



## IMPACT OF ADVERTISEMENT ON SALES OF A NEW PRODUCT: BY MAINTAINING PUBLIC RELATION



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### ABSTRACT

*Intangible assets are playing a vital role to enhance the profitability of firms. Among these assets advertisement is most important asset. This study is conducted to observe the impact of advertisement as well as public relation on sale of a product. Data is collected through both primary and secondary means. Observation, Questionnaire, Interviews were the primary means while secondary means include internet and previous studies. Data is analysed through using the regression model. Respondents were the customers doing shopping from different Shopping Malls. Overall relationship between the three variables observed is positive. Both the independent variables become the cause to enhance the sale. This relationship showed that the independent variables are suitable to enhance the sale as well as profit of the firm. According to results, sales of products and public relations are statistically significant at 6 % level of significance. The Regression model is established sales on average by 15% that is greater than all other variables and its determinants. It concludes significant impact on sales which shown as above advertising coefficient is .011 and significance that variable advertising has no more at .29 which is more than standard ( $>.005$ ).*

**KEYWORDS:** *Advertisement, Public Relations, Sale, Customers, Intangible Assets, Geographical Advertisement, Customers*

### INTRODUCTION

Intangible assets are playing a vital role to enhance the profitability of the firms. Some of these assets are included in the firm's financial statements, while others not. Among these assets the most intangible asset is advertisement (Ghasemi, Khanmohammadi, Mostafaei 2014). A paid form of Non-personal communication of information regarding product and services by identifying sponsor Tuflinger (1996). It is persuasive in nature (time and space is paid), positive, encouraging and to motivate customers. First I have to define the term non personal. Products are sold on two basis; personal and non personal. Non personal reflects a large pool of customers and it is not about one class or some specific people. It is for everyone or every class of persons. Personal advertisement is called customized and it is done for some

specific class of customers. Sponsor is the person who pays the budget of the advertisement. So this definition tells us that the advertisement is made for every class of people to attract them toward the product and for this purpose the payment is made. It is the main source of and covers a mass area of customers. Longman (2000) says "Advertising is an act of telling people publicly about a product or service in order to persuade them to buy it". Advertising increases barriers to entry and reduces competition to be measured by increase in monopoly profit Ferguson (1974).

The main objectives of advertisement are; try to create awareness among the customers, to penetrate the Market, to retain the potential customers and also the Re-enforcement of the customers Philip Kotler (2005). Re-



enforcement refers to retain back the switching customers toward the product. The customers can be retained by taking up a back up plan by some changes in the nature of the product. Re-enforcement is only possible by a strong advertisement. Advertisement have different types in different manner e.g. Informative, Persuasive and reminder advertisement, that are used in a proper order to retain and attract a large pool of customers. Informative advertisement refers to tell/inform the customers about the positive aspects and features of the product, that can attract a large pool of customers regarding the product Kotler & Armstrong(1999). Persuasive advertisement is a type of strong advertisement that have the power to create a strong sense of feeling about the buying decision of the product. The customer take his immediate buying decision regarding the product. Reminder advertisement is a type of advertisement that is about the frequent reminding of the product. Advertisement can be effective when used in proper manner as by making proper strategies, creating a proper idea, properly execution of that idea and selection of an effective Media.

Advertisement differs in types by products and services from others. When used for products and services it have Brand, Retail, Direct response, B2B, Institutional, Profitable, and Non profitable and public(Keller).

Advertisement is classified as Business, Geographical, and Media and by purpose Advertisement. Business advertisement works at business level and advertise different types of businesses separately. Advertisement differs at geographical or by areas. Advertisement for one area is different from the other area as Advertisement for Nokia will differ for Pakistani customers to Indian customers. Advertisement also differ by media. Advertisement also ave differences by their purposes.

Business advertisement is further classified as industry, trade, and professional and agriculture advertisement. It is the main type of advertisement that plays a part to increase the sale of business goods, that are used for further processing and plays a role in building the economy.

Geographical Advertisement plays a part at International, National, Regional and local level. At each stage advertisement differ due to the difference in taste and preferences of the people.

Media advertisement includes Electronic, print, out of home, directories (booklets, trade books) and direct mails Kotler and Armstrong(2010). According to the nature of the product proper media selection is necessary. Proper media selection is the way to succeed the product. If the

product is best in all manners but advertised by a wrong media than the product can gain less success as it should. The most successful media is considered the electronic media now a days, because it have the power to retain a large pool of people, so if the product will be advertised by electronic media than it can gain desired success.

When advertisement is used by purpose than we have Product vs. Non product, commercial vs. Non commercial, primary demand vs. selective demand and direct vs. indirect.

Advertisement when used in proper phases than give desired results e.g. awareness , comprehension , acceptance , performance , ownership and Re-enforcement. So, the proper phases of advertisement should be used. Awareness is the phase in which customer is informed or told regarding the features of the product, Comprehension is the phase when the customer start thinking about the product, in acceptance phase the customer become prepared to buy the product, in performance phase the customer buy the product, in ownership the ownership of the product is transferred toward the customer, Re-enforcement is the phase to retain the switching customers. So if we try to sell the product before the awareness phase than the order of the proper phase is not followed, so we can not gain the proper results. So to succeed the product, proper order of these phases must be followed. There should be a proper budget for the advertisement in each firm and this budget must be utilized wisely. It will help to enhance sale, to create positive word of mouth for the product and also help to create good will of the firm. That is the reason that most firms consider the advertisement expenditure as an investment rather than an expense Shachar, R., and Anand, B.N.(1998).. Powerfull advertisement create positive image of the product among the customers. When the product retains a unique place in the customers mind than it is called the positioning of the product. When the positioning of the product is strong than customers prefer your product instead of competitors products and become loyal (Hamidizadeh et al., 2008).. so, the positioning of a product depends on the effectiveness of advertisement. If the advertisement have the capability that it can capture maximum customer's minds, than positioning of the product will be strong and give better results. In this case product will be repeatedly purchased and finally become the source of increasing the profit as well as wealth of the owner. Sales represent to the times when customers prefer to your product instead of competitor product repeatedly MC Cathy et al. (1994). More sale show the more

success of your product. When customers are growing to purchase your product than you can say that your product is successful among the customers. More sales represent growth in profit. So, it becomes obvious that advertising have positive impacts on sale and hence increases sales revenue David(1988). When your customers see the features of your products in an attractable manner, they un intentionally feel attraction and interest in your product, become eager to buy and finally play a part in enhancing the sale(Gamliel,2010).

A public is a group that has an actual or potential entrusts with the firm, and the firm is also dependent on the public to achieve its objectives. Public relation; professional act of managing relationships with the public to achieve the objectives of organization Newsom et al.(2010)., is an important tool of Integrated marketing communication. Marketing reinvented the concept of old communication tools. In Marketing point of view customer is considered as the king, the products and services are managed according to the needs and wants of the customers, right products are developed for the customers rather than customers are searched for the products. New product concept differ from the older one as in older times the right customers were searched for the right products but now a days due to huge competition and the availability of a large numbers of products the trend is changed. Now the products are being customized and right products are made for the right customers.

So, now a day to run a business successfully requires positive public relations to maintain. Firms that maintain their Public relations in a best manner are gaining success more rapidly than others Alford(2002) and Starling (1982).

Advertisement and Public relations both are valuable tools of Integarated marketing communications, and are the soul of any marketing activity. Both are used for the development of the product and are the source of increasing the Word of mouth, sale, goodwill and the wealth of the owner. They both are combined to increase the sale of a product Kotler(2005).

## **LITERATURE REVIEW**

**Ehsan Malik (2014)** observed the impact of advertisement and consumer perception on consumer buying behavior. He argued that advertisement is the lifeblood of the organization to promote its products and to make strong consumer perception about the products. Furthermore, he said that advertisement have stronger positive impact on consumer buying behavior, while consumer perception least. Quality advertisement and positive perception plays a vital role in improving the

buying behavior toward theproduct. According to Borroso.A. (2008) argued that when the sale of a product increases, it is because the consumer is aware about the product and it becomes possible due to an efficient advertisement. **Ibrahim khan and Amir Raj put (2014)** proved in their research that advertisers who do not mislead their customers enjoy more market share as compare to whom that exaggerate. Advertisement should be focused on competitive services provided by the company to gain the positive attitude from the customers.

**Chen and Waters (2014)** observed the relationship between advertising expenditure and production efficiency. They argued that advertising expenditure is inversely related to profit when the advertising is ineffective and is used by the firms with inefficient production to enhance market share. Alternatively, Advertising and profits are directly related when the advertisement is effective and also is used with efficient production to gain advantages.

**Frijol Islam, Shahnaz Parvin and Kumar data (2014)** argued that as the world has become a global village, so with this phenomenon an effective advertisement has become the need to increase in sale. They proved that there is a positive relationship between an effective advertisement and sale by the example of Bajaj Auto limited company. However they found it complex to explain the exact relationship between the advertising expenditures and the sales volume but it is crystal clear that there is a reasonable increase in the sales volume due to more advertising expenses.

**Sum a Sail (2014)** described the effectiveness of advertising on consumer decision making and decision making. She has observed the effectiveness of advertisement in insurance industry. The results she got were positive. Furthermore advertisement is a necessary part of any business. Companies spend heavy budget on advertisement through different modes e.g. T.V, newspaper, radio, internet etc. At the initial phase a company should use composite advertisement that is helpful in strong brand recall.

**Grunig and Ledingham 2006** hypothesized that public relation is a strategic management function.

**Childers and Grunig (1999)** highlighted that managing relationship, being a strategic management tool via public relation, is applicable to all organizations irrespective of the nature and pattern of organizational activities. The fundamental goal of public relations is building and enhancing both the on-going and long-term relationships within the key constituencies of an organization.

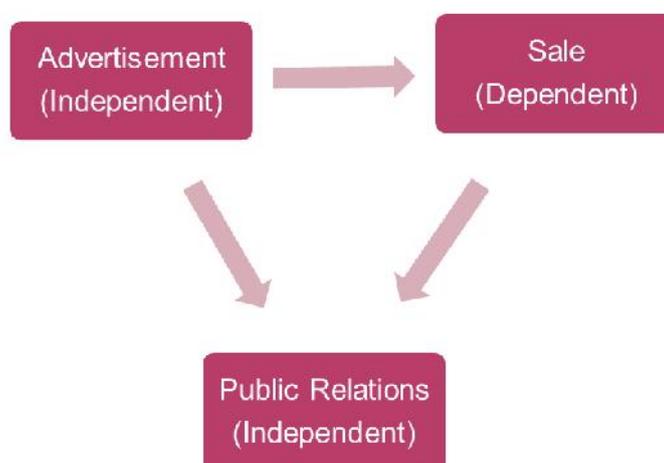
**Sandra L. Myers** argued that there are some programs to aware public regarding your products, these programs are prove important to develop public relations and are helpful for the publicity of your products. You should be fully aware of the constituency, you are trying to reach because each has different entrusts. So, you will have to design different marketing program for each.

**Akanbi and Adeyeye (2011)** carry out a research work on the influence of advertising on sales and linear regression using ordinary least square method was used to analyze the data. The result confirmed that a positive and significant relationship existed between advertising and sales. The positive relationship showed that

an and sales. The positive relationship showed that an increase in advertising can lead to an increase in sales. Based on the result, it is clear that advertisement is significant and explaining sales and this result also in line with Adebayo, (2012) who find out that advertising is a predictor of sales turnover.

**Villarejo-Ramos and Sanchez-Franco (2005)** reviewed the effect of marketing communication and sale promotion on brand equity. Results indicate positive effect of marketing communication on sales and hence increasing brand equity and present strong protection from the criterion of perceived quality, brand loyalty, brand awareness and brand image as a preface of brand equity.

## THEORETICAL FRAMEWORK



Theoretical framework is showing three variables and their impact on each other. It can be seen through the model that advertisement and public relation are taken as independent variables while sale as dependent. So, from the model it become clear that advertisement have positive impact on sales. Public relations have also equally important in this regard. When advertisement will be effective, it increases the sale. It depends on large number of factors e.g. content of advertisement, medium of advertisement, timing, repetition, quality, targeted audience etc. If all these factors are wisely managed than the results will be according to expectations. Now the question here can be that how much increase in the sale can be possible through advertisement? It also depends on the nature of advertisement. If the advertisement is attractive and it covers the need of the large pool of customers, than maximum increase in the sale can be obtained. Strength of PR's cannot be ignored here. If public relations are positively maintained, they can also create strong increase in sale.

## METHODOLOGY

The survey research method is used in this study. Data is collected through both primary and secondary means. Primary means include Observation, structured and UN structured both types of questionnaire and interviews. While secondary data is collected through the internet and also previous studies are considered in this regard. Sample was the customers shopping in shopping malls. Sample size includes three different layers of customers at different shopping points. First layer include the customers that were doing shopping at branded points in the malls, second were the mediocre while third include price conscious customers. A sample of thirty four customers is taken from every layer. These customers are firstly observed during shopping, to know their cause of attraction toward the products. Than these customers are interviewed individually through structured questions. Questionnaires are also presented to them. The responses from all the three layers differentiate from each others. The main thing that is observed in this survey was

that each layer of customers is attracted by positive advertisement directly or indirectly. The difference is that some are attracted more than others while some are affected less. In this research study, the researcher wants to measure the influence of advertising and its determinants on sales of products in consumer market.

Sample size of the study consists of 34 respondents that are consumers. The study collected primary data through questionnaire using the Likert Scale. Questionnaire consists of 20 questions which leads to different variables for study. Regression Model is used for data analysis.

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.221	.257		4.753	.000
	p.w.m	.011	.035	.053	.302	.765
a. Dependent Variable: sales						

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.957	.332		2.881	.007
	Advertising	.044	.041	.185	1.062	.296
a. Dependent Variable: sales						

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.654	1.505		2.427	.021
	PR	.156	.081	.321	1.916	.064
a. Dependent Variable: sales						

## RESULTS AND DISCUSSIONS

From the survey analysis it is revealed that the customers are really affected by the advertisement. When we surveyed different customers at different shopping malls, they show positive response for advertisement in their buying decisions. The customers revealed their positivity through questionnaires. Moreover, I found different responses from different layers of customers. First layer of customers were brand conscious customers, and they also focus on advertisement in their purchasing but less than the middle layer. The main focus of these customers are the features of the products, price have no matter for them. They said that they follow advertisement in their purchasing, which they see at different advertising medium e.g. TV, billboards, brochures, play-cards etc. But mostly they show positivity toward famous brands. Middle layer of customers are mostly involved in advertisement while their purchasing decisions. They sometimes compel to pay more for an advertising product. They are mostly attracted by the features of the products shown in the advertisement. They are attracted toward different advertisement techniques e.g. Shelf spacing approach is

also favorable to attract these customers at shopping points. They also purchase the products by impressing the dealings of the seller. Third layer is of price conscious people. They sometimes prefer the advertising product and sometimes not. But to some extent they also affected by advertisement in their purchase decisions. They mostly focus on the price portion of advertising. If price is suitable for them than they show more interest otherwise minor or sometimes not. They are also affected by relationships. The seller, who has good relations with them, is trustworthy for them. In this study we found that the percentage of first layer of customers take their purchase decisions by considering advertisement is 45%, percentage of middle layer of customers is 60% while third layer shows 50% interest.

The analysis of statistical data shows the positive impact and relationship between advertising public relations and consumer generated advertising efforts like as positive word of mouth, company reputation and image and sales. According to results, sales of products and public relations are statistically significant at 6% level of

significance. The Regression model is established, PR coefficient is .156 this shows that 1 % invest in public relations, it will cause increase in product sales on average by 15% that is greater than all other variables and its determinants. Positive word of mouth also matters a lot for company. It concludes that variable advertising has no more significant impact on sales which shown as above advertising coefficient is .011 and significance at .29 which is more than standard ( $>.005$ ) Outcome are fragment vary by the general thoughts of the persons about advertising which is the major contributor for enhancing sales and productivity of the firm. Mostly people prefer product performance rather than persuasive techniques. Customers more prefer objective based advertising because they can get information through them.

## CONCLUSION

Hence from all the above discussions it can be concluded that advertisement affects all types of customers but mostly it appeals to both middle layer and price conscious customers. So by considering advertisement in their buying decisions, they become a cause to enhance the sale as well as profit of the firm. Advertisement message also depends on the nature and quality of product, also the target market and the channel of advertisement like print media, electronic media, internet, sign/bill boards, outdoor advertisement etc. Public relations are also equally important for all types of customers. But it matters a lot while making expensive and premium quality products purchases like shopping goods, speciality goods and also luxurious goods because in making such purchases the competition among producers occur at brand image, brand name, unique features, quality, warranty/guarranty, prestige and after sale services offered by the seller.

So the overall relation between the advertisement and sale of a product that we observed through this study is positive. Public relations also have impacts on both of these variables. Hence the relation of Public is also positive with both of these variables. But the condition is that all these variables give results when positively applied. As described earlier advertisement appeals all types of customers when it is designed according to the need of the customers. For example brand conscious customers will be attracted toward the advertisement when the features or quality of product will be defined in a good manner. Middle layer of customers can be attracted by adding a celebrity to the add, also when the repetition of advertisement will take place. Lower layer can be attracted by reasonable price or also by offering some sort of discount or some type of free gift offer with the

product. Some customers can be attracted by emotional type of advertisement that match to their situation. Advertisement can also attract the customers when it reveals to some type of event e.g Advertisement of clothes, bangels and jewelry can attract maximum customers on Eid. Seller, supplier etc having good relations with people can also attract large number of customers. So the overall relation between the three variables shows positivity toward increasing the sale of a new product. As much we made a memorable advertisement, choose a suitable media to execute that advertisement in a way that is accessible for all level of customers, allocate a suitable budget for it than the advertisement will provide un forgettable results. As a result customer give value to our product, purchase our product instead of competitor product, become loyal to our product and also attract other customers. Also as we built good relationship with people, it is also favourable for the product. Both these things can become the cause to increase the sale of a product and also provide a reasonable profit.

## LIMITATIONS OF THE STUDY

As we conducted the study in different shopping malls, so it might be possible that the respondents will not be true in their answers or they show some sort of biasness in their answers. But I tried my level best to collect a fair data through a silent observation. Most of the respondents were not aware of some specific terminologies used in the questionnaire, hence I tried to tell them, so due to this some of their answers can be affected.

## FUTURE DIRECTIONS

The future study can be conducted by taking some specific product, and data can be collected to observe the impact of its sale by advertisement as well as public relations.

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