

Effect of advertisement on sale of Amul India: An empirical study

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Abstract

We live in the era of advertisements & cut-throat competition. Every day new product or service hits the market & at the same time some old product disappears from the market. The pertinent point is whether a well-established brand, like Amul India which does not need any introduction anywhere in India, requires to spend good budget for advertisement. This paper aims to study effect of advertisement on sale of Amul India with the help of least squares method & coefficient of correlation (r) and ratio analysis. It is found that though Amul India is facing lot of competition, still advertisement is beneficial to Amul India.

Keywords: advertisement, sale, Amul India, least squares method, coefficient of correlation, ratio analysis

Introduction

Globalization has given consumers more variety of products on the shelf. In fact consumers can purchase any product from anywhere at their wisdom. Globalization has resulted in cut-throat competition among the enterprises all over the world. Obviously enterprises have started given more attention on advertisements in order to reach consumer. As a result more funds are allotted towards advertisements. The pertinent question is whether this additional fund is at all necessary or it is an obvious expenditure for mere survival in the competition.

Amul is the largest food brand in India and world's Largest Pouched Milk Brand with an annual turnover of 6966.3372 crores. Gujarat Cooperative Milk Marketing Federation (GCMMF) is a dairy cooperative based in Anand, Gujarat, India. GCMMF is the parent company of Amul. GCMMF acts as a cooperative for the dairy farmers of Gujarat. Currently unions making up GCMMF have 2.8 million producer members with milk collection average of 10.16 million litres per day^[13].

Amul is available today in over 40 countries of the world. Amul is exporting a wide variety of products. The major markets are the US, West Indies, countries in Africa, the Gulf region, and our SAARC neighbours, Singapore, The Philippines, Thailand, Japan and China. Its bid to enter Japanese market in 1994 did not succeed, but now it has been successfully present there. The Amul has established itself as a uniquely appropriate model for rural development^[13]. Amul has spurred the White Revolution of India^[13]. It is also the world's biggest vegetarian cheese brand^[13].

SWOT Analysis OF Amul^[13]:

Strengths

Largest food brand in India
High Quality, Low Price
World's Largest Pouched Milk Brand
Annual turnover of 6966.3372 crores
Highly Diverse Product Mix
Robust Distribution Network

Weaknesses

Risks of highly complex supply chain system

Strong dependency on weak infrastructure

Alliance with third parties who do not belong to the organized sector

Opportunities

Penetrate international markets

Diversify product portfolio to enter new product categories and expand existing categories like processed foods, chocolates etc.

Threats

Competitors - Hindustan Lever, Nestle and Britannia

Still competition from MNCs in butter

Growing price of milk and milk products

Ban on export of milk powder

Amul is well establishment brand & in India it does not need any introduction. Advertisement is an accepted corporate practice & even for Amul importance of advertisement can not be ignored.

Objective of the Study

This paper aims to study effect of advertisement on sale in Amul India.

Limitation

This study is based on secondary data. Absence of field study & primary data are major drawbacks of this study.

Scope for Further Research

It is suggested that field study based research may be conducted which may give better result & direction.

Literature Review

The study concluded, the two wheeler customers are highly aware of advertisements pertaining to characteristic features and product attributes of two wheelers^[1]. An advertisement creates considerable impact and it paves the way for the customers to perceive the quality and other features of the product¹. The attitude towards two wheeler advertisement is positive and optimistic^[1].

A research on Coca-Cola states that the customers are happy and satisfied with the services provided by the organization and the consumer behavior has also been judged by the

company while planning the strategies of advertisement and promotional campaigns by the organization [2].

There is a strong relationship between the cosmetic advertisements and customer purchase decision [3]. The study also revealed that advertisements influence the customer towards their cosmetic brand selection [3].

There is an impact of the advertisements on the consumers regarding the choice of their brand i.e. there is a significant relationship between advertisements and the choice of the brand [4]. Research study shows that advertisement has a great impact on the purchase desire of the two wheeler [5].

It was found that age, gender, region, education, occupation, and income were statistically significant in predicting the attitude towards advertising, consumer behaviour and brand preference for consumer durables [6]. It is probably due to these factors that companies target different groups through advertisements and there has been an increase in their advertising spend [6]. It is quality that determines repeat purchases and brand loyalty of consumer durables [6].

Research Study shows that on average, advertising does have influence on the purchase of cosmetic products and it is a must for cosmetic firms to continue advertising on their products if they require maximum sales [7].

The importance of advertising grows steadily as brands rely heavily on media for various marketing objectives such as increasing sales, creating knowledge and awareness in the market etc. the field of advertising continues to grow and evolve [8]. Advertising also plays a very important role in shaping the ever changing norms of society both nationally and globally [8].

It can be logically concluded from the study that there is a one-sided relationship between

advertisements, sales and profit wherein advertisement expenditure positively impacts the sales and profit of the business in case of Indian manufacturing companies [9].

Advertisements play an essential role in creating an image of a product in the minds of consumers' [10]. Advertisements must be catchy and communicate relevant information to consumers [10]. The survey was done and statistical tools are applied to develop the relationship between the advertisement influence and purchase decision of the consumer [10]. The result of the test revealed that advertising influence the consumer purchase decision significantly [10]. Thus Marketers need to understand the buying behavior of consumers while designing their advertisements for the desired result [10].

The present era witnesses the revolutionary change in the

trend of marketing [11]. Online marketing is the source which saves us time and cost and another reason is availability of variety of products [11]. Since the product is not available for physical verifications only advertisements are a source to influence and it influences and attract the consumers [11]. The role of advertisement is important in influencing the buying behaviour of the consumers [11].

Amul spends very less on its advertising budget, but spends it very effectively [12]. It has the power of an umbrella brand Amul, which is highly respected brand name & enjoy the trust of 1000 million households [12]. Thank to its brand mascot, the Amul girl, the co-operative has been able to get away with spending just one per cent of its revenues on advertising [12]. In contrast, its competitors spends anywhere between 7 to 10 per cent on advertising' [12]. Amul positioning is "Value for Money" [12].

The objective to study the awareness of Amul milk was beneficial to increase sale of Amul Milk in the intended area [14]. Various promotion activities such as survey, posters, flyers, Amul umbrella and Amul kiosk had significant effect on the sale of Amul milk [14].

The brand awareness plays a big role influencing the consumer's purchase decision [15]. Best marketing & brand awareness activity in current scenario is "Advertisement" [15]. Satisfied customer also plays an important role in brand awareness as they recommend others to purchase and such referral brings new customers and promotes positive brand image whereas dissatisfied customers may lead negative brand image which hinders successful brand awareness activity [15].

Methodology

Our study is divided in two parts, viz. empirical analysis & theoretical study. Empirical analysis is based on secondary data collected from annual reports of Amul India via internet. Empirical analysis could be divided in two parts namely Least Squares Method & estimation of coefficient of correlation (r) and ratio analysis. In least square method an effort has been made to estimate effect of advertisement (x) on sale (y) of Amul India by fitting simple linear regression equation. Here x is independent variable and y is dependent variable. As advertisement & sales are inter-related we have computed coefficient of correlation (r) in order to estimate the relation of advertisement & Sales in Amul India.

Part One: Least Squares Method & Estimation of Coefficient of Correlation (r)

Table 1: [Expenditure in Crores]

Year	Sales (y)	Advertisement (x)	y ²	x ²	xy
2014-15	4141.9614	0.5252	1,71,55,844.239	0.27583504	2,175.35812728
2015-16	4824.9812	1.1493	2,32,80,443.5803	1.32089049	5,545.35089316
2016-17	5700.3155	2.2030	3,24,93,596.7995	4.853209	12,557.7950465
2017-18	6256.2562	2.8928	3,91,40,741.64	8.36829184	18,098.0979353
2018-19	6966.3372	1.9427	4,85,29,853.9841	3.77408329	13,533.5032784
Total	27889.8515	8.713	16,06,00,480.242	18.59230966	51,910.1052806

$\bar{x} = 1.7426; \bar{y} = 5577.9703$

$= 3886.378$

$b = (\sum xy - n\bar{x}\bar{y}) / \{\sum x^2 - n(\bar{x})^2\}$

$\hat{y} = a + bx$

$= 970.729$

$= 3886.378 + 970.729x$

$a = \bar{y} - b\bar{x}$

$s_e = \sqrt{(\sum y^2 - a\sum y - b\sum xy) / (n-2)}$

=778.745

$$r^2 = \{a\sum y - b\sum xy - n(\bar{y})^2\} / \{\sum y^2 - n(\bar{y})^2\}$$

=0.63842751953

r=±0.799

Part Two: Ratio Analysis

Table 2: [Expenditure in Crores]

Year	Sales (y)	Advertisement (x)	Growth of Sale (%)	Growth of Advertisement (%)	Sale/Advertisement
2014-15	4141.9614	0.5252			7886.45
2015-16	4824.9812	1.1493	16.49	118.83	4198.19
2016-17	5700.3155	2.2030	18.14	91.68	2587.52
2017-18	6256.2562	2.8928	9.75	31.31	2162.70
2018-19	6966.3372	1.9427	11.35	(32.84)	3585.90

Theoretical study is based on review of literature collected via internet.

Results and Discussion

Let us first discuss the simple linear regression equation. Our estimation on projected sale (\hat{y}) clearly indicates that advertisement would have positive impact on sale of Amul India. However estimation of parameters a&b (a=3886.378, b=970.729) are not that inspiring. Further standard error depicts a high figure ($s_e = 778.745$). Coefficient of correlation stands at 0.799 which indicates a positive correlation between advertisement & sales in Amul India.

To the contrary ratio analysis reveals a complete different picture. Growth rate of sales & advertisement states that in each year growth of advertisement exceeds by far the growth rate of sale. Again sale/advertisement ratio decreases gradually over the years excepting the last year. It indicates that each rupee spent on advertisement has given decreasing benefit in terms of sale to Amul India over the years. It is true the Amul India is known for value for money reason & always spent very little amount towards advertisement. There could be two reasons behind not so satisfactory result as revealed in the ratio analysis. First, Amul India is facing intense competition in different product & market segment. Second, Amul India needs to change its advertisement strategy which apparently failed to give desired results.

Theoretical study states that there exists a very close relation between advertisement & sales in different products. Thank to its brand mascot, the Amul girl, the co-operative has been able to get away with spending just one per cent of its revenues on advertising. In contrast, its competitors spends anywhere between 7 to 10 per cent on advertising.

Conclusion

It is historically established phenomenon that advertisement has a positive impact on sale. Our study reveals that Amul spends very little amount towards advertisement. Our regression equation states that advertisement would help to increase sale in Amul India. Although estimation of parameters a & b (a=3886.378, b=970.729) are not that inspiring. High coefficient of correlation (r=0.799) indicates a close relationship between advertisement and sale in Amul India.

In our study time (2014-15-2018-19) it is observed that there has been a comparative higher rise in advertisement expenditure in comparison to sale. Each rupee spent on advertisement has given decreasing benefit to Amul India in terms of sale. It is certain that Amul India is facing severe competition in different product & market segment. It is not certain whether advertisements of Amul are getting

adequate favorable customer response.

Recommendation

It is strongly recommend that Amul must review its advertisement strategy thoroughly.

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