to market and promote their products but to among other things wade-off competitors, improve their brands and create a vintage-point for their products in the presence of anticipated users, buyers or clientele. Persons, organizations, groups, government agencies and different sectors of many economies employ advertising to marshal messages to target

public. This is because a well-crafted advertisement program can be a cost-effective way to disseminate messages and build brand preferences.

As is the trend globally, companies in Nigeria also rely on sales promotion to get their existing and prospective consumers informed about their products and services. Among all the tools of sales promotion in Nigeria, advertising has grown over the years to become the most prominent and easily understandable to firms and the general public (Haruna, 2005). It is therefore not surprising that resources committed to advertisement by firms in Nigeria have grown astronomically over the years. Studies by Akanbi and Adeyeye (2011) have posited that in Nigeria, advertising is more prominent among manufacturing firms, especially those in the food and beverages sector as awareness regarding their products can reach the consumers more rapidly through this channel. They also argued further that the companies listed under food and beverages sector stand distinct as a model for the use of advertisement to rapidly reach out to consumers. This can be substantiated by the revelations made by Kingsley (2012) who explained that Euro Monitor International in its recent findings showed that the Nigerian food and beverages sector was ranked one of the best-performing segments of Nigeria's manufacturing industry. The findings further revealed that operating capacity was generally at a higher level in the sector than within the Nigerian manufacturing sector as a whole, and the sector have shown good returns in the Stock Exchange.

Analysts such as Kingsley and Paul (2009) have argued that even though the use of advertisement as a promotional tool is common among manufacturing firms in Nigeria like food and beverages firms committing huge sums of money into advertising companies do not automatically translate to better performance indices for the

organizations. It has been argued that advertising, even when very extensive, does not lead automatically to purchase because it is the culmination of a whole sequence of events (Abiodun, 2011).

The foregoing has shown clearly that advertising does not take place without the organization incurring some costs to that effect. Hence, many are of the belief that the desirability or otherwise of advertisement by firms in Nigeria could also be established when it is related in the context of sales and the profits that advertising companies realize at the end. Against this backdrop of controversy, it became very pertinent to investigate the extent to which the advertising costs of manufacturing firms in Nigeria affect their sales revenue and profits. Consequently, this study was conducted with the intent of establishing the extent to which the advertising costs of the food and beverages firms affect their sales revenue and net profits.

1.2 Statement of the Problem

It is an established fact that advertising plays a very significant role in creating product or service awareness in the market place. David and James (1982) argued that advertising is one easy way to educate existing and prospective consumers about a product or service. Although it is common for people to relate the performance of a company with the priority it gives to advertising, people tend to forget that advertising budgets are a huge source of costs for the organization. In fact, the amount of resources committed by firms to advertising has steadily grown over the years because of the increased awareness and sophistication of consumers (Kotler, 2009).

Companies in Nigeria, particularly those in the manufacturing sector consider advertising as an inevitable tool for survival in highly competitive market. Empirical evidence has proven that most products in Nigeria have close substitutes that are either locally produced or imported. This implies that companies would have to rely heavily on advertising to create a brand and distinguish it from other products in the minds of consumers. Thus, advertising in Nigeria has become the gateway to survival and the acquisition of market share. However, the need for survival, the desire to control larger market share and the dream of creating brand loyalty in the minds of consumers have made successful manufacturing companies in Nigeria, like the food and beverages firms, to pay much attention to advertising programmes without recourse to the extent to which advertising has been able to commensurately improve their performance.

Despite the fact that the advertising budget of the food and beverages sector had grown over the years to constitute a reasonable chunk of expenditure for the companies, little research attention has been paid to the effect of such advertising costs on the sales revenue and net profit of the firms in Nigeria. The study by Akanbi and Adeyeye (2011) which sought to establish the effect of advertising on the sales volume of Nigerian Bottling Company Plc utilizing composite data from the annual accounts and reports of the Company from 1999-2009. This particular study is unique and significant because it attempted to overcome the deficiencies of the previous studies by intending to rise up to the current realities by utilizing the data sought from Cadbury Nigeria Plc and Nestle Nigeria Plc both in food and beverages sector in Nigeria from 2000 to 2012. The previous studies used primary data which does not adequately capture relationships. Further, this study equally tried to establish stationarity test for the secondary data utilized for this

study to avoid the results being spurious which the previous studies had failed to establish. This study therefore hopes to fill these gaps.

1.3 Research Questions

Following from the statement of the problem, the study seeks to find answers to the following basic questions:

1. To what extent does advertising costs affect the sales revenue of selected food and beverages firms in Nigeria?
2. To what extent does advertising costs affect the net profit of selected food and beverages firms in Nigeria?

1.4 Objectives of the Study

The main objective of the study is to determine the effect of advertising on the sales and profitability of the food and beverages' firms in Nigeria. The specific objectives of the study are to:

1. Determine the extent to which advertising costs affect the sales revenue of selected food and beverages firms in Nigeria.
2. Evaluate the effect of the advertising costs on the net profit of selected food and beverages firms in Nigeria.

1.5 Statement of Hypotheses

The hypotheses to be tested by the study; stated in the null form, are as follows:

H₀₁: Advertising costs have no significant effect on the sales revenue of selected food and beverages firms in Nigeria.

H₀₂: Advertising costs have no significant effect on the net profit of selected food and beverages firms in Nigeria.

1.6 Significance of the Study

The study expects to yield a number of desirable benefits, the most essential of which is contribution to existing knowledge. Specifically, the findings of the study would provide direction as to the effect of advertising costs or expenditures on the sales revenue and profit of manufacturing companies, especially those in the food and beverages sector. Thus, the study is expected to contribute to the not-so-well-developed body of knowledge regarding the association between advertising expenditures and the sales and profitability of manufacturing companies in Nigeria by empirically ascertaining the effect of such costs on the sales revenue and the net profit of selected food and beverages firms. Similarly, the study also hopes to expand the frontiers of knowledge in the area of conducting its analysis through the use of techniques that have been hitherto overlooked by previous researchers on the effect of advertising on the sales of companies in Nigeria.

Despite the fact that the advertising budget of the food and beverages companies had grown over the years to constitute a reasonable chunk of expenditure for the food and beverages sector in Nigeria, little research attention has been paid to the effect of such advertising costs on the sales revenue and net profit of the companies in Nigeria. The study by Akanbi and Adeyeye (2011) which sought to establish the effect of advertising on the sales volume of the Nigerian Bottling Company Plc utilizing composite data from the annual accounts and reports of the Company from 1999-2009. This particular study is unique and significant because it attempted to overcome the deficiencies of the previous studies by intending to rise up to the current realities by utilizing the data sought from selected food and beverages sector in Nigeria from 2000 to 2012. Further, this study

equally tried to establish stationarity test for the data utilized for this study to avoid the results being spurious of which the previous studies failed to establish.

The importance of the findings of the study to the managers of manufacturing firms in Nigeria, especially those in the food and beverages sector could not be quantified in that it would provide evidence with respect to the justification of managers' increased resource commitment to advertising in Nigeria over the years. The findings would equip managers with better insights on how to juxtapose the benefits of increase in advertising expenditure vis-à-vis sales revenue and net profit. Furthermore, the study was also expected to be of immense utility to shareholders whose primary goal is to maximize their wealth. The findings of the study would help shareholders in their bid to monitor managers and ensure that only costs that could ensure the maximization of shareholders' wealth were incurred by managers on behalf of shareholders.

The outcome of the study might also be of benefit to government and its agencies in the process of making decisions. For instance, the findings of the study could guide the Advertising Council of Nigeria to understand the burden that advertising might constitute to the long-run growth and survival of firms in Nigeria, its benefit notwithstanding.

1.7 Scope of the Study

This study is concerned with the effect of advertising on the sales revenue and net profit of the selected food and beverages companies in Nigeria. The study restricted itself to the food and beverages firms in Nigeria because of the revelations by Kingsley (2012) which explained that Euro Monitor International in its findings showed that the Nigerian food and beverages sector was ranked one of the best-performing segments of Nigeria's

manufacturing industry. The findings further revealed that operating capacity was generally at a higher level in the sector than within the Nigerian manufacturing sector as a whole, and the sector had shown good returns in the Stock Exchange.

A period of thirteen years was adopted for the study ranging from 2000-2012, both years inclusive. The choice of the period has implications for the study because it is the period within which manufacturing companies in Nigeria especially food and beverages firms in Nigeria attached increasing importance to advertising programmes. Thus, by implication, the period was chosen because manufacturing companies witnessed increasing importance of advertising budgets during the period.

1.8 Limitation of the Study

One of the major limitations for this study is the transportation cost incurred by the researcher. The data for this study which were extracted from the annual reports and accounts of the companies under study were got at the Abuja and Kaduna stock Exchange libraries respectively. This entailed huge sum of money to execute and had delayed the completion of this research beyond the time frame set by the researcher.

Further, many number of firms under the food and beverages sector would have been studied, but unavailability of necessary data had been a source of stumbling block. The researcher had no any other available option to him than to restrict the scope of this study to the companies under study.

Finally, the findings from this study could not be generalized across other firms since the data collected for this study were limited to food and beverages firms in Nigeria.

1.9 Definition of Terms

The following terms were in view of their technical meanings:

- 1.9.1 Advertising:** It is any paid message presented through various media, such as television, radio, magazine, newspapers or billboards by an identified source.
- 1.9.2 Brand equity:** It is the marketing effects and outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have brand name.
- 1.9.3 Brand loyalty:** It is referred to the strength of buyer's preference for particular goods or services usually resulting in repeat purchases.
- 1.9.4 Carryover:** It is the rate at which the effect of advertising expenditure wears out with the passage of time.
- 1.9.5 Expenses:** Expenses are the costs of resources used up or consumed by the activities of the business.
- 1.9.6 Strategy:** It means marketing actions by management to off-set actual or potential actions of competitors
- 1.9.7 Profitability:** It is defined as either accounting profits or economic profits. Accounting profits mean net income, while economic profits mean net worth.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

This chapter focused on the review of studies related to the variables of the study. It discussed the concept of advertising, its functions, objectives of advertising, and the measure of advertising effectiveness. The chapter also reviewed a number of empirical studies and presented the theoretical framework upon which the study rests. Lastly, a summary of the chapter is presented at the end of the chapter.

2.2 The Concept of Advertising

The meaning of advertising cannot be definite as it means different things to different people depending on their perceptions of what it is. According to Kotler (2000), advertising is any non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. Advertiser includes not only business firms but also museums, charitable organizations and government agencies that direct messages to target public. Advertising can also be defined as any paid non-personal communication about an organization, products, services or ideas by an identified sponsor (Bennet, 2006). Advertising is any paid message presented through various media, such as television, radio, magazine, newspapers or billboards by an identified source.

Scholars such as Sandage and Rotzoll (2002) have argued that advertising is a cost-effective way to disseminate messages, for instance to build brand preference for a product or to educate people about government policies or to avoid consumption of hard

drugs. Companies embark upon advertising not only to sell their products, promote their goods, but also to create efficient defense to curtail competitors' moves. Frank (2005) saw advertising with the aim to persuade people to buy. Modern advertising is a product of the twentieth century; however, communication has been a part of the selling process ever since the exchange of goods between people started (Kazimi, 2005). Modern commercial advertising is the persuasive force that aims at changing customer's behaviors. This is important because consumer wants and needs change as their economic positions improve and as they pass through different stages. It is therefore desirable for advertisers to assess the impact of advertisement on their products' performance from time to time (Kotler, 2000).

Shimp (2007) in corroborating Richards and Curran (2002) defined advertising as a paid, mediated form of communication from an identifiable source, designed to persuade the receiver to take some action, now or in the future. A broad variety of rational motives can be used as the source for advertising appeals such as convenience, economy, health, sensory benefits, quality, performance, comfort, reliability, durability, efficiency, efficacy etc; all of these are to stimulate the consumer to patronize a product (Duncan,2002).

According to Giles (1974) as cited in Adewale (2004) advertising is a non-personal communication directed at target audience through various media in order to present and promote products, services and ideas. Hancock and Holloway (2002) stated that advertising are those marketing activities other than personal selling, publicity and public relations that stimulate consumer purchasing and dealers effectiveness, such as displays,

shows and exhibitions, demonstrations and various non-recurrent selling efforts not in ordinary routine. Wright (2000) defined advertising as a short term incentive to the traders or consumers to induce the purchase of a product. Engel (2000) stated that advertising informs customers about a product and also sells the product.

All the aforementioned definitions made modest efforts to define advertising. However, one or two deficiencies can be observed from some of the definitions. The study finds the definition by Bennet (2006) that advertising is any paid non-personal communication about an organization, products, services or ideas by an identified sponsor as a better one and hence it was adopted by it. The definition appears to be adequate for the purpose of the study, and encompasses all the important dimensions to advertising such as the product, awareness and sales among others.

2.3 Objectives of Advertising

In the past, many people thought that advertising could be carried out without any objectives. Studies have shown this to be a wrong notion. For advertising to be regarded as having aims and objectives, it needs to possess some of the followings:

Tellis (2000) Opined that advertising is to encourage purchase by temporarily improving the value of a brand. The main objective of advertising is to translate favourable attitudes into actual purchase, improve attitude towards a brand and nurture brand loyalty at all times.

Donald (2000) stated that regardless of the exact technique employed, advertising should attempt to accomplish four fundamental tasks:

1. Advertising objectives should relate to overall marketing and should be clearly measurable. This requires that the promotional strategies should adequately define what the promotion wishes to accomplish;
2. Advertising technique should be used to supplement sales and advertising efforts;
3. Advertising like other promotional forms should attract attention among those people they are intended to influence; and
4. Advertising should generally persuade the target audience to place an order i.e. to really close the sale and perhaps assume it has been done. There must be readily recognizable link between the promotion and desirability of buying the particular product.

According to Adeleye (1998) advertising has three objectives:

1. **Sales:** Some firms, especially those involved in direct response can define and measure their advertising objectives in terms of unit or Naira sales or specific sales. Leads and Shultz (1990) contented that setting sales as the advertising objective is the most acceptable way of measuring advertising impact.
2. **Behavioural effect:** When advertising cannot be defined directly in terms of final sales, some types of behavioural activity by consumers may be used as a measure of the impact of the advertising campaign. For example, some advertisers try to get their target audience to take a specific action short of making a purchase such as requesting for more information, or visiting a retail outlet.
3. **Communication effect:** Firms do set and measure their advertising objectives in terms of awareness, knowledge, preference, or some other mental effect on the

consumer. The observation made by Adeleye (1998) shared the same opinion with Kotler (2000) in which he postulated that most advertisers try to measure the communication effects of an advertisement i.e. its potential effects on awareness, knowledge or preference apart from sales effect.

2.4 Criteria for Setting Advertising Objectives

The advertising objectives must follow prior decisions on target market, market positioning, and marketing mix. Kotler (2001) observed that advertising objectives can be classified according to whether their aim is to inform, persuade or remind.

1. **Informative advertising:** Features heavily in the pioneering stage of a product category, where the objective is to build primary demand. Thus, the yoghurt industry initially had to inform consumer of yoghurt's nutritional benefits.
2. **Persuasive advertising:** It becomes important in the competitive stage, where a company's objective is to build selective demand for a particular brand. For example, Coca-Cola attempt to persuade consumers that it delivers more taste and status than other brands in the market. Some persuasive advertising uses comparative advertising, which makes an explicit comparison of the attributes of two or more brands.
3. **Reminder advertising:** It is important with mature products. For instance, expensive four-colour Coca-Cola ads in magazines are intended to remind people to purchase Coca-Cola. A related form of advertising is *reinforcement advertising*, which seeks to assure current purchases that they have made the right choice. Automobile ads often depict satisfied customers enjoying special features of their new car.

Advertising as a tool for communication uses certain criteria for setting its objectives. According to Kamber (2002), advertising and marketing communications can reasonably establish, maintain, reinforce, increase or change variables such as consumer awareness, understanding, conviction, trust, attitudes, or image, or preferences. Awareness can further be broken down to include simple top-of-mind awareness of a brand, or awareness of actual properties and characteristics of a product. In addition to this basic understanding of the behavioural steps consumers go through in learning about and purchasing product. There are other criteria that objective must meet in order to be effective in directing energy of a company toward their fulfillment. The following three criteria provide a yardstick for evaluating the quality of objectives that have been set for an advertising or meeting communications plan.

Identify unit responsibility; Link objectives; and State output, not input.

The general essence of advertising is to communicate with the target audience. However, different types of advertising campaigns could be undertaken for different purposes. Some advertisements are tailored towards creating sales while some are used to carry out government policies such as for example, to stop consumption of harmful drugs. Buzzel (2001) observed that manufacturers also enjoy the effect of advertising and that it is useful to them in the following ways:

1. In securing trial for new products and in defending shelf space against anticipated and existing competition;
2. It allows manufacturers to price-discriminate among consumers segments that vary in price sensitivity; and

3. It allows manufacturers to use idle capacity and adjust to demand and supply imbalances or softness in raw materials prices and other input cost while maintaining the same price list.

According to Olusegun (2006), advertising is useful in a number of ways which include:

To announce a product; to announce a modification; to maintain sales of established products; to attract new buyers; to introduce new packages; and to secure edge over competitors.

Engel (2000) stated that advertising informs customers about a product. He maintained that the purpose includes: to remind current potential customers; to alert and sensitize all members of marketing channel; to present products and ideas. Also advertising helps to reach selected target audience; to reduce customer dissonance and to create awareness.

Onu (2000) cited in Meshach (2007) argued that advertising is used for diverse purpose such as; long term build-up of the organization's image; long-term build-up of a particular brand: information dissemination about a sale, services or events, and announcement of a special sale and advocacy of a particular cause, among other things.

Furthermore, Wright (2000) posited that any promotional activity is an attempt to influence the choice behaviour of a particular market segment. He further saw the development of consumer judgment models as the promotional strategic way of eliciting audience reaction. This he believed it would make it easier for the promoter to determine the roles each input would make towards achieving the promotional objectives. For promotional activity to be successful the market segments should be properly studied and their needs identified.

In a nutshell, it can be seen from the opinion of many renowned marketing scholars that the fundamental objective of advertising is to increase overall sales as a result of increased customer awareness and enhanced product patronage for the advertising firm. This is the dimension upon which the study rests on as it is aimed at ascertaining the veracity of this theoretical expectation.

2.5 Developing Advertising Message

Message development is a complex critical task in advertising. Highlighting a product attribute that is unimportant to a particular target market is not only a waste of advertising Naira but, also a lost of opportunity. Both the appeal and the way the appeal is conveyed are vital to successful communication. Thus, creating business -to-business advertising messages involves determining advertising objectives, evaluating the buying criteria of the target audience, and analyzing the most appropriate language, format, and style for presenting the message (Modern, 2007).

2.5.1 Perception: For an advertising message to be successful, an individual must first be exposed to it and pay attention to it. Thus, a business advertisement must catch the decision maker's attention. Once the individual has noticed the message, he or she must interpret it as the advertiser intended. Perceptual barriers often prevent the intended message from being received by a receiver. Even though the individual is exposed to an advertisement, there is no guarantee that the message will be processed. In fact, the buyer may read every word of the copy and finds a meaning intended by advertiser.

According to Dacin (1998), the business advertiser must therefore contend with two important elements of perception: attention and interpretation. Buyers tend to screen out

messages that are inconsistent with their needs, attitudes, and beliefs and they tend to interpret information in the light of those beliefs, unless advertising messages are carefully designed and targeted improperly. Advertisers must put themselves in the position of the receivers in order to evaluate how the message will appear to them.

2.5.2 Business Publication: more than 2,700 business publications carry business -to-business advertising. For those specializing in distributions inbound logistics, distribution, logistic management, and modern materials handling are a few of the publications available.

Kent (1994) asserted that publication choice is predicted on a complete understanding of the range of purchase decision of the target audience. Only then can the target audience be matched to the circulation statements of alternative business publications.

According to Kotler (2000), advertisers go through four steps to develop advertisement for products:

1. **Message generation:** the product benefit, message should be decided as part of developing messages. Over time, the marketer may want to change the message especially if consumers seek new or different benefits from the product. Advertisers use several methods to generate possible advertising appeals. They proceed inductively by talking to consumers, dealers, experts and competitors. While some advertisers use deductive framework to generate advertising messages;
2. **Message evaluation and selection:** A good advert normally focuses on one core selling proposition. Messages should be rated on desirability, exclusiveness and believability. The advertiser should conduct market research to determine which appeal works best with its target audience;

3. **Message execution:** The message's impact depends not only on what is said, but also on how it is said. Some messages aim for rational positioning and others for emotional positioning. Message execution can be decisive for highly similar products such as detergents, cigarettes, coffee and other products; and
4. **Social responsibility review:** advertisers and their agencies must be sure that their advertising does not over-step social and legal norms. Most marketers work hard to communicate openly and honestly with consumers. Still, abuses occur and public policy makers have developed a substantial body of laws and regulations to govern advertising.

In view of the above, the advertisers should be careful while dishing out messages taking into cognizance the perceptions of the target audience. Otherwise, it may lead to wastage of meager financial resources without fruitful results.

2.6 Factors that Determine the Choice of Media

The selection of advertisement media is a primary concern to an advertising agency. This is due to its paramount importance towards successful, effective and meaningful response from its advertisement message (Shimp, 2002). It is not to say the right thing about the right thing but to the right people using the right choice of media.

The factors that must be considered before arriving at the logical and possible decision in the choice of media are:

- i. **Cost of medium:** The cost of medium varies, while some are very costly, some are relatively cheap. This must be weighted with the financial resources made available for the advertisement to ensure compatibility.
- ii. **Product features:** The nature of the product is very significant. According to Adeyanju (1997), some products are very complex, while others are simple. The unique features of a complex product must be explained while simple products are more or less of a mass market.
- iii. **Audience characteristics:** This greatly influences the choice of not only message but also equally the means of advertisement.
- iv. **Objective of advertisement:** The reason for advertising a product or service must be uppermost when choosing a medium. This is because each of the media has its own objective, thus, for a round peg to be a round hole, there must be coincidence of objectives.
- v. **Message characteristics:** The message that each medium can contain equally varies. Thus, for a better communication, the advertisement message must be in line with what the advertisement medium or media can obtain.
- vi. **Location, Demography, Religion:** All these will determine the kind of advertisement message that could be distributed. However, advertising research is key to determining the success of an advert in any country or region. The ability to identify which demerits and or moments of an advert that contributes to its success is how economies of scale are maximized.

Advertising firms must as a matter of concern consider the aforementioned factors before selecting the best and most appropriate advertising medium or media to utilize

while carrying out campaign for products. Otherwise, the intended message might not reach the right people with the right products. This will make the firm to incur costs and it will have a negative multiplier effect on the sales volume and ultimately the profitability of the firm under study.

Although the message is vital to advertising success, an equally important factor is the medium through which it is presented (Andre, 2004). Business -to-business media are selected by target audience – the particular purchased decision participants to be reached. Generally, the first decision is whether to use trade publications, direct mail, or both. Selection of a particular media also involves budgetary considerations: where Naira best spent to generate the customer contact desired.

The media planner has to know the capacity of the major media types to deliver reach, frequency and impact. The major advertising media along with their cost, advantages, and limitations are shown below.

Table 2.1: The Dimensions of Advertising Media, Advantages and Limitations

Medium	Advantages	Limitations
Newspapers	Flexibility, timeliness; good local market coverage, broad acceptance; and high believability.	Short life, poor reproduction quality and small “pass-along” audience.

Television	Combines sight, sound and motion; appealing to the sense; high attention; and high reach.	High absolute cost; high clutter, fleeting exposure, and less audience selectivity.
Direct mail	Audience selectivity, flexibility, no ad competition within the same medium, and personalization.	Relatively high cost; “junk mail” image.
Radio	Mass use; high geographic and demographic selectivity; low cost	Audio presentation only; lowers attention than television; non standardized rate structures; fleeting exposure.
Magazines	High geographic and demographic selectivity, credibility and prestige; high-quality reproduction; long life; good pass along readership.	Long ad purchase lead time some waster circulation; no guarantee of position.
Outdoor	Flexibility, high repeat exposure; low competition	Limited audience selectivity creative limitations.
Yellow pages	Excellent local coverage; high believability; wide reach; low cost.	High competition; long ad purchase lead time; creative limitations.
Newsletters	Very high selectivity, full control, interactive opportunities, relative low cost.	Costs could run away`
Brochures	Flexibility, full control, can dramatize messages.	Over production could lead to run-away cost.
Telephone	Many users; opportunity to give a personal touch	Relative high cost unless volunteers are used.
Internet	High selectivity; interactive possibilities, relatively low cost	Relative new media with a low number of users in some countries.

Source: Kotler (2000), Marketing Management

The above table shows different medium of advertizing with their advantages and limitations. The advertisers or companies can decide to make use of any of them which is suitable to their needs. The left hand side shows the medium used for advertising, the advantages for each of the medium. While the right hand side depicts the limitations of the available medium utilize for advertising.

2.7 Functions of Advertising

It is undoubtedly true that many products and services would remain unsold were it not for advertising campaign. Only major firms can afford to produce advertising campaign because of their high cost and such firms compete fiercely, utilizing expensive media (East, 2003). Thomas (1991) opined that one of the functions of advertising is to create differentiation among brands that are otherwise difficult to distinguish. Schmalensee (1976) argued that established firms achieve a significant market advantage. This occurs because their advertising effectiveness and product appeal have been enhanced by consumer experience with the product as well as the simple aggregate volume of competing advertising messages. Thus, established firms can impose higher advertising costs on new entrants by increasing their own advertising barrier to entry, more market power and higher profits. This can be said to be true of the food and beverages firms in Nigeria because of consumer experience with their products as well as their product appeal to the minds of their customers. This is an indisputable fact because major firms such as Cadbury Nigeria Plc, Nestle Nigeria Plc, NBC and Seven-Up Companies within the food and beverages sector had eliminated other competitors from the market through advertising intensity and the commitment of huge advertising financial resources to advertising programmes.

Adewale (2004) postulated that advertising performs the following functions:

It informs the public or potential buyers about the existence of a product or services and where it can be obtained; it educates the consumers about the use of the products; it encourages the company to improve its product qualities or services qualities if it is to

remain in the market. Advertising however helps to persuade the consumers to buy the products. Advertising creates employment opportunities for the people; to remind the consumers about the continued purchases of the goods. Also advertising helps to expand the markets for some goods and services and thus reducing prices, brand loyalty is created, for instance some people will not take any type of milk. It presents good image of the company to the public. Advertising increases volume of sales and thus increase profits and it provides information about changes in price and quality of the goods and services.

Akanbi and Adeyeye (2011) observed that advertising set off a chain reaction of economic events. Why do consumers prefer advertised brands as compared to unadvertised brands in the same product category? Not necessary because advertised brands are superior but because advertising can add value to a brand in the consumer's mind. While advertising may not speak directly about a product's quality, the image created by advertising may imply quality and make the product more desirable by adding value to it. Advertising also adds value by educating consumers about their options of choosing their desired value in the products or services they buy. Advertising also offers consumers the opportunity to satisfy their psychic or symbolic needs and wants through products or services they use. Advertising contributes to the self-interest by adding value to products and services in a free market system. Furthermore, it encourages competition which adds to the consumer's self-interest.

In accordance with the work of Young (1973), Shimp (2007) asserted that many business firms as well as not-for-profit organizations have faith in advertising majorly because it performs five critical communications functions which are informing, influencing, reminding and increasing salience, adding value, and assisting other company efforts.

One of the advertising's most important functions is to publicize brands (Ehrenberg, Kennedy, and Bloom, 2002). Advertising is an efficient form of communication capable of reaching mass audiences at a relatively low cost per contact, it facilitates the introduction of new brands and increases demand for existing brands, largely by increasing consumer's top-of-mind awareness for established brands in matured products categories (D'Souza and Rao 1995; Ehrenberg 1974; Miller and Berry 1998; Ehrenberg, Barnard, Kennedy, and Bloom, 2002). Advertising performs most valuable information role – both for the advertised brand and the consumer by teaching new uses for existing brands hence encouraging customers to exhibit willingness to patronize such a brand (Wansink and Ray, 1996). Scholars agreed that effective advertising assists in influencing perceived quality and other perceptions of a product thereby leading to increased market share and greater profitability. Machleit, Allen, and Madden (1993), asserted that effective advertising increases the consumer's interest in matured brands and thus the likelihood of purchasing brands that otherwise might not have been chosen just as they maintained that advertising has demonstrated having influence over brands with tendency of consumers who have not recently purchased a brand.

According to Abiraji (1998), advertising performs the following functions such as influencing consumer behaviour by persuading them to buy. Advertising is used to

maintain sales and to stabilize or increase profits levels. It can help to change attitudes leading to favouring one firm's product over another's. More often than not, it is used to bring new goods and services to the attention of the buying public and build good will between producers and customers. Bisi (1992) stated that advertising is used to clarify the negative opinions people have about a product which may be as a result of what they have heard other people say about the product. The writers on the function in advertising shared similar opinions especially the advertising is used to influence consumer behaviour by persuading them to buy.

2.8 Types of Advertising

Advertising can be classified on different bases. The most common typologies are on the basis of media, sponsor, geography, audience and the stage in product life cycle in which advertising is being done. According to Colley (1961), classification may be on the basis of what is being advertised and the kind of demand the advertising is intended to stimulate or create; and these classification can be summarized as follow.

- i. **Classification by Media:** The advertising medium is the route through which advertising is channeled; thus, we can identify two important media, these are print and electronic advertising.
 - a. **Printing advertising:** It is the advertising that relies on the printed words and it is further subdivided into newspaper advertising in which daily magazines/journals advertising (weekly magazines or monthly journals) are used to advertise products e.g. Daily Trust, New Nigeria Newspaper, Standard Newspaper, Weekly Trust, Vanguard Newspaper, etc. This also includes outdoor advertising through which sign

- boards, posters, and billboards are mounted on major roads to display products or services.
- b. Electronic advertising:** Advertising could also be channeled through the use of electronic media such as the radio, television, cinema, home video etc.
 - ii. Classification by sponsor:** Manufacturer –producers advertising are those advertising sponsored by manufacturers or producers of a product. These are common with manufacturers and producers of household items such as the Unilever, Peterson Zochlis, and others.
 - a. Cooperative advertising it is the type of advert that is being sponsored by two organizations in the same business line of production. This could involve joint sponsorship of advertising campaign by firms in different stage of production.
 - iii. Classification by Geographical Coverage:** This type of advertising campaign is usually tailored on a particular audience or customers. This may prompt an advertising covering wider or limited geographical areas. This involves local and national advertising. Local advertising is a geographically localized advertising by local newspapers or radio station, while the national advertising has its coverage in the entire country utilizing national newspapers or radio station.
 - iv. Classification by Intended Audience:** Advertising is often aimed at different target audience depending on the product and primary purpose for which it is being used. Curry and Penman (2004) asserted that consumer advertising is aimed at individuals and households who buy for domestic non-business use. But, Industrial advertising has its target audience on those who buy for resales or for production of goods and

services for sales. However, trade and professional advertising are those advertising focused on those who buy for resales and those who do not use product themselves but recommend them for use by others.

- v. **Classification by Stage in Product Cycle:** According to Lavidge and Steiner (1961), a product passes through many stages during its life span. When a new product is being introduced for the first time into the market, it is through the pioneering advertising. Pioneering advertising is used to herald a new product into the market, introduce it to the potential users and demonstrate its usefulness. As a competitor develops new products, each competitor tries to demonstrate the competitiveness superiority of his products over others. In this stage of the product life cycle, there is competitive advertising which is used to fight competition in the market place and for improving market share of the company. At the maturity stage of the life cycle of the product, the main purpose of advertising is to regain the company's current customers' patronage.

The main advertising approaches according to Kotler (2000) are:

1. **Competitive:** Advertising is where one firm tries to outdo others competing for buyers using the most expensive medium i.e. television and showing its ads as often as it can afford.

2. **Specialty:** Advertising, a firm produces small promotional articles which are given away freely to potential customers. These might include pens, pencils dairies, key rings and a vast of array of stickers.
3. **Defensive:** Advertising a firm has no choice but to advertise even if it had no intention of doing so. This can be regarded as ‘forced advertising’ brought upon the firm by competitors who wish to prevent it from getting a hold on the market. This is costly as firms must act fast and advertise in order to wade off such attacks (Abiraji, 1998).

Companies are advised to select the best medium of communication of their products to the consumers. While selecting the best medium of communication, they must make sure that they select the less costly medium in order to reduce expenses on their activities. Also, their choice of communication process should be capable of reaching the consumers at all the time.

2.9 Testing of the Advertisement

Before a company mounts campaign, it is necessary to test the advertisement. According to Falomo (1983), the purpose of test is to identify areas that need to be improved upon. The test can take different forms; it may be shown to a sample of consumers in laboratory situation. The consumers are required to comment on various aspects of the advertisement. Such comments and suggestions could then indicate the weakness of the advertisement.

The advertisement may run in a test market, which is considered representative of the target audience (Okpara, 2002). People who saw it could then be asked their opinions about the different aspects of their beliefs of the appeals, the impact made by the

illustration and the effect on their approach. The comment is usually very useful. Although advertisement testing is costly, but it is valuable since it helps to detect and identify avoidable errors which could ruin the entire exercise.

It is of crucial important that companies should undergo testing of advertisement of their products before embarking on massive advertising. This is mainly to avoid possible failures and incurring expenses not prepared for by the company. Poorly advertised products due to poor advertisement could lead to lack of product patronage by the consumers. Thus, it could ultimately result into dwindling sales and profits. As a result, Companies are highly advised to adequately guide their advertisement while attempting to carry out campaign for their products. If not carefully planned, their competitors in the market will capitalize on their weaknesses and try to outcompete and force them out of the business.

2.10 Criticisms of Advertising

As beautiful as any advertising is, yet they are being criticized because of their intents. Also, despite the various functions performed by advertising in helping to make sales for companies, they are being attacked. Adewale (2004) posited that advertising has been criticized from the following areas: it may lead to impulse buy i.e. buying what you don't need; prices may increase because the cost of the advertising is built into the price. Another area which advertising has been criticized is that products may be embellished that it may mislead the consumers; it may corrupt the youths as in the case of alcohol and cigarette. Moreover, advertising may lead to rivalry or competition. Powerful companies may drive away poor ones and thus becoming a monopolist with its attendant problems.

Some advertising media employed by some companies have limited coverage and so only those who have access to the media benefit from the product. Also because some producers enjoy very expensive advertising they enjoy patronage which they do not deserve and advertising may limit the choice of consumers and thus limiting the markets for producers and the effect is little or no profit.

According to Akanbi and Adeyeye (2011), advertising is criticized for being untruthful and deceptive, offensive and it is said to also exploit valuable groups. It is generally agreed that advertising exerts a powerful social influence and it is criticized for encouraging materialism in society. Advertising is blamed for manipulating consumers to buy things for which they have no real need, depicting stereotypes and controlling the media. Many people wonder whether advertising encourages materialism or merely reflects values and attitudes that develop as a consequence of more important sociological forces. Economists are critical of advertising because it creates a barrier to entry of smaller firms which have fewer resources and cannot match the power of large firm with huge advertising budgets. High cost may inhibit their entry and brands of large firms could benefit greatly from this barrier. This results in less competition and consequently higher prices (Bennett, 2006).

The criticisms notwithstanding advertising is known to be one of the most efficient ways of educating current and perspective consumers about a product or service and its inherent features. It is also believed- by many to be one effective medium of reaching out to a large number of target markets with fewer encumbrances. Most importantly, advertising is very essential to the survival of a company, especially in the 21st Century

because it helps in the improvement of company sales revenue through increased product awareness.

2.11 Measuring Advertising Effectiveness

Advertising is designed to create awareness, stimulate loyalty to the company, or create a favourable attitude towards a product. Even though advertising may not directly precipitate a purchase decision, advertising programs must be held accountable. Thus, the business advertiser must be able to measure the result of current advertising in order to improve future advertising and must be able to evaluate the effectiveness of advertising expenditures against expenditures on other elements of marketing strategy (Akanbi & Adeyeye, 2011).

According to Martin *et al* (1988), measuring advertising effectiveness means assessing advertising's impact on what "intervenes" between the stimulus (advertising) and the resulting behaviour (purchase decision). The theory is that advertising can affect awareness, knowledge, and other dimensions that more readily lend themselves to measurement. In essence, the advertiser attempts to gauge advertising's ability to move an individual through the purchase decision process.

It is easier for instance to estimate the effect of a new machine in the factory than it is to predict the impact of higher advertising outlays (Kamber, 2002). Kotler (2000) asserted that advertising effectiveness is predicated upon message content, medium use, product perception and other factors which in varying degree determine its effectiveness.

Good planning and control of advertising depend on measures of advertising effectiveness. However, most measurements of advertising effectiveness deal with specific advertising campaigns. Most of the money is spent by agencies on pretesting ads,

and much less is spent on evaluating their effectiveness. Most advertisers try to measure the communication effects of an ad, that is, its potential effect on awareness, knowledge or preference, and on sales efficiency (Kotler, 2000). Forester (1999) and Russel (1999) posited that advertising sales effect is generally harder to measure than its communication effects. Sales are influenced by many factors such as the product features, price and availability as well as competitor' actions. They argued that the few or more controllable these other factors are, the easier it is to measure effect on sales. Sundarsan (2007) found that the sales impact is easier to measure in direct-marketing or corporate image building advertising. But the present study has decided to look into the sales revenue and the profitability of the firms under study.

David and James (1982) observed that companies are generally interested in finding out whether they are spending or under spending on advertising. Researchers try to measure the sales impact through analyzing either historical or experimental data. John and Judy (1996) observed that a growing number of researchers are striving to measure the sales effect of advertising expenditure instead of settling on communication effect measure. Millward Brown international has conducted tracking studies in the United Kingdom for many years to provide information to help advertisers decide whether their advertising is benefiting their brand (Nigel, 1994).

In summary, advertising effectiveness can be measured through a number of parameters, depending on the nature of the product and the advertising medium employed. Most studies measure the effectiveness of advertising by concentrating on its communication effect (its effect on awareness, knowledge or preference) while others measure such

effectiveness from the viewpoint of sales revenue in relation to the expenditure on advertising campaigns.

2.12 Developing and Managing an Advertising Program

Organizations handle their advertising in different ways. In small companies, advertising is handled by someone in the sales or marketing department that often work in conjunction with an advertising agency. A large company will often set up its own advertising department, whose manager reports to the head of marketing. The advertising department's job is to prepare a budget, develop advertising strategy, approve ads campaigns and handle direct-mail advertising, dealer displays, and other forms of advertising. Most companies use an outside agency to help create advertising campaign and to select and purchase media.

Kotler (2000) asserted that in developing an advertising program, marketing managers must always start by identifying the target market and buyer motives. Then they can make the five major decisions in developing an advertising program known as the five Ms. Mission; what are the advertising objectives? Money; How much can be spent? Message; what message should be sent? Media; what media should be used Measurement; How should the results be evaluated? Advertising is not free and involves costs.

In summary, marketing managers must try their best to take into consideration of the variables stated above to enable the company attain its objective of increased sales and profit maximization.

2.13 Deciding on the Advertising Budget

Once the advertising objectives are defined, the advertising budget is next decided upon. A budget is a financial plan which specifies activities to be performed and the amount to be expended on a project. Thus, advertising budget is concerned with the determination of the total amount to be devoted to advertising; such advertising result could be effective. This is because advertising often have to be repeated many times and in many media to achieve a measure of success (Nonyelu, 1996).

On the other hand, if too much money is devoted to advertising it could encourage wasteful advertising expenditure, which may be out of tune in realizing the objective situation facing the company. The advertising budget is important according to Drucker (1937) because funds are generally scarce and must be allocated judiciously and fairly.

However, Marcus (1975) deducted that apart from scarcity of funds, it is the striking of balance between scarcity of funds and the needs to ensure adequate allocation to advertising should be pursued for the diverse interests involved. Thus, advertising budget decision elicits some amount of politicking and lobbying. It is also important because budget planning could make the different between the success and failure of the company. Too little advertising could cause the company's market share to shrink. The important question of how much should be voted for advertising is solved theoretically by Wright *et al.* (2004) argument that firm should continue to increase its advertising expenditures so long as the last unit of advertising expenditure brings in benefits, which are in excess of the expenditure.

However, the marginal analysis approach of advertising budget is unrealistic. In practice, the methods often used in budget determination according to Agbonifoh et al. (1999) are:

1. **Affordable method** :This involves devoting the entire amount the company afford to advertise;
2. **The Percentage-of-Sales Method:** It deals with how a company decides in advance what percentage of sales would be spent on advertising;
3. **The objective and Task Method:** It's a method in which advertising budgets are related to the objectives of the advertising campaigning and the advertising tasks to be performed. This method starts with specification of the advertising objectives for the plan period; and
4. **The competitor's Expenditure Method:** This is a method which the company takes a cue from its competitor's expenditure on advertising. Here three important options are open to the firm. Firstly, the leader of the company may choose to outspend competitor. Secondly, to match competitors' expenditure to about the same amount as competitors are spending on advertising. This is referred to as competitive parity method. Thirdly, it is also possible for a firm to choose to spend less than competitors in recognition of its unique qualities such as its superior personal selling programme or its inferior financial position.

Similarly, Boone and Kurtz (1980) outlined some factors to be considered in determining advertising budget. These factors are:

1. The relative importance of advertising as opposed to other promotional elements in promoting the sales of the product and more importantly the role of advertising. The more the advertising outlay will tend to be the more budget allocation;
2. The stage of the product in its life cycles .Example, a product at the introductory stage is likely to demand greater advertising efforts and cost more than that at the growth or maturity stage;
3. The nature of the product. Example, a product with hidden qualities will mostly require a heavier advertising budget;
4. The degree of competition will require higher advertising budget;
5. The advertising policies, budget and practices in industry, (for example, telephone service provider is reputed for intensive advertising determines budget cost;
6. The resources available for the firm to plan their advertising budget determines its success or failure;
7. The company's advertising history, determines budget allotment. Example, a company that is used to high expenditure on advertising may be reluctant to cut down very much on advertising for fear of loose of prestige reasons; and
8. The advertising objectives and tasks ahead play important role for fixing budget.

Collectively, business marketers spend more on media advertising annually. Typically business marketers use a blend of intuition, judgment, experience, and only occasionally, more advanced decision-oriented techniques to determine advertising budgets. Some

techniques most commonly utilized by business marketers are rules of thumb (for example, percentage of last year's sales) and the objective task method (Kent, 1994).

Rule of thumb often , because advertising is a relatively small part of the total marketing budget for business firms, the value of using sophisticated methods for advertising budgeting is not great . In these cases, managers tend to follow simple rules of thumb (for example, allocating 1 percent of sales to advertising or match competition spending). Unfortunately, percentage -of-sales rules are all too pervasive throughout business marketing, even where advertising is an important element. Percentage-of-sales rules suggest that the business advertiser reduce advertising when sales volumes decline, just when increased advertising may be more appropriate. Nevertheless, simple rules of thumb will continue to be applied in budget decisions because they are easy to use and familiar to manage.

According to Olusegun (2006), the issue of the appropriate amount of financial resources to be committed to advertising has been a subject of debate in the market arena. He further argued that companies are in a quagmire in that if they spend too little on advertising, the effect will be a negligible and if they spend too much, the sum of the money could have been put to better use. Some critics opined that large consumer-package-goods firm tend to over spend on advertising as a form of insurance against not spending enough, and industrial companies underestimate the power of company and product image building and tend to under spend on advertising (David & James, 1982).

According to Donald *et al* (1984), there are five factors to consider when setting the advertising budget.

- i. **Stage in the product life cycle:** New product typically receives large advertising budgets to build awareness and to gain consumer trials. Established brands usually are supported with lower advertising budget a ratio to sales.
- ii. **Market share and consumer base:** High market share brands usually require less advertising expenditure as a percentage of sales to maintain their share. To build share by increasing market size require larger advertising expenditures. On a cost-per-impression basis, it is less expensive to reach consumers of a widely used brand than to reach consumers of low-share brands.
- iii. **Competition and Clutter:** In a market with a large number of competitors and high advert spending, a brand must advertise more heavily to be heard. Even simple clutter from advertisements not directly competitive to the brand creates a need for heavier advertising.
- iv. **Advertising Frequency:** The number of repetition needed to put across the brand's message to consumers has an important impact on the advertising budget.
- v. **Product Suitability:** Brands in a commodity class (Cigarettes, beer, soft drink) require heavy advertising to establish differentiating image. Advertising is also important when a brand can offer unique physical benefit or features.

Marketing scientists have built a number of advertising-expenditure models which usually call for a larger advertising budget. Most of the models show that the higher the sales-response rate, the higher the sales decay rate (the rate at which customers forget the

advertising and brand) and the higher the untapped sales potential. Unfortunately, this model leaves out other important factors, such as the rate of competitive and the effectiveness of the company's ads. Advertisement embark upon by companies are functions of the nature and the conditions of the products for instance, products at the declining stage, introduction of new products etc and these call for huge budget structure by the company.

While Boone and Kurtz (1980) outlined eight reasons for company's determinant for advertising budget, Donald et al (1984) presented five factors as rationale for company advertising budget and Agbonifoh (1999) came up with four reasons for a company's advertising. In some areas, their views share similarities and in other spheres the authors have divergent opinions. However, they encouraged companies to budget financial resources for advertising activities to warrant increased sales volumes and profits for firms.

2.14 Review of Previous Studies

Okeji (2008) evaluated is effective advertising as an effective marketing tool in Nigeria: Evidence from food and beverages industry. He employed a total sample of fifty members of staff of the Nigerian Bottling Company as respondents to investigate their perception regarding the effectiveness of advertising as a marketing tool in the company. The responses were analyzed using correlation and the Chi-square statistic. The study found that advertising contributes positively to sales of the Nigerian Bottling Company Plc as depicted by 100% response rate. The weakness of the study lies in its arbitrary drawing of sample size without recourse to any objective criteria. Thus it becomes very difficult and unsafe to generalize based on the findings of the study.

Abiodun (2011) examined the impact of advertising on sales volume of Starcomms Plc. The study used frequency tables, percentages and Chi-square to establish relationship between advertising and sales volume of the company.

Despite the attempt made by the study to establish relationship between advertising and sales volume of the company, the study suffers from a number of weaknesses. The study failed to clearly reveal the impact of advertising on the sales volume of the firm because it utilized primary data that does not adequately capture the impact of relationships. Similarly, the sampling procedure of the study and the absence of validity and reliability test for the research instruments may have affected the data collected and by implication the findings of the study. Lastly, the number of questionnaire copies filled and returned was not adequate by any systematic standard for the test of hypothesis.

In a related study, Akanbi and Adeyeye (2011) examined the relationship between advertising and sales volume of Nigerian Bottling Company Plc between 1999 and 2009. Using the OLS regression technique and t-test on annual time series data of advert costs and sales volume as surrogates; the study found a significant relationship between advertising and sales volume of the company.

Despite the fact that the study provided a modest attempt to establish relationship between advertising and sales volume of NBC Plc, it is not completely spared of some limitations. First and foremost, the study failed to establish the stationarity of the time series data used for testing the relationship. Furthermore, given that the study aims at finding out how advert costs can improve sales, the right proxies to employ should have

been advert cost and sales in their absolute values. Thus, it is highly unlikely if the results of the study were not affected by these methodological issues.

Furthermore, Akeen (2011) evaluated customer attitude towards internet advertising and online sales using MTN Nigeria as a case study. In the study, a simple random probability sampling technique, simple frequency tables and the Chi-square statistical tools were adopted for data analysis. The finding has shown that there is relationship between availability of uninterruptible power supply and effective internet advertising/online sales.

A close look at the methodology of the study reveals a number of shortfalls. First and foremost, the study failed to employ the right measures of the variables to establish the relationship. Furthermore, the fact that the sampling procedure was not systematic gave rise to the arbitrary selection of sample size that is inadequate to provide a rigorous study of online sales. Finally, the study's major recommendation has no linkage with any of its findings as the study was concerned with customer attitudes toward advertising and not the factors that affect online advertising generally.

Olufayo, Ladipo and Bakare (2012) evaluated the relationship between advertising and patronage of a new product using Nestle Plc as a case study. They utilized responses from 170 copies of a questionnaire administered to customers, employees and distributors of Nestle Plc. The descriptive statistics of the various responses were presented and analyzed while the hypotheses of the study were tested using Spearman's correlation

coefficient. The study found that there is relationship between advertising and consumer patronage as well as between budget allocation to advertising and sales volume of the firm.

The study suffers from a number of issues which include the use of responses to establish relationships between variables. Similarly, the mere presence of correlation between the variables of the study is not in any way suggestive of the direction of influence since correlation does not reveal which variable influences the other. Lastly, the conclusion of the study may not have been derived from the results obtained from data analysis because of the inability of correlation to explain causality.

In a nutshell, there are relatively few studies that have sought to empirically establish the connection between advertising as a cost element and the behaviour of total sales volume of the food and beverages firms in Nigeria. Although the work of Akanbi and Adeyeye (2011) relates to this study, the current study improves on its scopes.

2.15 Theoretical Framework

A number of theories have emerged over the decades to explain what advertising is and the behavioural influence it has on the consumers and the firms. However, it is noteworthy that most of the theories on advertising concentrate on its relationship to the consumer in terms of how it is able to persuade, create awareness and promote brand loyalty. Some of these include the persuasive argument, the informative view and competitive view. The two theories explained below are the premise upon which this study rest

2.15.1 The sales effect model

An argument often neglected is the sales effect an effective advertising framework can create for the company. The sales effect model was put forward by Leads and Shultz (1990) and it is based on the argument that advertising like any other firm commitment that involves the use of its scarce resources should be measurable. They further contended that the best way to measure the effect of advertising is to critically analyze the extent to which it is able to influence the company's sales level.

According to them, an effective advertising programme should increase sales revenue of the advertising company by an amount or a proportion more than the expenditure on the advertising process or the advertising budget. Previous studies such as Pegan *e tal* (2001) expanded the argument further by contending that since all expenses relating to advertising are eventually deductible from gross earnings, the actual benefits of advertising will be more visible in the advertising firm's net profit of the company paints a truer picture of the real effects of the advertising programme in monetary terms.

Given that the focus of the study is to establish the link between advertising expenditure and the sales and profits of the food and beverages firms in Nigeria, the study adopted the sales effect theory as its framework. This is necessary, especially considering the fact that the actual sales and by extension the profit effects of advertising for manufacturing firms in Nigeria like food and beverages firms were yet to be empirically established.

2.15.2 The dynamic theory of profitability

Until recently, firm's managers were solely expected to maximize the firms' wealth. If that is the case, managers are now expected to take decisions that take account of the

interests of the firms in term of profits. Measuring profitability is the most important measure of the success of the business. Therefore, managers must do their best to ensure that their firms are operating at marginal level of certainty of returns to warrant profitability for the firm.

Theories have been formulated over the years to explain the variable of profitability. Few of such theories to mention are dynamic theory of profit, compensation theory of profit, monopoly theory of profit and innovative theory of profit. The main concern to discuss is the dynamic theory of profit. Don (2009) propounded that the dynamic theory of profit is the residue; the difference between price and cost, due to the reductions in the cost effected by changes in the economy such as population increase (this reduces wages), increased capital supply (this reduces the interest rate charged and hence the cost of capital comes down), and technological improvements (reduces the costs). This theory treats profits as a residue in price after deducting costs.

Furthermore, profitability is defined as either accounting profits or economic profits. Accounting profits means net income, while economic profits, means net worth. Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important. Profitability is measured with income and expenses. Income is money generated from the activities of the business. For example, if crops and livestock are produced and sold, income is generated. However, money coming into the business from activities like borrowing money does not create income. This is simply a cash transaction between the business and the lender to generate cash for operating the business or buying assets.

Profitability is measured with an “income statement”. This is essentially a listing of income and expenses during a period of time (usually a year) for the entire business. An income statement is traditionally used to measure profitability of the business for the past accounting period. However, a “pro forma income statement” measures projected profitability of the business for the upcoming accounting period. A budget may be used when you want to project profitability for a particular project or a portion of a business.

Whether you are recording profitability for the past period or projecting profitability for the coming period, measuring profitability is the most important measure of the success of the business. A business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on their investment. Increasing profitability is one of the most important tasks of the business managers. Managers constantly look for ways to change the business to improve profitability.

2.16 Summary

The chapter reviewed literature on the concept of advertising, its functions and objectives. Measuring the effectiveness of an advertising programme was also discussed in the study. Furthermore, the chapter also reviewed a number of local and international studies on the relationship between advertising and sales volume such as Okeji (2008), Abiodun (2011), Akanbi and Adeyeye (2011), Akeen (2011) and Olufayo, Ladipo and Bakare (2012). Finally, the chapter also discussed the sales effect model and the dynamic theory of profitability on which the study rest.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In a research, it is of high significance that the information provided meets the purpose and should be reliable too. This is a function of data collection adopted. This chapter focuses on research design, method of data collection adopted for the study and the method of data analysis employed for this study.

3.2 Research Design

This work has utilized correlational research design as the approach for the study. According to Mark *e tal* (2009), correlation is referred to when a change in one variable is accompanied by a change in another variable, but it is not clear which variable caused the other to change. The choice of the design is necessitated by the fact that the study sought to establish relationship among variables. Since the study specifically intended to establish the effect of advertising costs on the sales revenue and profitability of the selected food and beverages firms in Nigeria. The appropriate design for the research is the correlational design. The variables used for this study were advertising costs as independent variable, total sales and net profit as dependent variables respectively.

3.3 Population and Sample of the Study

The population of this study consisted of the fifteen firms listed under the food, beverages and tobacco sector of the Nigerian Stock Exchange at 31st December 2012. Some companies were selected from the food and beverages firms as samples by the study because of the special and distinct attention the companies gave to advertising.

Industry analysts believe that the companies' use of advertising were unique within the industry (Kingsley, 2012). Using filtering to the whole companies' data filed in the Abuja and Kaduna Stock Exchange libraries. Thus, companies whose data were available for the period of the study were picked up and those companies whose data were not complete were not considered for the study.

3.4 Sources and Method of Data Collection

Data for the study was collected purely through secondary sources by extracting the relevant data from the annual report and accounts of the food and beverages firms in Nigeria from 2000 to 2012. The study therefore used annual figures for advertising expenses available in the annual report and accounts of the companies from 2000 to 2012 as a measure of advertising. Further, data relating to the annual total sales revenue of the companies for the period of the study were collected from the same annual report and accounts. Lastly, data on the profit after tax or the net profit of the companies which are also available in the annual report and accounts were collected over the period of the study.

3.5 Technique of Data Analysis

Analysis was started first by establishing the stationarity of the variables used for the study. Given the fact that the variables employed for the study were collected over time, there was need to establish the stationarity of such variables to avoid the results being spurious. To address this, this study employed the Augmented Dickey-Fuller (ADF) test to establish the absence of unit root in the time series of advertising cost, sales revenue and net profit of the selected food and beverages firms in Nigeria. The ADF test was conducted based on the model below:

$$y_t - y_{t-1} = \Delta y_t = \alpha_0 + \alpha_1 y_{t-1} + \varepsilon_t \text{-----1}$$

Where y is a non-stationary series, α_0 and α_1 are parameters to be estimated and ε_t is a random disturbance term. The null hypothesis for the presence of a unit root in the series was rejected if the Dickey-Fuller statistic was less than the critical value at a given a priori alpha level and the alternate hypothesis of a stationarity time series was accepted. The reverse is true if the test statistic is greater than the critical value.

The study employed descriptive statistics and Ordinary Least Squares (OLS) simple regression analysis to ascertain the effect of advertising cost on the sales revenue and the net profit of the selected food and beverages firms in Nigeria. In order to ensure that none of the assumptions guiding OLS estimation was not violated, the residuals of the regression model was subjected to the Breusch-Godfrey serial correlation test in order to ensure that there was no serial dependence among the variables of the study. The Brush-Godfery test belongs to the family of Lagrange-Multiplier (LM) test for asymptotic sample and was run based on the model below (Eviews, 7).

$$e_t = X_t \gamma + \left(\sum_{s=1}^p \alpha_s e_{t-s} \right) + v_t \text{-----2}$$

Where e is the residual. Like the other LM tests, this test was also based on a t-statistic and LM statistic. The significance of the t-statistic and the LM statistic at a priori alpha level indicated the presence of serial correlation in the residuals, and vice versa (Eviews, 2001).

Further, the White (1980), test for heteroskedasticity was conducted on the residuals of the series to ensure that there were no traces of heteroskedasticity in the data series.

Given a liner regression with two variables x and z, the test statistic was based on

$$e_{i,t}^2 = \alpha_0 + \alpha_1 x_t + \alpha_2 z_t + \alpha_3 x_t^2 + \alpha_4 z_t^2 + \alpha_5 x_t z_t + v_t \text{ --- 3}$$

Where x and z were variables estimated, and e is the residual of the linear model. The significance of the t-statistic and the LM-statistic at apriori alpha rejection of the hypothesis of non-presence of heteroskedasticity in the series, and vice versa (Agung, 2009).

3.6 Model Specification and Development

The model of the study was premised on the simple linear relationship that advertising should have some sort of effect on sales. This relationship could be modeled below:

$$TS_{i,t} = \alpha_0 + \beta_1 AC_{i,t} + \epsilon_{i,t} \text{ --- 1}$$

Where $TS_{i,t}$ is the total sales revenue for the company at time t, α_0 and β are the intercept and coefficients to be estimated, $AC_{i,t}$ is the advertising cost of the company at time t, and $\epsilon_{i,t}$ is the random disturbance term. To model the effect of advertising on the net profit of the company, the following simple relationship became obvious:

$$PAT_{i,t} = \alpha_0 + \beta_1 AC_{i,t} + \epsilon_{i,t} \text{ --- 2}$$

Where $PAT_{i,t}$ is the profit after tax for the company at time t, and a_0 , B_1 , $AC_{i,t}$ and $e_{i,t}$ are as defined above.

Thus, hypothesis one of the study would be tested using equation (1), while hypothesis two would be tested based on equation (2).

The table below provided a summary of the variables and their descriptions as they were used by the study.

Table 3.1: Variable Measurement

<i>Variable Name</i>	<i>Variable Description</i>
Advertising	Measured by annual total costs of advertising by the company.
Total Sales	Measured by annual total sales revenue reported by the company.
Profitability	Measured by annual Profit/Loss after tax reported by the company.

Source: Researcher's modeling of Variables

Table 3.1 above shown the advertising costs, total sales revenue and net profit for the selected food and beverages firms in Nigeria. The values for these variables were used to measure the relationship between advertising cost on the sales revenue and profitability of the selected food and beverages firms in Nigeria from 2000-2012 for this study.

3.7 Justification of the methods

The choice of the correlational research design was justified by the fact that the study sought to establish relationship between two or more variables. Similarly, the OLS regression model became the appropriate model of the study because there is more than one dependent variable under the two models to be tested. The choice of the variables utilized by the study was necessitated by the fact that they are about the best measures of advertising, sales and profitability known to the researcher.

3.8 Summary

The chapter utilized correlational research design, population and sample, sources and method of data collection were reviewed. Techniques of data analysis, model specification and development, variable measurement and justification for the methods were critically analyzed.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

In this chapter, the various data sourced from the annual financial statements of the selected food and beverages firms in Nigeria were presented. Finally, the findings in this study were discussed in line with other previous findings in this chapter.

4.2 Data Presentation

Table 4.1: Annual Sales, PAT and Advert costs of selected Food and Beverages Firms in Nigeria from 2000 to 2012.

Years	Sales (N)	PAT (N)	Advert (N)
2000	19212021000.00	3197899000.00	307839000.00
2001	26466585000.00	4120954000.00	1659289000.00
2002	34331876000.00	5466522000.00	2489152000.00
2003	43182833000.00	6210123000.00	2972043000.00
2004	48544637000.00	633383000.00	3750686000.00
2005	61780310000.00	55227459000.00	4923626000.00
2006	40120763000.00	1117225000.00	6033638000.00
2007	620404577000.00	8000557000.00	7034130000.00
2008	73471463000.00	5378827000.00	7863292000.00
2009	88557914000.00	8759879000.00	12647936000.00
2010	109724840000.00	11249955000.00	16763535000.00
2011	129193011000.00	20621590000.00	18458337000.00
2012	147939145000.00	25539182000.00	238975511000.00

Source: Extracted from Annual Financial Reports of food and beverages firms of Nigeria from 2000-2012.

The table above shown the data collected for annual advert costs, total sales and net profit of the food and beverages firms in Nigeria.

4.3 Descriptive Statistic

The table below showed the descriptive statistics of advert costs, total sales and profit after tax of the firms.

Table 4.2: Descriptive statistic of Variables.

	Advert Cost	Profit After Tax	Total Sales
Mean	2.49	8.139	1.109
Maximum	2.39	2.55	6.20
Minimum	3.08	6.33	1.92
Std. Dev.	2.491	7.304	1.583
Skewness	0.616	1.573	0.616
Kurtosis	12.446	2.014	10.929
Observations	13	13	13

Source: SPSS 17.0 Output, 2014

The basic characteristics of the variables under study were shown in the table above in form of descriptive statistic. The average expenditure on advert was N2.49 billion. Similarly, the average expenditure on profit after tax was N8.139 billion and that of sales revenue was N1.109 billion respectively for the period of the study. On the other hand, the minimum value for the advert was N3.08 billion and its maximum value stood at N2.39 billion. For the profit after tax, the minimum value was N6.33 billion and its maximum value was N2.55 billion. Further, the minimum value for the sales revenue was N1.92 billion with a corresponding maximum value of N6.20 billion for the period. The standard deviation of 2.491; 7.304; and 1.583 for advertising costs, profit after tax and

total sales respectively for the food and beverages firms in Nigeria were indicative of the variables' deviation around their respective means.

In terms of skewness, the companies have portrayed the values of 0.616 and 0.616 for advert cost and total sales respectively and were positively skewed. This implied that the variables exhibited normal distribution with a right long tail. For the profit after tax, the skewness of 1.573 distribution had shown flatness with a right long tail. Further, in terms of kurtosis, advert cost has a value of 12.446 and total sales have a value of 10.929, implying that the series exhibited flatness. The profit after tax's kurtosis value of 2.014 had shown flatness distribution for this study.

Table 4.3: Stationarity Test

Variables	ADF	t-statistic at 5%	P-Value	Decision
PAT	-3.830951	-3.144920	0.0161	Stationary
ADVERT	-4.228238	-3.175352	0.0100	Stationary
SALES	-3.462574	-3.14492	0.0297	Stationary

Source: Eviews 7.0 output, 2014

The table above has shown the summary results of the stationarity test for profit after tax, advertising cost, and sales revenue for the selected food and beverages firms in Nigeria. As indicated in the table, all the values of Augmented Dickey-Fuller test statistics are greater than their corresponding t-statistics at 5% level. This implied that the data are stationary and using them would not lead to a spurious regression results. This could also be confirmed by the probability values of the respective variables which are less than the 5% test criteria.

4.4 Test of Hypotheses

The tests for the hypotheses for the study were summarized in tabular form and presented as shown below.

4.4.1 Test of Null Hypothesis One (H_{01})

The results of the relationship between advert costs and the sale revenues of the food and beverages firms in Nigeria are presented below.

Table 4.4: Summary of Results for the Test of Hypothesis One using Equation (1)

Variable	Coefficient	t-statistic	Probability
Constant	1.057E11	2.147	0.055
Advert Cost	0.214	0.290	0.777
R ²	0.008		
Adj. R ²	- 0.83		
F-Statistic	0.084		
F-Statistic(Prob.)	0.777		
Durbin-Watson	2.141		
Observations	13		

Source: SPSS Output 17.0, 2014

The table above portrayed the output of the result of Ordinary Least Square (OLS) conducted. The coefficient of the determination for the study r-squared is 0.008 i.e. 8% while its adjusted r-squared is -0.083 i.e -83%. This implied that the level of the relationship that exist between total sales and advert costs for the food and beverages firms in Nigeria is accounted up to 8%. The remaining 92% is explained by other factors not explicitly captured by the model.

Null hypothesis one stated that there is no significant relationship between advertising costs and the sales revenue of the selected food and beverages firms in Nigeria. Thus, the coefficient of b_1 stood at 0.214 indicating a positive relationship with the sales revenue of the firms in (table 4.3) above. At 0.05% level of significance, the result showed a statistically insignificant relationship between advertising costs and the sales revenue of the firms in Nigeria. Since the p-value of 0.777 is greater than 0.05% level of significance, we accepted the null hypothesis and concluded that there is no enough evidence to suggest a significant relationship between advertising costs and the sales revenue of the firms under study. We therefore concluded that the model is not fit. We are 95% confidence that the slope for advert cost is somewhere between -2.634 and 2.140. In other words, it implied that we are 95% confidence that for every single unit increase in advert cost, the sales revenues decrease between -2.634 and 2.140 (see appendix).

4.4.2 Test of Null Hypothesis Two (H_{02})

The results of the relationship between advert cost and the profitability of the food and beverages firms in Nigeria are presented below.

Table 4.5: Summary of Results for the Test of Hypothesis Two using Equation (2)

Variable	Coefficient	t-statistic	Probability
Constant	-5.988E9	4.067	0.002
Advert Cost	0.086	3.923	0.002
R²	0.583		
Adj. R²	0.545		
F-Statistic	15.390		
F-Statistic(Prob.)	0.002		
Durbin-Watson	1.609		
Observations	13		

Source: SPSS output 17.0, 2014

In the above result, the measure of the relationship between the variables which is represented by the value of r-squared is 0.583 i.e 58% with the adjusted r-squared of 0.545 i.e 55% for the food and beverages firms in Nigeria. This result implied that only 58% of the variable accounted for the profitability of the firms while the remaining 42% are explained by other factors not captured in this study.

Null hypothesis two stated that there is no significant relationship between advertising costs and the profitability of the firms in Nigeria. Thus, the coefficient of b2 stood at 0.086 showing a positive relationship with the profitability of the firms in (table 4.4) given above. At 0.05% level of significance, the result indicated a statistically significant relationship between advertising costs and the profitability of the firms in Nigeria. Since the p-value of 0.002 is less than 0.05% level of significance, we rejected the null hypothesis and concluded that there is enough evidence to suggest a significant relationship between advertising costs and the profitability of the firms. We therefore concluded that the model is fit. We are 95% confidence that the slope for advert cost is

somewhere between 2.748 and 9.228. In other words, it implied that we are 95% confidence that for every single unit increase in advert cost, the profitability increase between 2.745 and 9.228 (see appendix).

4.5 Discussion of Findings

In this study, the results of the regression for the equation 1 i.e. first hypothesis test revealed that there is no significant relationship between advertising expenditure and sales revenue of the firms under study. The coefficient of determination represented by r-squared is 8% for the firms explaining that the variation in sales revenue was signified by advertising up to 8% for the firms while the remaining 92% is determined by other factors, such other than advertising such as; competitors' price, the reputation of the company, brand name, sales promotion, product features, product quality and customers' loyalty which were not captured by the model. The p-value of 0.777 is greater than the 0.05% level of significance. Thus, the hypothesis one which stated that there is no significant relationship between advertising costs and the sales revenue of the food and beverages firms in Nigeria is upheld. We are 95% confidence that the slope for advert cost is somewhere between -2.634 and 2.140. In other words, we are 95% confidence that for every single unit increase in advert cost, the sales revenues decrease between -2.634 and 2.140 (see appendix).

The results were not consistent with prior findings of Okeji (2008), Nigeria data; Abiodun (2011), Nigeria data; Akeem (2011), Nigeria data; Akanbi & Adeyeye (2011), Nigeria data; Olufayo, Ladipo & Bakare (2012) Nigeria data who found significant relationship between advertising costs and the sales revenues of the various companies respectively. Thus, the implication of this finding is that advertising cost had not made a

significant impact on the sales revenue of the firms under study for the period of the study.

In this study, utilizing equation 2 of the regression model i.e. second hypothesis test, it was found that there is a significant relationship between advertising costs and profitability of the firms. The coefficient of determination as given by 54% shown that advertising significantly made impact on the profitability of the companies under study. Thus, the p-value in the above table is 0.002 which is less than 0.05% level of significance. Thus, the second hypothesis which stated that there is no significant relationship between advertising costs and the profitability of the food and beverages firms in Nigeria is rejected. It is therefore concluded that advertising is capable of increasing reasonably the profitability of the companies.

The findings have far reaching implications for the promotional policies of the manufacturing firms. This is because the results were consistent with prior findings of the studies of Comanor and Wilson (1967), Chicago data; and Carl and David (n.d) Germany data who found significant relationship between advertising costs and the profitability of the various companies respectively. We are 95% confidence that the slope for the advert cost is somewhere between 2.745 and 9.228. This has shown that we are 95% confidence that for every single increase in advert cost, the average profit for the firms increase between 2.745 and 9.228 (see appendix). The implication of this finding is that advertising cost has shown strong capacity to impact positively on the profitability of the firms.

4.6 Summary

In this chapter, the data sourced from the annual financial statements of the food and beverages firms in Nigeria were presented. The data were analyzed using descriptive statistic and the hypotheses were tested using OLS. It was found in hypothesis one that

there was no significant relationship between advertising and sales revenue of the companies under study. The second hypothesis showed a significant relationship between profit after tax and advertising costs of the firms.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Advertising supports personal selling by making the company and product known to potential buyers, the result is greater overall selling success. Effective advertising makes the entire marketing strategy more efficient, often lowering total marketing and selling costs. In a nutshell, advertising can provide information on the company or product awareness more efficiently than can personal selling.

This study examined the effect of advertising on the sales revenue and profitability of the food and beverages firms in Nigeria. The study commenced by establishing the gap that spurs this study. It was noted in the statement of the problem that despite the fact that the advertising budget of the companies have grown over the years to constitute a reasonable chunk of expenditure, little research attention has been paid to the effect of such advertising costs on the sales revenue and the profitability of the firms.

Literatures were reviewed in chapter two of this study. Chapter three discussed the methodology adopted for this study. The research design used in this study is the correlational design which allowed for the examination of the relationship between profit after tax, advert costs and total sales of the companies under study. In chapter four, data were presented, analyzed and interpreted. Hypothesis one tested for this study found that there is no significant relationship between advertising costs and total sales revenue of the food and beverages firms in Nigeria. The test of hypothesis two for the study found a significant relationship between advertising costs and profitability of the companies under study.

In chapter five of this study, summary was made and the study concluded that not only advertising alone is sufficient enough to influence the sales revenue and the profitability

of the companies other factors other than advertising should be considered. Finally, it was recommended that there is the cogent need for the management to review their existing advertising policy on their products so that multiple approaches could be used in a cost effective manner to reach out to target consumers and by implication increase sales revenues for the firms.

5.2 Conclusion

Advertising is a persuasive communication which attempted to change or reinforce one's prior attitude and it is basically done not only to inform customers about products, rather it is a process which further influences and persuades customers to purchase. This study sought to establish the extent to which advertising affect the sales revenues and the profitability of the selected food and beverages firms in Nigeria.

Hypothesis one test of the study revealed a statistically insignificant effect of advertising costs on the sales revenues of the firms. It could be concluded that the amount of money committed into advertising budgets of the firms did not result into increased sales revenues for the firms. This, by implication, means notwithstanding the promotional efforts of the firms. The amount of resources committed to advertising was not sufficient enough to stimulate increased sales revenues of the firms over the period. On the other hand, the finding could also imply that the management might be ineffectively expending resources on the inappropriate medium or media for advertising the firms' products. Hence the observed insignificance of advertising costs with respect to sales revenues in the firms under study. Finally, it could also be attributed to squandering financial

resources on the advertising policy that least contributes to increase in sales revenues of the companies.

The second hypothesis test indicated that there is a significant relationship between advertising costs and the profitability of the firms. The finding could imply that since the management could not inject many resources into advertising, it might likely affect or increase the profitability of the firms, hence the observed significance of the profitability of the firms. It could also be attributed to factors such other than advertising such as; competitors' price, the reputation of the company, brand name, sales promotion, product features, product quality, customers' loyalty, promotion, personal selling and publicity.

The study was based on the secondary data collected for the advertising expenditure, sales revenue and profitability of the selected food and beverages firms in Nigeria. The companies were selected based on the observation made by (Kingsley, 2012). Also the selection of the firms was made on the bases of filtering the companies with data availability covering the period of this study. The data utilized in this study was collected from the annual accounts and reports of the companies under study ranging from 2000-2012, both years inclusive. In this study, the food and beverages firms' data of such variables as advertising expenses, sales revenue and profit figures were utilized to estimate effectiveness of advertising on the sales revenue and profitability of the companies.

It could be taken into consideration that advertising expenses alone is not the only factor to determine the sales revenue and the profitability of an organization. Other factors such as: personal selling, publicity, sales promotion, etc are also very crucial. Thus, the management needs to consider these factors while formulating their strategies relating to the spending of advertising expenses.

It could be concluded by stating that advertising is considered as one of the most important medium of communication influencing the company's performance in more than one ways if properly utilized. But its influential roles could be suppressed by other factors which also seek equal attention at the time of framing up any sales and profitability promotion policy.

5.3 Recommendations

Based on the findings and the conclusion reached in this study, the following recommendations were made:

- i. The management should emphasize on advertising as an important and strategic policy aimed at increasing sales revenues of the firms while formulating creative advertising entrepreneurial marketing strategies relating to sales revenue and profitability promotion policy. This could be achieved through the commitment of more financial resources and the enhancement of advertisement budgets from time to time in tandem with economic realities.
- ii. We recommended that there is the cogent need for the management to review their existing advertising policy on their products so that multiple approaches

could be used in a cost effective manner to reach out to target consumers and by implication increase sales revenues for the firms.

- iii. Other factors which are crucial to increase sales revenue and profitability such as sales promotion, personal selling and publicity etc. which are important should be considered while formulating promotion policy for the firms.

- vi. Finally, management should use the right medium of advertising so that the message would reach the target consumers with the right products. By doing so, a large number of consumers would be reached. This could help to increase the patronage of the buyers leading to improving the sales revenue of the companies in Nigeria.

5.4 Suggestions for Further Studies

- i. The study of other sectors would increase our knowledge and deepen understanding of the effect of advertising costs on the sales revenue and profitability of companies. Thus, we propose that firms in other sectors other than the food and beverages firms should be focused by the attention of future study of this nature.
- ii. The extension of this study to all the companies listed under the food, beverages and tobacco sector in the Nigerian Stock Exchange thereby using a large sample to see whether it would replicate the findings of this present study. This is subject to the availability of data for the companies.
- iii. Conducting similar study on foreign owned companies to find out whether same results would be obtained.

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APPENDIX

Companies under food and Beverage firms listed in Nigeria Stock exchange as at 31st

December, 2012

S/N	Name	Year
1	7-up Bottling company Plc	1986
2	Northern Flour mill Plc	1987
3	Big Treat Plc	2007
4	Cadbury Nigeria Plc	1976

5	Ferdinand Nigeria Plc	1992
6	Flour mill of Nigeria plc	1979
7	Formost Daries plc	1979
8	Honey well flour mill plc	2009
9	Mul-trex integrated food plc	2010
10	National salt Co. Nigeria plc	1992
11	Nestle Nigeria plc	1979
12	Tantalizer plc	2008
13	Union Dicon salt plc	1993
14	UTC Nigeria plc	1972
15	PS madrises and Co. plc	1979

Source: Extracted from the annual accounts and reports of the companies in Nigeria stock Exchange from 2000-2012.

Annual Sales, PAT and Advert costs of selected Food and Beverages Firms in Nigeria from 2000 to 2012.

Years	Sales (N)	PAT (N)	Advert (N)
2000	19212021000.00	3197899000.00	307839000.00
2001	26466585000.00	4120954000.00	1659289000.00
2002	34331876000.00	5466522000.00	2489152000.00
2003	43182833000.00	6210123000.00	2972043000.00
2004	48544637000.00	633383000.00	3750686000.00
2005	61780310000.00	55227459000.00	4923626000.00
2006	40120763000.00	1117225000.00	6033638000.00
2007	620404577000.00	8000557000.00	7034130000.00
2008	73471463000.00	5378827000.00	7863292000.00
2009	88557914000.00	8759879000.00	12647936000.00
2010	109724840000.00	11249955000.00	16763535000.00
2011	129193011000.00	20621590000.00	18458337000.00

2012	147939145000.00	25539182000.00	238975511000.00
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Source: Extracted from annual accounts and reports of the selected food and beverages firms in Nigeria from 2000-202.

STATIONARITY TESTS

Null Hypothesis: PAT has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=2)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-3.830951	0.0161
Test critical values: 1% level	-4.121990	
5% level	-3.144920	

10% level

-2.713751

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations
and may not be accurate for a sample size of 12

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(PAT)
Method: Least Squares
Date: 23/02/2015 Time: 00:22
Sample (adjusted): 2000 2012
Included observations: 12 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PAT(-1)	-1.212705	0.316555	-3.830951	0.0033
C	1.50E+10	5.68E+09	2.638631	0.0248
R-squared	0.594751	Mean dependent var		1.86E+09
Adjusted R-squared	0.554226	S.D. dependent var		2.35E+10
S.E. of regression	1.57E+10	Akaike info criterion		49.94317
Sum squared resid	2.47E+21	Schwarz criterion		50.02399
Log likelihood	-297.6590	Hannan-Quinn criter.		49.91325
F-statistic	14.67618	Durbin-Watson stat		1.978165
Prob(F-statistic)	0.003314			

Null Hypothesis: ADVERT has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=2)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-4.228238	0.0100
Test critical values:		
1% level	-4.200056	
5% level	-3.175352	
10% level	-2.728985	

*MacKinnon (1996) one-sided p-values.
Warning: Probabilities and critical values calculated for 20 observations
and may not be accurate for a sample size of 11

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(ADVERT)
Method: Least Squares
Date: 23/02/2015 Time: 00:28
Sample (adjusted): 2000 2012
Included observations: 11 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ADVERT(-1)	12.86315	3.042201	4.228238	0.0029
D(ADVERT(-1))	-34.31431	12.32504	-2.784115	0.0238
C	-2.07E+10	2.17E+10	-0.955723	0.3672
R-squared	0.690981	Mean dependent var		2.16E+10
Adjusted R-squared	0.613726	S.D. dependent var		6.60E+10
S.E. of regression	4.10E+10	Akaike info criterion		51.93943
Sum squared resid	1.35E+22	Schwarz criterion		52.04795
Log likelihood	-282.6669	Hannan-Quinn criter.		51.87103
F-statistic	8.944167	Durbin-Watson stat		1.961029
Prob(F-statistic)	0.009119			

Null Hypothesis: SALES has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=2)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-3.462574	0.0297
Test critical values:		
1% level	-4.121990	
5% level	-3.144920	
10% level	-2.713751	

*MacKinnon (1996) one-sided p-values.
Warning: Probabilities and critical values calculated for 20 observations
and may not be accurate for a sample size of 12

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(SALES)
Method: Least Squares
Date: 23/02/2015 Time: 00:29
Sample (adjusted): 2000 2012
Included observations: 12 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
SALES(-1)	-1.077530	0.311194	-3.462574	0.0061
C	1.27E+11	5.95E+10	2.134420	0.0586
R-squared	0.545236	Mean dependent var		1.07E+10
Adjusted R-squared	0.499759	S.D. dependent var		2.41E+11
S.E. of regression	1.70E+11	Akaike info criterion		54.70900
Sum squared resid	2.90E+23	Schwarz criterion		54.78982
Log likelihood	-326.2540	Hannan-Quinn criter.		54.67908
F-statistic	11.98942	Durbin-Watson stat		2.036235
Prob(F-statistic)	0.006096			

Regression for Advert Costs and Profit After Tax

Descriptive Statistics

	Mean	Std. Deviation	N
PAT	8.1399E9	7.30405E9	13
ADVERT	2.4915E10	6.45725E10	13

Correlations

		PAT	ADVERT
Pearson	PAT	1.000	.764

Correlation	ADVERT	.764	1.000
Sig. (1-tailed)	PAT	.	.001
	ADVERT	.001	.
N	PAT	13	13
	ADVERT	13	13

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	ADVERT ^a		Enter

a. All requested variables entered.

b. Dependent Variable: PAT

Model Summary^b

Model				
	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764 ^a	.583	.545	4.92533E9

a. Predictors: (Constant), ADVERT

b. Dependent Variable: PAT

Model Summary^b

Model	Change Statistics

	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.583	15.390	1	11	.002	1.609

b. Dependent Variable: PAT

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.733E20	1	3.733E20	15.390	.002 ^a
	Residual	2.668E20	11	2.426E19		
	Total	6.402E20	12			

a. Predictors: (Constant), ADVERT

b. Dependent Variable: PAT

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.988E9	1.472E9		4.067	.002
	ADVERT	.086	.022	.764	3.923	.002

a. Dependent Variable: PAT

Coefficients^a

Model		95.0% Confidence Interval for B		Correlations		
		Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	2.748E9	9.228E9			
	ADVERT	.038	.135	.764	.764	.764

a. Dependent Variable: PAT

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	ADVERT	1.000	1.000

a. Dependent Variable: PAT

Collinearity Diagnostics^a

Model		Dimension n	Variance Proportions		
			Eigenvalue	Condition Index	(Constant)
1	1	1.373	1.000	.31	.31
	2	.627	1.479	.69	.69

a. Dependent Variable: PAT

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	6.0143E9	2.6632E10	8.1399E9	5.57780E9	13
Residual	-5.67831E9	1.30394E10	.00000	4.71564E9	13

Std. Predicted Value	-381	3.315	.000	1.000	13
Std. Residual	-1.153	2.647	.000	.957	13

a. Dependent Variable: PAT

N.

Regression for Advert Costs and Total Sales

Descriptive Statistics

	Mean	Std. Deviation	N
SALES	1.1099E11	1.58245E11	13
ADVERT	2.4915E10	6.45725E10	13

Correlations

		SALES	ADVERT
Pearson Correlation	SALES	1.000	.087
	ADVERT	.087	1.000
Sig. (1-tailed)	SALES	.	.389
	ADVERT	.389	.
N	SALES	13	13
	ADVERT	13	13

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	ADVERT ^a		Enter

a. All requested variables entered.

b. Dependent Variable: SALES

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.087 ^a	.008	-.083	1.64653E11

a. Predictors: (Constant), ADVERT

b. Dependent Variable: SALES

Model Summary^b

Model	Change Statistics					Durbin-Watson
	R Square Change	F Change	df1	df2	Sig. F Change	
1	.008	.084	1	11	.777	2.141

b. Dependent Variable: SALES

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.281E21	1	2.281E21	.084	.777 ^a
	Residual	2.982E23	11	2.711E22		
	Total	3.005E23	12			

a. Predictors: (Constant), ADVERT

b. Dependent Variable: SALES

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.057E11	4.921E10		2.147	.055
	ADVERT	.214	.736	.087	.290	.777

a. Dependent Variable: SALES

Coefficients^a

Model		95.0% Confidence Interval for B		Correlations		
		Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	-2.639E9	2.140E11			
	ADVERT	-1.407	1.834	.087	.087	.087

a. Dependent Variable: SALES

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	ADVERT	1.000	1.000

a. Dependent Variable: SALES

Collinearity Diagnostics^a

Model	Dimension	Variance Proportions			
		Eigenvalue	Condition Index	(Constant)	ADVERT
1	1	1.373	1.000	.31	.31
	2	.627	1.479	.69	.69

a. Dependent Variable: SALES

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.0574E11	1.5671E11	1.1099E11	1.37877E10	13
Residual	-8.65283E10	5.13228E11	.00000	1.57643E11	13
Std. Predicted Value	-.381	3.315	.000	1.000	13
Std. Residual	-.526	3.117	.000	.957	13

a. Dependent Variable: SALES

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
ADVERT	13	3.08E8	2.39E11	2.4915E10	6.45725E10	3.557	.616
PAT	13	6.33E8	2.55E10	8.1399E9	7.30405E9	1.573	.616
SALES	13	1.92E10	6.20E11	1.1099E11	1.58245E11	3.214	.616
Valid N (listwise)	13						

Descriptive Statistics

	Kurtosis	
	Statistic	Std. Error
ADVERT	12.746	1.191
PAT	2.014	1.191
SALES	10.929	1.191