



## A critical analysis of advertising costs and dairy products sales volumes: A case of Parmalat Zambia Limited

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### Abstract

The purpose of the study was to establish a relational analysis between advertising costs and dairy products sales volumes at Parmalat Zambia limited. Descriptive research design was employed with a sample population of 105 participants. Data were collected using questionnaires and in-depth interviews. Quantitative data were analyzed using SPSS, while thematic analysis was used to analyse qualitative data. The findings of the study indicated that there was no sufficient evidence statistically that an increase in advertising cost spontaneously increases sales of Parmalat dairy products (Testing  $H_0$  at 5% level of significance,  $P_v < \alpha$  ( $0.016110754 < 0.05$ ); Reject  $H_0$ ). That is an increase in the cost of advertising did not translate into a direct increase in the sales of dairy products. A further regression analysis provided the following regression statistics summaries:  $R^2 = 0.584$  which implied that the model was statistically and relatively a good fit although not very strong mainly due to the fact that the number of explanatory variables added to the model is small. Thus, only 58.4% of the total variation in sales of Parmalat dairy products is explained by the model. On the other hand, the Adjusted R Squared accounted for 44.588745% or 0.44588745. Based on the findings of the study the following were the recommendations: 1. Parmalat management should adopt other cost effective advertising strategies as the current advertising costs do not directly trigger high sales of dairy products. The suggested cheaper ones are web based and online advertising. 2. Parmalat management should appreciate PESTEL factors that act as hidden causative costs outweighing revenues from sales of dairy products. 3. Parmalat management should constantly scan the Dairy sector (SWOT) in order to adopt the best practices of advertising or they should review their advertising policy and strategies of advertising dairy products.

**Keywords:** advertising costs, dairy products and sales volumes

### 1. Introduction

Parmalat is a leading Dairy company in the dairy industry in Zambia. Parmalat manufactures a number of milk and milk products. Initially it was a Parastatal called Dairy Produce Board (DPP). After 1991 tripartite elections, the new Government changed the country's policy of Socialistic economy to Capitalistic. The idea was born of selling all Parastatal organizations to the Private sector. Therefore, DPP was sold off to a private company called Bonita Zambia on the 1st may 1996. In 1996, Parmalat bought majority shares of Bonita; therefore, the company changed its name from Bonita to Parmalat. Parmalat has been a subsidiary of a French group called Lactalis since July 15th 2011. Parmalat is one of the major players in the South African dairy industry. Parmalat has a number of products that it offers and these are Milk and Milk products. These include Milk that is Long life and Pasteurized, Juice, Butter, Cheese, Yoghurt, Fresh Cream etc. (www.parmalat.co.za)<sup>[11]</sup>.

Parmalat has been a leader in the Dairy industry in Zambia for some time. The industry had been dominated by Parmalat Zambia limited for some time causing them to be so reluctant when it comes to advertising. They took it for granted that they were the only players in the industry. With the coming of competitors such as Zambeef and Varun Beverages in the industry, Parmalat has started carrying out some advertising activities. They have quite a substantial budget for advertising every year. According to the Parmalat sales report, there has

been advertising budgets every year. Looking at the years 2012 to 2016, the sales budgets have been there but the sales have been K7,859,420, K8,926,752, K8,791,070, K10,200,000 and K9,008,000 respectively. The sales target volumes in Liters have been 49,084,720, 46,455,752, 45,655,987, 40,259,432 and 38,346,611 whereas the actual sales were 42,379,456, 38,954,600, 36,985,765, 35,788,843 and 34,738,805 giving sales variances in liters of 6,705,264, 7,501,152, 8,670,222, 4,470,589 and 3,607,806 in all 5 years respectively. The figures above show that despite having invested in advertising so much, the targeted sales figures were not achieved in all years.

#### 1.1 Statement of the problem

Parmalat (Z) Limited carries out a lot of advertising of their various products in a pursuit to make the products known on the market and subsequently improving the organization's product sales and in turn the overall organizational welfare. The organization has a full-fledged marketing team which has crafted some advertising strategies, the adverts are placed on different media such as Television, Radio, Newspaper, Magazines and bill boards (static and digital). Other forms of advertising used are brand activations through road shows and in store sampling. Despite the efforts of conducting all these advertising activities, the sales of Parmalat (Z) Limited products have not improved to the desired targets, its sales for the past five years have not been steady. While there was

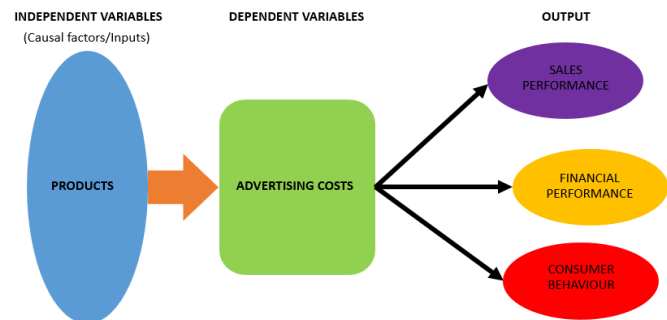
29.8% increase in the advertising cost budget from 2012 to 2016, the sales volumes of Parmalat dairy products dropped by 21.99% during the same period (Parmalat Sales Report, 2016)<sup>11</sup>. It is evident from the above statistics that despite an increase in the advertising cost budget, the sales figures kept dropping every year (Ibid, 2016). Therefore, this research sought to undertake a critical analysis of the relationship between advertising costs and the sales volumes of Parmalat dairy Products.

**1.2 Specific objectives**

- To ascertain the extent to which advertising affects consumer behavior,
- To establish the cost of advertising Parmalat milk and milk products
- To determine the correlation between cost of advertising and sales volume of Parmalat daily products

**1.3 Conceptual Framework**

Below is a figure illustrating the relationship of Advertising costs and Product sales volumes.



Source: Saif (2015) <sup>[13]</sup>.

Fig 1: Conceptual framework

The above conceptual framework guided the whole study.

This study aimed at giving a critical analysis of advertising costs and Dairy products sales volumes. All the advertising activities that are carried out in any given organisation are for a purpose. This is either to inform the customers (could be about the product, company or service), to create awareness, promote a particular feature or even to achieve a sales and profit goal, to mention but a few benefits or objectives. All these add to the general performance of the organisation which in most cases is reflected in numbers (Sales figures or numbers).

As shown in figure 1 above, there is a relationship between products and advertising costs. One can have a good product but if customers are not made aware of it through advertising which comes with a cost, it will not be sold or the sales will be terribly low as customers will not know about it. This concept indicates that the sales performance are dependent on advertising and in turn advertising also depends on how much there is to spend. However, indications show that products might also have a bearing on the performance of the sales volume, i.e. the quality of a given product affect the sales either positively or negatively regardless of the advertising cost.

**1.4 Significance of the study**

The findings of this study will benefit Parmalat in a number of ways, some of which are that Parmalat management will have information with regards to advertising such as when to advertise, who to target, the costs and the estimated sales figures. Management will have an insight about consumers and their reaction to certain advertising activities. Since Parmalat uses a number of advertising agents as well, these agents will also benefit from the research findings. This information will also act as a basis for future research.

**2. Literature Review**

Different scholarly works were reviewed as summarized in the table below:

Table 1: Summary of Literature Review

Author/Year	Study/Topic	Findings	Knowledge Gap
Sujata <i>et al.</i> , (2016) <sup>[12]</sup>	The Impact of Advertising and Sales Promotion Expenses on the Sales Performance of Indian Telecommunication Companies.	The study showed that organizations use various advertising channels such as television channels, radio stations, outdoor, social media and many others. The study also indicated that the organizations believed that Advertising and Sales promotion were always a major marketing expense for all telecom organizations.	The study did not give indications by figures of how much the 3 used companies were realizing as a result of investing in advertising which could have been used to justify the impacts of the relationship between Advertising and sales performance.
IHS Global Insight, (2013) <sup>[9]</sup>	Economic impact of advertising expenditures in the United States	The study showed that advertising does not only have effects on the sales but also initiates a flow of economic activities that bring about job creation and retention throughout the economy	The study did not look at the costs involved in advertising and how this in turn affects the sales.
Dangaiso, (2014) <sup>[6]</sup>	The Effects of Sales Promotion strategies on Company Performance.	The study reviewed that there is a very strong positive relationship between sales promotion activities and company performance measured in relation to growth of profitability, sales volume and market share	The study just looked at promotional strategies alone which are normally short term. It also did not look at the advertising costs.

Abdullahi, (2015) <sup>[1]</sup>	Effects of advertising on the sales revenue and profitability of selected Food and Beverages firms in Nigeria.	The study reviewed that advertising increases sales volumes.	Only secondary data was used.
Awofadeju, <i>et al.</i> (2015) <sup>[4]</sup> ,	The Impact of advertising on sales performance	The findings for this research showed that there are various forms of advertising used by the organization but according to the response there are some forms which are mostly used than others.	The sample size was small and did not include management staff.
Hamusokwe,(2009) <sup>[8]</sup>	Advertising and its Impact on the media in Zambia	The findings reveled that there is his dependence advertising by media organisations' profits and survival.	The study did not customer behaviour and how it affected product preference.
Abiodun, (2011) <sup>[2]</sup>	Impact of advertising on sales volume of a product		This study did not inform on the extent to which buyers are influenced by advertising and it did not state the correlation of advertising and subsequent impacts on sales,
Lungazo C, (2011) <sup>[10]</sup> ,	The impact of advertising on sales performance	The findings of the study indicated that advertising has a great impact on sales	The study did not look at the costs of the actual advertising. The sample sized was also too small for the whole industry study.
Abah, D and Abah P, (2015) <sup>[3]</sup> ,	Analysis of the Effect of Advertising on Sales Volume of an Agro-Allied Company	The study findings indicated that the media of advertising used by BBL were appropriate, the advertising messages were effective and there was a significant relationship between advertising and sales volume of BBL products	Again this study did not look at the cost of advertising.

**3. Research Methodology**

Both quantitative and qualitative methods were used to carry out this research in a triangulated approach using a descriptive survey method. This study obtained its target population from the Parmalat Zambia Limited staff which included the management, sales and marketing teams, Agents, retail stores and consumers and other key stake holders as respondents to draw the required sample size for this study. According to Fielding, (2007)<sup>7</sup>, a sample size must be at least 30% of the total population under research. For this research, a total of 105 respondents which constitutes 35% of the entire population of 300 was considered as a representative number of the whole population. The constituency sampled was selected using a simple random sampling technique which gives every person an equal chance of being picked for sampling. Data were collected through the use of questionnaires and in-depth interviews and also secondary data were obtained from historical records such as sales reports. In this study, the questionnaires were self-administered as well as in-depth interviews and content analysis for Parmalat Zambia Limited. The Statistical Package for the Social Science (SPSS) was employed to analyze quantitative data. All ethical issues such as confidentiality, participant's consent and clearance by the Ethical committee and approval was sought.

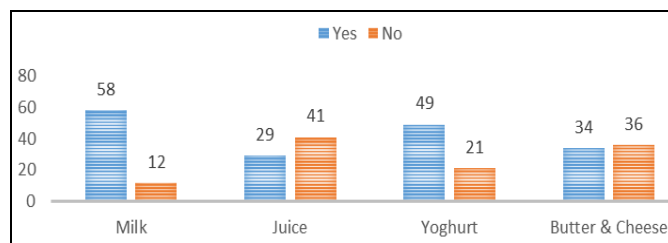
**4. Presentation and Discussion of Findings**

**4.1 Objective 1**

Finding out the extent to which advertising affects Consumer Behaviour.

**4.1.1 Distribution of participants in the research by Product knowledge**

When asked about what products they were aware of, participants knowledge of the products are presented below:



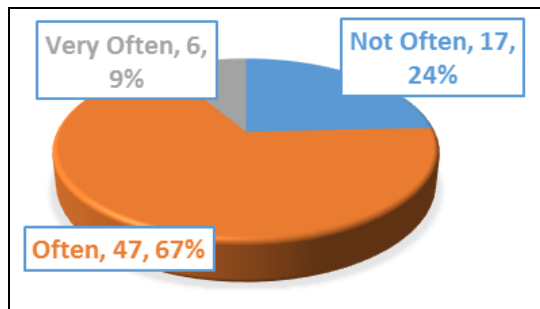
Source: Field data, 2018

Fig 2: Distribution of participants in the research by Product knowledge

Out of the 70 participants 58 representing 83% knew the milk while only 12 representing 17 % were not aware of Parmalat milk. 29 respondents representing 41% knew juice whereas 41 representing 59% did not know juice at all. 49 and 34 out of the 70 participants knew Yoghurt and Butter and Cheese respectively representing 70% and 49% where as 30% and 51% had no knowledge of yoghurt and Butter and Cheese.

**4.1.2 Distribution of participants by Frequency of Purchase**

The study included participants of different age groups and occupation and this had a bearing on how often they purchase. The figure below shows the respondents' purchase frequency.



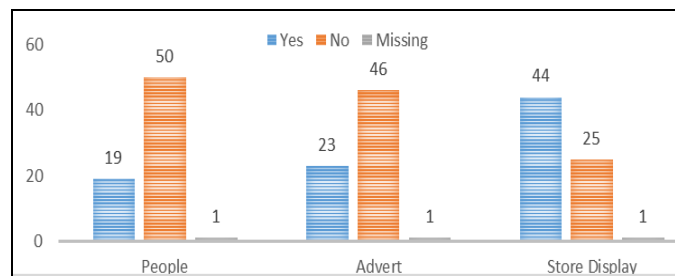
Source: Field data, 2018

Fig 3: Distribution of participants by purchase frequency

Participants were asked as to how often they bought products to establish whether they bought because they had money, or when they see adverts or is it only when they have need for the products. The figure above shows how they buy. 17 of the respondents representing 24% said they do not buy these products often, 6 of them representing 9% disclosed that they buy very often while the remaining 47 representing 67% which is the majority confirmed that they often purchase these products.

**4.1.3 Distribution of participants’ knowledge of products**

Participants of the study indicated that they got to know about the products through a number of different ways as shown below;



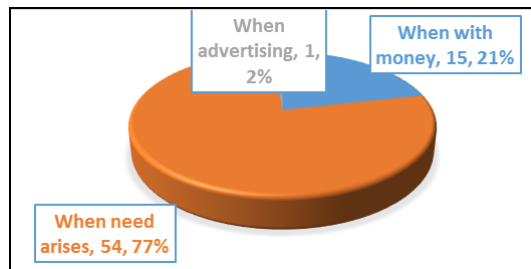
Source: Field data, 2018

Fig 4: Participants knowledge of products.

Participants were asked to state how they got to know or see Parmalat products. Of the 70 sampled, 19 representing 27% indicated that they learnt about the products from other people around them while 50 representing 71% said they learnt through other means. 1 representative representing 2% was missing. Through advertisements, only 23 representing 33% get to know products through adverts and the 46 representing 67% said no to adverts. They said their knowledge about the products was not because of advertisements. 44 representing 63% got to know about the products through store displays while 24 representing 37% said they did not know through store displays. 1 was missing.

**4.1.4 Distribution of participants’ frequency of purchase of dairy products**

Participants were also asked when they buy these dairy products and the figure below shows the responses:



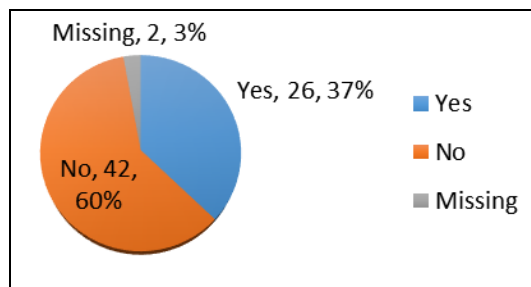
Source: Field data, 2018

Fig 5: When Participants Purchase Parmalat dairy products

Of the 70 participants, 15 representing 21% said they only buy when they have some money for buying and 54 of them representing 77% said regardless of whether there are adverts running or not, they only buy when they have need for the products whilst 1 respondent representing 2% said they are enticed by adverts to buy. 1 participant said even when they do not have money or when they do not need the product, as long as they see the advert, the desire to buy just comes.

**4.1.5 Effects of advertising on Consumer Behavior**

When asked whether advertising of Parmalat products affects their purchasing behavior, the following were the responses:



Source: Field data, 2018

Fig 6: Advertising Effect on Consumer behavior

42 participants representing 60% said that advertising does not influence their purchasing behavior, 26 representing 37% agreed that advertising affects their behavior while 2 representing 3% did not indicate anything. When further asked on how they get affected by advertisements, respondents gave the responses as summarized in the table below:

Table 6: Effects of Advertising on purchasing behavior

Type of Advert effects		
	Frequency	Percent
Attractiveness	5	7
Creates awareness	10	14
Induces Trial	10	14
Missing	3	4
N/A	42	60

Source: Field data, 2018

Of the 70 participants who were asked how advertisements affect them, 5 representing 7% said it makes them get attracted to the products and 10 representing 14% said it

makes them aware of the available products.10 of the participants representing 14% also said it just makes them want to try the product.3 representing 4% and 42 representing 60% were missing and did not pick any of the given options respectively.

The findings established that advertising does not affect consumer behavior. Looking at the findings that 60 % of the sample said it does not affect consumer behaviour while 37% agreed that advertising affects their behavior. On the other hand, a similar study by Abdullahi (2011) [1] concluded that advertising is one of the most important medium of communication and does influence consumer behavior and the companies’ performance in more than one way. It further concluded that advertising’s influential strategic importance could be suppressed by other factors which also try to receive equal attention. According to the results obtained, those that said that they are not affected were more than those that said were affected by advertising. Although results gave a negative impression on consumer behavior, the findings of this research showed that this could be attributed to a number of other demographic factors such as Age, Income and location (Pratap, 2017) [5].

**4.2 Objective 2**

Establishing the Cost of Advertising Parmalat Milk and Milk Products.

**4.2.1 Distribution of Participants by Advertising Costs**

When asked whether advertising is worth spending on, some Parmalat employees and Management staff had the following responses;

**Table 7:** Management and Employees’ views on Advertising Costs

Importance of Advertising Costs		
	Frequency	Percent
Important	16	80
Unnecessary Cost	4	20
	20	100

Source: Field data, 2018

16 of the 20 respondents representing 80 % said that they see advertising as a very important activity to spend on while 4 representing 20% said it is not worth spending on advertising. They said it is an unnecessary cost.

**4.2.4 Location, Knowledge of product and frequency of purchase Cross Tabulation**

**Table 9:** Location, Knowledge of product and frequency of purchase Cross Tabulation

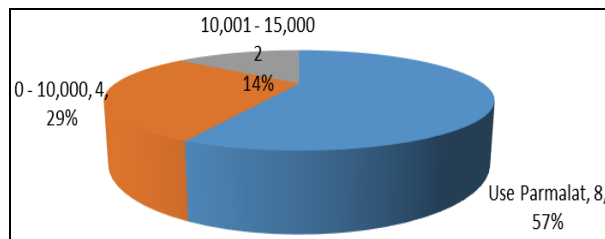
Respondents' Location	Product Knowledge								Frequency Of Purchase		
	Adverts		Word Of Mouth		Store Display		None		Not Often	Often	Very Often
	YES	NO	YES	NO	YES	NO	YES	NO			
Lusaka East	6	11	4	13	12	5	0	18	4	13	1
Lusaka West	3	5	4	4	4	4	0	7	3	3	0
Lusaka South	9	7	3	13	13	3	0	16	1	13	3
Lusaka North	1	5	3	3	3	3	1	5	3	3	0
Lusaka Central	5	17	5	17	12	10	1	21	5	16	1

Source: Field data, 2018

A cross tabulation above was done to establish the number of participants in different locations in Lusaka, how they got to

**4.2.2 Distribution of Participants’ spending power on Advertising**

Retail outlets were asked how much they spend on advertising as a business and the figure below shows the distribution:



Source: Field data, 2018

**Fig 7:** Advertising Spent

Out of the 15 Retail outlets and Container agents interviewed, 8 of them representing 57% said they do not have any advertising budget, instead, they depend on Parmalat advertisements. Only 4 of them representing 27% said they spend about K10,000 per month on average.2 representing 13% of the participants have a budget of between K10,001 and K15,000 whereas only 1 of the 15 interviewed representing 7% have an advertising budget of over K15,000 per month.

**4.2.3 Effects of product advertising on sales**

When asked how product advertising affects sales, the participant’s responses were that it creates awareness and others said it increases sales. Below is a figure showing respondent’s views:

**Table 8:** Effects of Advertising on the Business

Effects of Advertising		
	Frequency	Percent
Creates Awareness	8	53
Increases Sales	7	47
	15	100

Source: Field data, 2018

Of the 15 participants in the study, 8 representing 50 % said advertising creates awareness whereas 7 representing 47% said it increases sales.

knowledge and location.

**Table 10:** Summary of Location, Knowledge of product and frequency of purchase Cross Tabulation

Respondents' Location	Product Knowledge		Frequency Of Purchase		
	Y	N	Not Often	Often	Very Often
Lusaka East	22	47	4	13	1
Lusaka West	11	20	3	3	0
Lusaka South	25	39	1	13	3
Lusaka North	8	16	3	3	0
Lusaka Central	23	65	5	16	1

Source: Field data, 2018

**4.2.5 Purchase Frequency and Frequency of Advertising Cross Tabulation**

A cross tabulation below was done to establish the relationship between the purchase frequency and the frequency at which participants see adverts.

**Table 11:** Frequency of Purchase/Advert exposure frequency Cross Tabulation

	Advert exposure Frequency				Total
	Not Often	Often	Very Often		
Frequency of Purchase	Not Often	11	5	0	16
	Often	23	21	5	49
	Very Often	1	3	1	5
	Total	35	29	6	

In summary, this cross tabulation shows that the respondents that saw the adverts often were 29 while those that do not see it often were 35 and only 6 see the adverts very often. On the purchase frequency, 16 out of the 70 interviewed do not purchase often, while 49 purchase quiet often and 5 very often.

**4.2.6 Purchase Frequency and Age Cross Tabulation**

A cross tabulation below was done to establish the relationship between the age and the purchase frequency.

**Table 12:** Age / Frequency of Purchase Cross Tabulation

		Frequency of Purchase		
		Not Often	Often	Very Often
Age	15 to 24	3	8	1
	25 to 44	12	31	3
	45 to 64	2	8	0
	65 above	0	0	2
Total		17	47	6

Source: Field data, 2018

From the research results presented above, a number of findings emerged and this research objective was met. It was established that advertising is an expensive activity to spend on but at the same time it was also established that it is very important that organisations allocate some funds towards the same due to a number of benefits that it comes with.

**4.3 Objective 3**

To determine the correlation between cost of advertising and Sales Volume of Parmalat Milk and Milk Products.

**4.3.1 Cost of Advertising and actual Sales**

The study further sought to establish the relationship between cost of Advertising and actual sales volume. The outcome is presented using a regression model as indicated below:

**Table 13:** Cost of Advertising and Corresponding Sales (2012-2016)

Year	Cost of Advertising (ZMK)	Actual Sales Volume
2012	7,859,420	42,379,456
2013	8,926,752	38,954,600
2014	8,791,070	36,985,765
2015	10,200,000	35,788,843
2016	9,008,000	34,738,805

Source: Parmalat sales reports, 2012 – 2016

Tables above affirmatively portrays an inverse proportion relationship between the two variables (I.e. advertising cost and sales). There was an upward trend of advertising cost (K7'000'000 to K10'000,000) from 2012 to 2015 despite a slight drop in 2016. On the contrary, there was a continued reduction in sales (K42'000,000 to K34'000'000). Statistical summary about specific dimensions of this variations are further explained by the regression analysis and ANOVA table below:

**Table 14:** Approximated cost of advertisement and Sales

Year	Cost of Advertising (ZMK'000,000)	Actual Sales Volume ('000,000)
2012	8	42
2013	9	39
2014	9	37
2015	10	36
2016	9	35

Source: Parmalat sales reports, 2012 - 2016

The approximated cost of advertisement and sales over a period of five (5) years still affirm a general increase in the cost of advertisement while sales steadily reduced over the same period under consideration. Using the regression model:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \dots + \beta_m X_{mi} + e_i \quad i=1, 2, 3, \dots, n$$

Where:

$Y_i$  - is the  $i$ th observation on the dependent variable  $Y$  (i.e. sales of Parmalat dairy products)

$X_{mi}$  - is the  $i$ th observation on the independent variable  $X_m$  (i.e. cost of advertising Parmalat dairy products)

$m$  is the number of independent variables. In this case  $m=1$ , the model therefore is a simple linear regression model

$n$  is the number of observations (i.e.  $n = 5$ )

$\beta_1, \beta_2$  up to  $\beta_m$  are the regression coefficients. These are known and where estimated from observed data

$e_i$  - is the error term or stochastic disturbance term which measures the deviation of each observed  $Y_i$  value from the true regression line. Accordingly, the error term was discarded in the model because it is a simple regression model involving only two variables (i.e. cost of advertising and sales of Parmalat dairy products)

$$Y = 4.21875 + 0.13226019X$$

**Table 15:** Regression Statistics Summary on cost of advertisement and sales of Parmalat products

Regression Statistics	
Multiple R	0.76447079
R Square	0.58441558
Adjusted R Square	0.44588745
Standard Error	2.06559112
Observations	5

Source: Field Data 2018

Table 15 indicates that  $R^2 = 0.584$  which shows that the model is statistically and relatively a good fit although not very strong: Thus, 58.4% of the total variation in sales of Parmalat dairy products is explained by the model. The value of  $R^2$  is which is a non-decreasing function is relatively low because the number of explanatory variables added to the model is small. On the other hand, the Adjusted R Squared (i.e. a measure of goodness of fit) = 0.44588745. A further analysis of variance (ANOVA) produced the following results:

**Table 16:** ANOVA

	df	SS	MS	F	Significance F			
Regression	1	18	18	4.21875	0.13226019			
Residual	3	12.8	4.26666667					
Total	4	30.8						
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	64.8	13.17775904	4.9173763	0.016110754	22.8624894	106.7375106	22.86248943	106.7375106
X	-3	1.460593487	-2.0539596	0.132260192	-7.6482603	1.648260345	-7.648260345	1.648260345
Residual Output		PROBABILITY OUTPUT						
Observation		Predicted y	Residuals	Standard Residuals		Percentile	y	
1		40.8	1.2	0.67082039		10	35	
2		37.8	1.2	0.67082039		30	36	
3		37.8	-0.8	-0.4472136		50	37	
4		34.8	1.2	0.67082039		70	39	
5		37.8	-2.8	-1.5652476		90	42	

Source: Field Data 2018

**H<sub>0</sub>:** An increase in advertisement cost spontaneously increases sales volumes of Parmalat dairy products

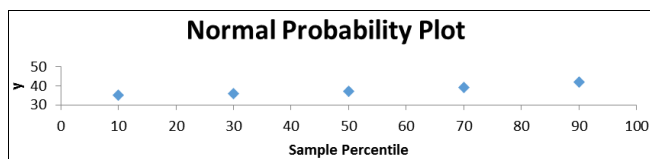
**H<sub>1</sub>:** An increase in advertising cost do not spontaneously increase sales volumes of Parmalat dairy products

Testing H<sub>0</sub> at 5% level of significance,  $P_v < \alpha$  (0.016110754 < 0.05); Reject H<sub>0</sub>

Therefore, there is no sufficient statistical evidence that an increase in advertising cost spontaneously increases sales of Parmalat dairy products.

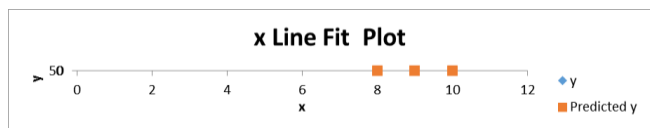
The normal probability, x line fit and x residual plots confirms that the cost of advertisement inversely correlates with sales of Parmalat dairy products. The detailed account of the nature of the relationship between cost of advertising and sales is discussed in the next chapter.

There is an inverse proportional relationship between advertising costs and sales volumes. There was an upward trend of advertising cost (K7<sup>000'000</sup> to K10<sup>000,000</sup>) from 2012 to 2015 despite a slight drop in 2016. On the contrary, there was a continued reduction in sales (K42<sup>000,000</sup> to K34<sup>000'000</sup>). This finding indicates that there is no sufficient evidence statistically that an increase in advertising cost spontaneously increases sales of Parmalat dairy products. Therefore, an inverse proportion between the cost of advertising and sales.



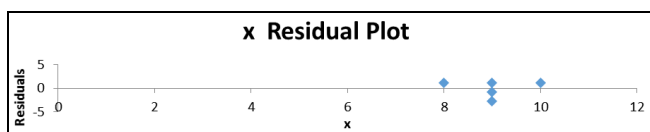
Source: Field Data 2018

**Fig 8:** Normal Probability Plot for cost of advertising and sales



Source: Field Data 2018

**Fig 9:** X Line Fit Plot between cost of advertising and sales



Source: Field Data 2018

**Fig 10:** X Residual Plot between cost of advertising Parmalat Products and Sales

## 5. Conclusions and Recommendations

### 5.1 Conclusion

The research was aimed at giving a critical analysis of advertising costs and product sales volumes of Parmalat Milk and Milk products. The main finding on this objective was that advertising does not affect consumer behaviour. Consumers can see the advert but if they do not have the need for the product and the money to purchase, they will not do anything about it. Based on the research findings, consumer behaviour is as a result of age, Income and Location of the consumers. Based on these findings, it was concluded therefore that advertising does not necessarily affect consumer behaviour. The other finding on the second objective was that advertising is a costly activity. It is very expensive but still very important that organisations allocate some resources for it due to a number of benefits that it comes with. According to Oubaiche, (2015) [14], advertising gives the following benefits: it helps in establishing and promotion of the company and its

products or services, it builds the brand, and it also creates demand since it persuades the customers to buy. It contributes in the creation of brand awareness and demand. Advertising informs customers about a product, company or service. It is actually a strong medium of communication and for promoting particular features and overall achieving sales and profit goals. Therefore based on the above findings it was concluded that even if it is expensive to advertise, there is still need that organisations invest in advertising. The findings of the third objective of the study indicated that there was no sufficient evidence statistically that an increase in advertising costs spontaneously increases sales of Parmalat dairy products (Testing  $H_0$  at 5% level of significance,  $P_v < \alpha$  (0.016110754 < 0.05); Reject  $H_0$ ). Therefore, an inverse proportion between the cost of advertising and sales. That is, an increase in the cost of advertising did not translate into a direct increase in the sales of dairy products. Based on this finding, the conclusion was drawn that sales do not increase with the increase in the advertising cost and vice versa.

## 5.2 Recommendations

The recommendations based on the research findings were as follows:

- Parmalat management should adopt other cost effective advertising strategies as the current advertising costs do not directly trigger high sales of dairy products. The suggested cheaper ones are web based and online advertising.
- Parmalat management should appreciate PESTEL factors that act as hidden causative costs outweighing revenues from sales of dairy products and finally,
- Parmalat management should constantly scan the Dairy sector (SWOT) in order to adopt the best practices of advertising or they should renew their advertising policy and strategies of advertising dairy products.

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