

Re-examination of Advertising Effectiveness in Selected Soft Drink Companies in Lagos State, Nigeria: A Descriptive Analysis

Adefulu Adesoga¹, Van Scheers Louise²

Abstract: The paper reexamined the effectiveness of Advertising in Selected Soft Drink Companies in Lagos, Nigeria. The study linked with past researches through its extensive conceptual, theoretical and empirical literature review. The methodology adopted was survey research design. The study population was the staff in marketing positions in the selected companies. Questionnaire was administered on samples from the selected Companies. The weighted means and percentage values of the respondents were used in the analysis and decision making. The findings showed the need for a better understanding of organizational factors that determine the commitment of organizational resources to drive achievement of advertising goals because of its impacts on customers' awareness and product adoption.. The study concluded that advertising is a potent and veritable tool for achieving marketing goals. The study recommended that firms should identify the best advertising program to achieve its advertising goals. By implication, marketing decision maker should incorporate advertising expenditures in the marketing budget in appreciation of its role.

Keywords: Advertising; Promotion; Marketing; Customer's awareness; Product Adoption.

JEL Classification:M3; M31; M37

1. Introduction

The economic policy changes which opened the country to the world market and global competition from different multinational companies made most business houses in Nigeria to realize the need for being proactive in communicating their product offerings to the consumer. Advertising and other forms of promotions have, since then, increased in Nigerian business society. According to Jobber and Lancaster (2006), all Businesses need to communicate to the customer what they have to offer. Impacted by the economic downturn in 2008, many consumers have cut back much of their discretionary spending. In response; marketers have stepped

¹ Postdoctoral studies, PhD, Department of Marketing & Retail Management, College of Economic & Management Sciences, University of South Africa, South Africa, Address: Pretoria, P.O. Box 329, Unisa0003, South Africa, Corresponding author: Adefuad@unisa.ac.za.

²Professor, PhD, Department of Marketing & Retail Management, College of Economic & Management Sciences, University of South Africa, South Africa, Address: Pretoria, P.O. Box 329, Unisa0003, South Africa, E-mail: Vscheml@unisa.ac.za.

up their promotional efforts and one of such efforts is the application of Advertising. A survey of the Nigerian daily newspapers, magazines, and television stations shows that a large percentage of the manufacturers are largely in the habit of stimulating the consumers to ask the retailers for the product or emphasize creating demand for the brand. 7up (Seven-Up Bottling Company), Coca-Cola (Nigerian Bottling Company) and other soft drink companies in the food and beverages industry are into promoting their products through the pull strategy [<http://www.thecoca-colacompany.com/investors>]. Coca-Cola in particular primarily uses advertising and sales promotions to communicate with its customers [<http://www.the-coca-colacompany.com/investors>]. The promotional tools used by Coca-Cola were reported in the following percentages: advertising (50%), sales promotions (30%), public relations (10%), others (10%) [<http://www.thecoca-colacompany.com/investors>]. This implies that half of the promotional budget is expended on advertising

Marketing decision makers are increasingly aware of the importance of the shareholder's value maximization, which calls for an evaluation of the long term effects of their actions on product-market response and investors' response. (Amit and Dominique, 2010) Marketing literature to date has focused on the sales or profit response of marketing actions. (Amit and Dominique, 2010) The effectiveness of advertising in terms of commanding awareness, interest, and evaluation of the product, trial and adoption has not been examined. It is the focus of this study to fill this gap by evaluating the effectiveness of advertising program in selected soft drink companies: determine the extent to which advertising program affect awareness, interest, evaluation of the product, trial and adoption of product, evaluate the extent to which advertising objective command market reach and assess the relative competing performance of advertising on awareness and adoption of products. Following this introduction, section two of the paper considered the review of Literature, section three discussed the methodology of the paper, and section four presented the analysis, results and discussion while the last section dwelled on the conclusion and recommendations.

2. Literature Review

2.1 Conceptual Review

Advertising is any paid form of non-personal communication about an organization, good, service or idea by an identified sponsor (Berkowitz et al., 2000). Advertising, unlike personal selling is impersonal. It carries a monologue message to the audience from an identified source (Owaga, 2002). Benette (1995) defined advertising as any paid form of non-personal communication about an organization, a good, service or an idea by an identified sponsor. Advertising Practitioners Council of Nigeria (APCON) defines advertising as a form of

communication about products, services, or ideas paid for by a sponsor and implemented through the media. American Marketing Association defined advertising as any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor for the purpose of imparting information to the customer. According to Adetayo (2006), advertising can be broken down into two basic types. These are product advertising and institutional advertising. Product advertising is the promotion that focuses on selling specifically identified goods and services. The second broad category of advertising is the Institutional advertising which focuses on the image of a company or an industry association rather than a specific brand. The advertising media is divided into print (Newspaper, Magazines, Journals, Outdoor advertising) and the broadcast media (Television and Radio).

2.2. Theoretical Review

The study adopts the hierarchy of effects theory by Lavidge and Steiner 1961 cited in Osuagwu 2002 and the strong theory of Advertising as its theoretical basis.

2.2.1. Hierarchy of Effects Theory: The theory describes the steps through which consumers typically pass when contemplating the purchase of a product, posits that consumers move from being unaware to being aware, to having knowledge, to liking & preference, conviction and purchase. The theory describes the effectiveness of advertisement to jump start the sequence of event needed before a consumer will buy a product and ultimately achieve the marketing objectives. The sequence involves the following steps: Awareness (the individual is aware of the product's existence), Knowledge (the individual knows what the product offers), Liking (the individual has favorable attitudes toward the product), Preference (the individual's favorable attitudes have developed to the point of preference), Conviction (preference is coupled with a desire to buy and confidence that the purchase would be used), and Purchase (attitude is translated into actual buying behaviors).

The consumer must first be aware that the product exists. He or she must then be motivated to give some attention to the product and what it may provide, then the consumer needs to evaluate the merits of the product, hopefully giving the product a try. A good experience may lead to continued use. It should be noted that the consumer must go through the earlier phases before the later ones can be accomplished.

2.2.2 Strong Theory of Advertising: The theory holds that advertising can persuade someone to buy a product that has never been bought before and it can accomplish long term buying behavior. The theory holds that advertising is believed to be capable of increasing sales and has a direct or positive impact on

sales. Belch (2001) opined that advertising can be used to create brand images and symbols for company or brand. Advertising can create brand image and increase the sales. Advertising is a strong promotional element which works by persuading people to buy, creating and building brands, differentiating between brands and increasing sales.

2.3 Empirical Review

Dekimpe and Hanssens (1995) showed that temporary increases in advertising have a long term carry over effect on the brand's performance in some, but not all the stores. This view was supported by Metawally (1997) who concluded in his study that growth in advertising expenditure is strongly correlated with the growth in sales and that movement in market shares exerts a significant effect on the growth in advertising expenditure. Andras and Srinivasan (2003) concluded on marketing communication effect that consumer product organizations have higher advertising intensity while manufacturing product organizations have higher R&D intensity and that higher advertising intensity and R&D intensity leads to higher profits.

Joshi and Hanssens (2004) postulated that advertising spending has positive and long-run impact on firms' market capitalization also through the share price. In the same year, Frankenberger and Graham (2004) studied the effect of recessionary advertising spending by using cross sectional time series regression on a sample of 2662 firms and concluded that increasing advertising spending during recession led to higher benefits than doing so during non-recession times. Kim (2007) focused on the positive effect of advertising and publicity on corporate reputation and sales revenue and the study concluded that advertising and publicity have significant effects on corporate reputation for certain companies. In another study, Sharma and Sharma (2009) evaluated the effectiveness of advertisement expenses on sales of selected companies operating in India over a period from 1992-93 to 2006-07 using panel data and found out that the advertising elasticity was more for Type II companies, that is, Type II companies sold more for the same level of advertisement as compared to Type I companies. They also hypothesized that the effect of advertisement on sales was more for manufacturing companies and less for non-manufacturing companies, which was a reflection of the study made by Andras and Srinivasan (2003)

3. Methodology

To reexamine Advertising effectiveness in the selected organization, a survey research was designed. Primary data were collected from Nigerian Bottling Company (NBC) and Seven-Up (7UP) Bottling Company, Lagos, Nigeria. The population of study were the people in marketing positions in the selected

companies totaling 220. (NBC- 120, 7UP-100).The two dominant players were selected because of their active and intensive engagement of advertising as a strategic tool to gain competitive edge. A sample size of 172 (NBC-90, 7UP-82) determined by Yamane formula was selected using stratified sampling technique to accommodate different levels of positions occupied by the commercial staff of the organization. The questionnaire was developed based on existing literature and pretested with selected marketing staff to ensure clarity and comprehension, as well as to gauge average completion time. Minor revisions were made in question wording and order as a result of the pretest. Because of careful monitoring, the total of 172 questionnaires were returned representing 100% response rate. To assess the internal consistency of the instrument, Cronbach's alpha was estimated and a reliability coefficient of 0.836 resulted. The instrument was validated through content validity. The instrument was structured and multi-chotomous in design using the Likert scale type of responses ranging from Not at all, to very slight extent, to a moderate extent, to a great extent and to an extreme extent.The Yamane formula adopted is stated below:

$$n = \frac{N}{1 + Ne^2}$$

Where n is the sample size, N is the population size and e is the error margin calculated at 0.05%. The weighted mean and the percentage value of the respondents were used to determine Advertising effectiveness in the organization.

4.1. Analysis, Results and Discussion

The perception of the respondents on the effectiveness of advertising program in Coca- Cola and 7UP Companies on the various subscale measured are analyzed and discussed below:

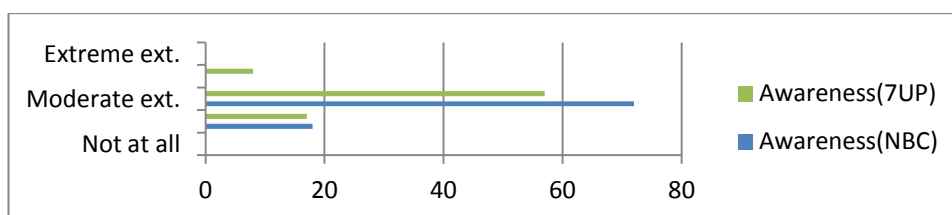


Figure 4.1. Extent to which advertising program commands awareness

Source: Field survey result, 2013

In figure 1 above, the analysis of respondents' perception of the extent advertising program commands awareness is presented. In NBC, 72(80%) respondents opined that advertising program commands awareness among the consumers to a moderate extent while 57(70%) respondents in 7UP equally opined that advertising program creates product awareness among the consumers to a moderate extent. About the same numbers of respondents in NBC (18) and 7UP(17) agreed that advertising

program influenced awareness among the consumers to a very slight extent. In 7UP,8(10%) respondents described advertising program to have high level impact on awareness of the consumers while in the two companies,no respondents denied the influence of advertsing program in commanding awareness among the consumers . In the same manner, extreme influence of advertising program on awareness among the consumers in the two companies cannot be determined in the midst of other promotional programs.To test the reliability of the scale,alpha cronbach was computed and the value was found to be acceptable at 83% for both NBC and 7UP. The mean value of respondents in NBC was 2.80 and 7up was 2.89 indicating a relative moderate influence of advertising programs on creating awareness among the consumers. This also implies that advertisng programs have above average influence in creating awareness among the consumers as suggested by the mean value obtained for the two companies.

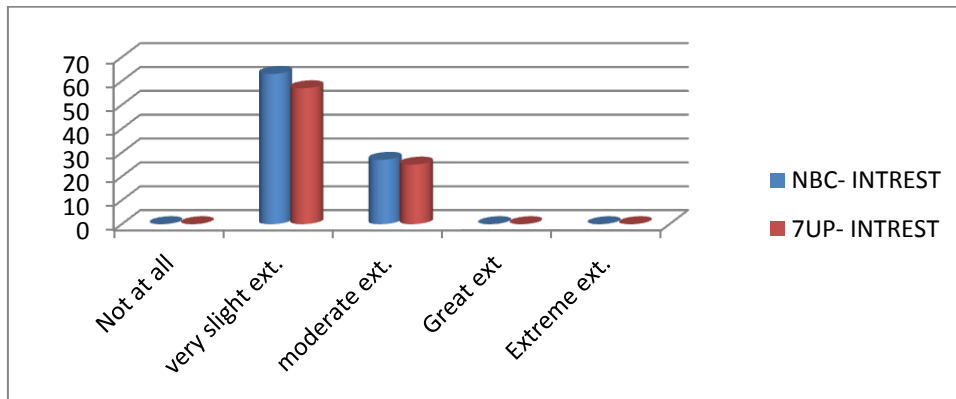


Figure 4.2. Extent to which advertising program commands interest in products.

Source: Field survey result, 2013

In figure 2 above, the analysis of respondents’ perception of the extent to which advertising program provokes customers interest in the products is presented. In NBC, 63(70%) respondents out the 90 surveyed opined that advertising program commands interest of the consumers to a slight extent while in 7UP, 57(65%) respondents out of the 82 surveyed expressed that advertising program slightly affect interest in products. Almost the same numbers of respondents in NBC (27,30%) and 7UP (25,31%)expressed a moderate impact of advertising program on interest. None of the respondents in NBC and 7UP denied the effectiveness of advertising program on interest in the two companies. To test the reliability of the scale, alpha cronbach was computed and the value obtained was found to be acceptable at 83.1%. The mean value for the respondents (NBC &7UP) was 2.30 which is far less than average indicating the slight impact of advertising program to provoke interest in product decision.

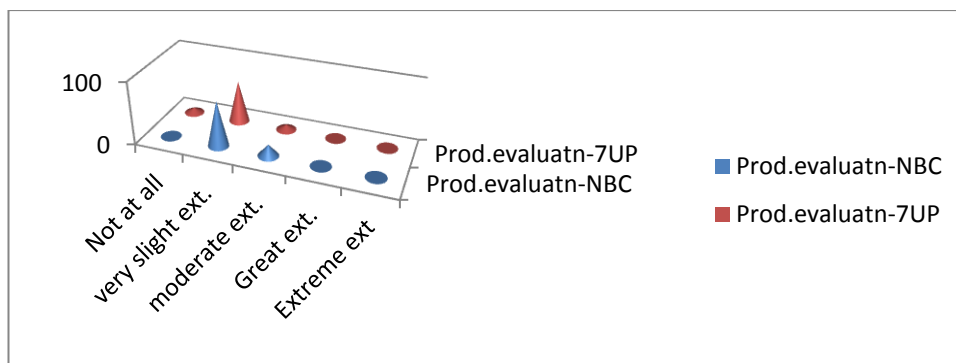


Figure 4.3. Extent to which advertising program commands evaluation of products

Source: Field survey result, 2013

In figure 3 above, the analysis of respondents' perception of the extent to which advertising program commands evaluation of product is presented. In NBC, 72(80%) out of 90 respondents surveyed opined that within the operational framework, advertising program to a very slight extent influence evaluation of products while in 7UP 66(80.5%) respondents of the 82 surveyed expressed the same feelings that advertising to a slight extent command evaluation of product. Also in NBC, 18(20%) respondents indicated that advertising program has moderate impact on the evaluation of product while only 8(10%) of the respondents in 7UP agreed that advertising program affects evaluation of product. In NBC, there is no denial of the impact of advertising program on evaluation of product but in 7UP, 8(10%) of the respondents opined that advertising program did not impact product evaluation. The mean value for the respondents in NBC was 2.20 while that of 7UP was 2.00 indicating that advertising program has a very slight impact on evaluation of products. To test the reliability of the scale, alpha cronbach was computed and the value obtained was found to be acceptable at 83.7%

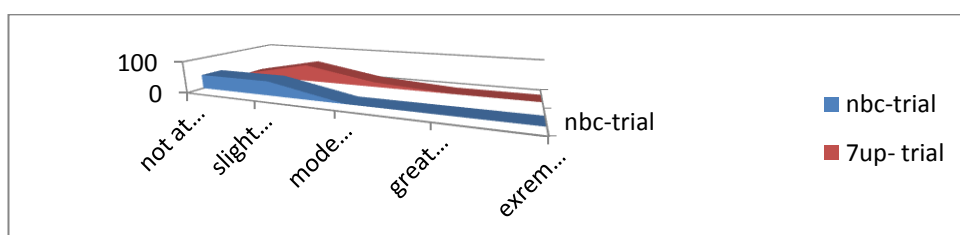


Figure 4.4. Extent to which advertising program commands trial of products

Source: Field survey result, 2013

In figure 4 above, the respondents perception of advertising program influence on product trial is presented. In NBC, 63(70%) of the respondents are of the opinion

that advertising program influenced product trial while in 7UP 66(80.5%) of the respondents said that advertising program influenced product trial to a very slight extent. The moderate impact of advertising program on trial was acknowledged by 18(20%) of the respondents at NBC while 16(19.5%) of the respondents in 7UP equally affirmed the moderate influence of advertising program on trial of products. However, 9(10%) of the respondents at NBC opined that advertising program did not have any influence on product trial. The mean value for the respondents in NBC was 2.10 while that of 7UP was 2.20 indicating that advertising program has a very slight impact on evaluation of products. To test the reliability of the scale, alpha cronbach was computed and the value obtained was found to be acceptable at 83.4%

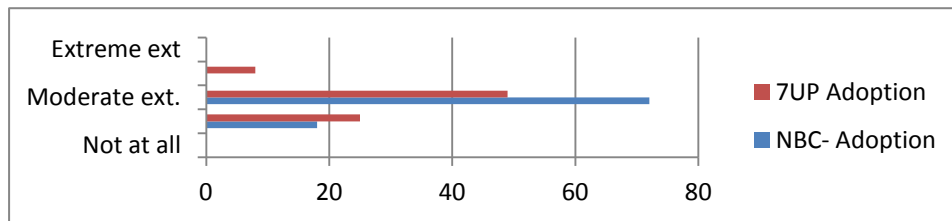


Figure 4.5 Extent to which Advertising commands adoption of products

Source: Field survey result, 2013

In figure 5 above, the respondents perception of the extent to which advertising program influence product adoption is presented. In NBC, 72(80%) of the respondents are of the opinion that advertising program influenced product adoption to a moderate extent while in 7UP, 49(60%) of the respondents said that advertising program influenced product adoption to a moderate extent. 25(31%) in 7UP, and 18(20%) in NBC claimed that advertising affects adoption to a slight extent. None of the respondents denied the command of advertising program on adoption in the two companies, however 8(10%) of 7UP respondents claimed that advertising has great influence on adoption. The mean value for the respondents in NBC was 2.80 while that of 7UP was 2.74 indicating that advertising program has a moderate impact on adoption. This implies that advertising program has above average influence on adoption. To test the reliability of the scale, alpha cronbach was computed and the value obtained was found to be acceptable at 83.4%

4.2. Relative Competing Performance of Advertising on Awareness & Adoption of Products

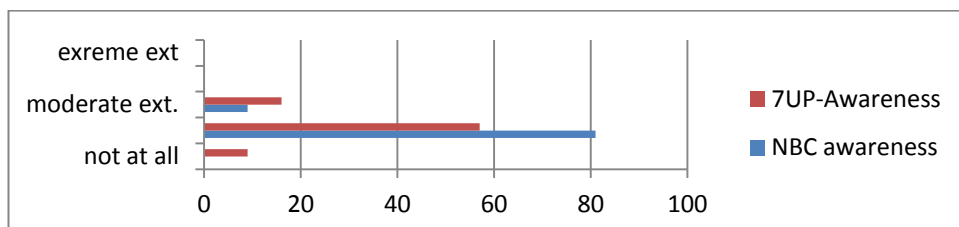


Figure 4.6. Awareness

Source: Field survey result, 2013

In figure 6 above, the respondents’ perception of the organization’s advertising program performance on awareness relative to the competitors in the industry is presented. In NBC, 81(90%) of the respondents opined that advertising performance on awareness relative to competitors is to a slight extent while in 7UP, 57(61%) of the respondents agreed that advertising performance on awareness relative to competitors is to a slight extent. The mean value for the respondents in NBC was 2.10 while that of 7UP was 2.09 indicating that the relative performance of advertising on awareness in the two companies is within the same range but more respondents in NBC indicated the influence of advertising is slightly higher in NBC than 7UP. To test the reliability of the scale, alpha cronbach was computed and the value obtained was found to be acceptable at 82%

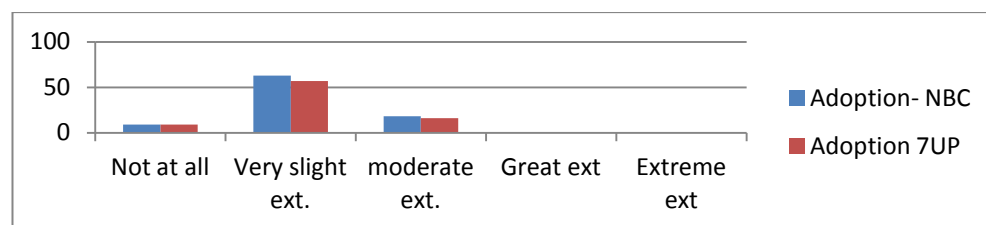


Figure 4.7 Adoption

Source: Field survey result, 2013

In figure 10 above, the respondents’ perception of the organization’s advertising performance on products adoption relative to the competitors in the industry is presented. In NBC, 63(70%) of the respondents opined that advertising performance on product adoption relative to competitors is to a slight extent while in 7UP, 57(70%) of the respondents agreed that advertising performance on adoption of product relative to competitors is to a slight extent. The mean value for the respondents in NBC was 2.10 while that of 7UP was 2.09 indicating that the relative performance of advertising on adoption in the two companies is within the

same range but more respondent's in NBC indicated that advertising performance is slightly higher in NBC than 7UP. To test the reliability of the scale, alpha cronbach was computed and the value obtained was found to be acceptable at 83%. The opinions of the other respondents are shown in the figure.

4.3. Extent to which Advertising Objective command market Reach.

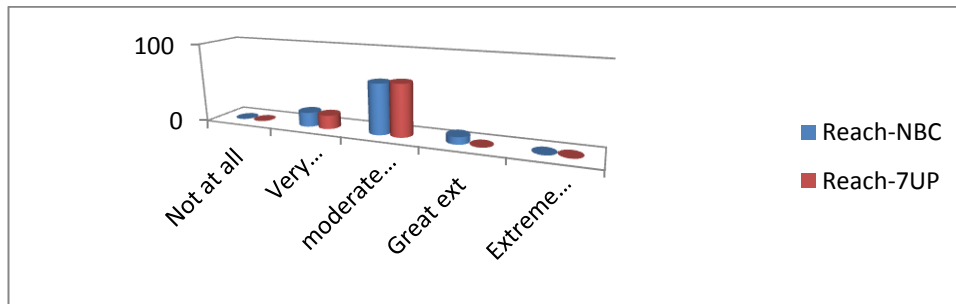


Figure 4.8. Reach

Source: Field survey result, 2013

In figure 11 above, the respondents' perception of the organization's advertising objective in achieving the expected reach of the market is presented. In NBC, 63(70%) of the respondents opined that advertising objective achieved the expected reach to a moderate extent while in 7UP, 65(79%) of the respondents agreed that advertising objective achieved expected reach of the market to a moderate extent. Eighteen of the respondents in NBC claimed that advertising objective achieved expected reach to a slight extent, only 9 (10%) claimed a great impact of advertising objective on reach. In 7UP, 17(20.7%) claimed that advertising objective achieved expected reach to a slight extent. The mean value for the respondents in NBC was 2.90 while that of 7UP was 2.79 indicating a moderate achievement of advertising objective on reach within the two companies. To test the reliability of the scale, alpha cronbach was computed and the value obtained was found to be acceptable at 83%. The finding is consistent with those of Dekimpe & Hansen's (1995), Andras & Srinivasan (2003), Kim (2007) and Sharma & Sharma (2009).

5. Conclusion and Recommendations

The importance of advertising effectiveness study suggests the need for a better understanding of the organizational factors that determine the commitment of organizational resources to drive the achievement of marketing plan. TAdvertising effectively connect the selected companies to their target market and consequently improve the fortune of the business. This paper therefore concludes that

Advertising is a potent tool to command awareness, adoption of products and to reach expected target market at an adequate numbers of times. Advertising is a strategic option that could determine the survival of any organization. Consequently, the paper recommends that organization should identify the best advertising program that is suitable to its operations and effective collaboration with Advertising agency.

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