

The impact of advertising and promotion on purchase decision, sales and profitability of FMCG's (personal care) sector of Pakistan

Case study of Gillette Limited Pakistan and Treet Corporation limited Pakistan

Humayoon Arshad Warraich, Tahir Ali

Karachi university business school, Pakistan

humayoon_warraich@live.com , tahirali@uok.edu.pk

Abstract

The FMCG is the largest selling sector of Pakistan. This thesis discussion is about the FMCG's (personal care) industry of Pakistan, in last few years this sector has increased the growth rapidly which is a good thing. This research is the discussion over the impact of advertisement and promotion on the purchase decision and impact on sale and profitability.

In order to analyze the issue, data is collected from various official documents provided by the government websites, the financial reports of the selected organization and also view point of population (customer) of both companies from Karachi (Pakistan). It has been listed both companies on Pakistan stock exchange, Gillette Limited Pakistan and Treet Corporation Limited, they are both competitors. These both companies are putting their efforts in order to get population (customer) attention through the advertisement and promotion. These both companies increase their expense on advertising and promotion, which has significant impact on industry.

Keywords: FMCG's sector, Personal care and food, advertising and promotional tactics (internet, social media and mobile marketing), purchase decision and sales & profitability.

Introduction

Firstly defining the FMCG's sector, the dictionary says that "people usually buy on a regular basis, such as supermarket foods or toiletries. FMCG's is an abbreviation for Fast moving consumer goods".

In FMCG's there are many product lines and it also represents beverage and household and personal care product.

To narrow down the industry FMCG's (personal care), like other industries of Pakistan, has its share in problems and issues. This is the main purpose of the study of the organization of FMCG's (personal care) industries of Pakistan. For this, the companies chosen are Gillette Limited Pakistan and Treet Corporation Limited. These both companies are leading in the sector and can represent the whole industry. Further purpose would be directing the introduction of FMCG's industry, history of FMCG's and the major players of industry, there are two major players in this industry, Gillette Limited Pakistan and Treet Corporation Limited. Later there is the introduction of both market players. The later part of the discussion would be directing the challenges faced by the FMCG's (personal care) sector of Pakistan. Then hypothesis is made to give directions to the thesis. There is research methodology to specific the research work.

Next part include summarized articles, like newspaper and journal reports that are available on websites and some old research reports from the article became the source of information.

Next part analyzes the secondary data which is collected from financial annual reports of the selected companies. And later have analyzed the factors that were important for research.

Accordingly we found it appealing to explore what other factors increase in the purchase decision and sales and profitability due to advertising and promotion. Primary data tools (questionnaire) used to collect the view point of customer (respondent) than analyzes the impact of advertisement on customer

(respondent). The qualitative study is necessary to be as part of research study to assess the result in the better from to understand the factors which influence the dependant and independent variables.

From the study include that the hypothesis is accepted and companies need to increase expense on advertisement and promotion from this company increase in purchase decision and also increases sales and profitability.

Literature Review

Rodriguez, 2009, p. 3

Online consumers are always seeking new products, new attractiveness and the most important thing being price compatibility with their budget. The internet is the best way to save time and money through purchasing online within their range of budget at home or in anywhere. Online consumers don't have limits to online shopping. They also use internet for comparison of prices of goods and services, news, visit social networks and search information and so on. The recession has so much impact on online consumer behavior.

Hina 2005, p. 32

Online shopping behavior depends On four factors such as shopping motives, personality variables, internet knowledge and experience and last factor is shopping incentives. These are key determinants to influence the behavior of online consumers. Online seekers are the main sources of online shoppers always want to seek information within few clicks and reach to the most relevant information according to their requirements such as competitive brands, best price offers, product specification and consumer word-of-mouth.

Economic Impact of Advertising in the United States

The impact of advertising spending is assessed by quantifying the level of sales, employment,

value-added, taxes, and labor income that are attributable to spending on advertising. Advertising increases sales, which then boosts production and helps create and maintain jobs across every industry, state and congressional district. IHS assessed the economic impact of advertising by first estimating the effect of advertising on sales. Using historical data for advertising expenditures collected from the IRS Statistics of Income database for each industry, an equation was estimated to identify how sensitive sales are to ad spending in each industry. As expected, some industries are more dependent on advertising to generate sales than others. These output (sales) estimates became inputs to our models for estimating the supply-chain and induced impacts in employment, sales, value added and labor income.

(Manalel & M. C, 2007)

The study finds ample evidence to conclude sales promotion schemes are not perceived favorably by respondents and there is no differential effect between two types of promotional schemes i.e cash discount and free gifts.

Research Methodology

The framework and design of the study along with data collection and sampling methods will be elaborated which will strengthen the hypotheses of this study. This research framework can be applied to every manufacturing industry locally or globally which further enhances the scope of this study. To give a clearer picture of the issue, problem statement is derived for the better understanding.

Problem statement

It is a matter of fact that all the companies spend a lot of money on promotions to establish the Product in market. It is also important for the companies to know whether their promotions are effective or not. This study was conducted to find out the impact of promotion expenses on organizations revenues and profitability with reference to fast moving consumer goods (FMCG's) everywhere promotional

activities is involved in our daily life through on television, radio, newspaper, magazine and billboards, in store tradeoffs, display shelves, publicity, giveaways etc are common. The Companies are trying to increase their promotional expenses to increase the growth of the company affecting the overall sales of the company's growth and increase in the profit. The study is relating to promotion of business organization in FMCG sector in Pakistan. Through the comparative study Treet and P&G it will be shown that promotional expenses are very important to increase the overall growth of the FMCG sector of the companies. In brief, promotion, distribution, research and development expenses play a major role in increasing sales in leading companies. This present study helps in exploring the impact of promotional expenses of the companies. It is understood that promotional activities especially advertisements compared to other sector is more effective in FMCG sector.

Hypothesis

H1

In FMCG (personal care) advertising and promotional (Internet, social media and mobile marketing) tactic have been creating positive impact on customer purchasing decision during last 10 year”.

H1

In FMCG (personal care) advertising and promotional tactics have been creates impact on sales and profitability during last 10 year.

Hypothesis

The FMCG (personal care) industry of Pakistan has been facing challenges during the past 10 years due to the high competition from competitor, increase in the advertising and promotional impact on sale and profitability.

Data collection

The total population of FMCG's (personal care) sector customer all over Pakistan is large amount of pollution. Questionnaire was the instruments used to obtain input for the study from the FMCG's (personal care) customers. The questionnaire was developed accordingly with the dependent and independent variables, further analysis the published annual reports of ten years of two renowned FMCG's (personal care) companies.

Sampling

After determining FMCG's (personal care) customers as the source of this study, A questionnaire derived from the previous studies and relevant literature was completed by 250 respondent those were customers of the FMCG's (personal care) survey examine how advertising and promotion can effect customers and to understand customers behavior towards FMCG's (personal care) products. Convenience sampling techniques was used. The result reflects that there is strong positive relationship between more Advertisement and promotion impact on purchase decision, sales and profitability in FMCG's (personal care) sector.

Data Analysis

The inputs obtained from customers through questionnaire were analyzed by applying the central tendency test of arithmetic mean where the average value of each factor of the questionnaire is determined and analyzed. The central tendency test refined the inputs obtained from questionnaire. The information from the published financials of two FMCG's (personal care) companies, it were analyzed and interpreted according to its relevancy to the dependent and independent variables.

Impact of Advertising and Promotion Tools in FMCG's (Personal Care) Industry

In this, we will discuss the advertisement and sale promotion and its impact on purchase decision. As the study is conducted through questionnaire, 250 respondents took part in this study presented their views about the purchase decision and the factor that influence their buying decision and also

advertisement and promotion. Hence this chapter will present the comparative study of previous researches and the outcome of questionnaire filled for the purpose to evaluate.

GILLETTE PAKISTAN LIMITED

The following graph, figure, shows the responses of customers for the impact of factors in advertisement and promotional tools. The graphs represent responses for locally manufactured cars and for imported cars being sold in Pakistan.

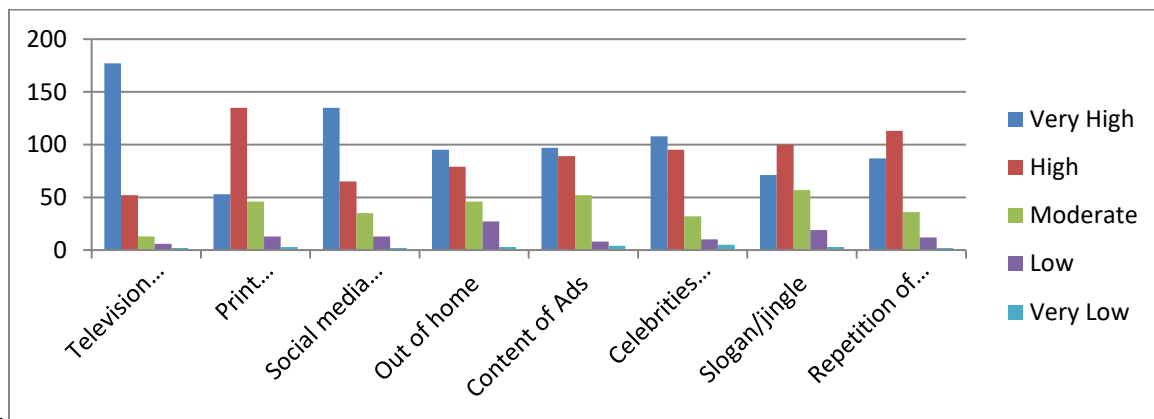


Figure - Responses on Impact of factors advertisement and promotional tools (Gillete)

Television Advertisement

In above figure, In the light of above mention table we can interpret that among the primary sources television advertisement has great impact on customer purchase decision and all respondents notice the advertisement of Gillette on television, they get influence by television ads, when the expenditure on television advertisement increases the more customers/consumers are attracted, Television advertisement also changes the purchase decision for target audience that are large and no age limit to television advertisement. We targeted both genders at the same time. And television advertisement has been shown effective results to chase the desire result. Television has good impact on customer.

Print Advertisement (newspaper, magazine and brochure)

In above figure, In the light of above mention table we can interpret that from primary sources

print advertisement (newspaper, magazine and brochure) of Gillette impact on customer purchase decision is lower than television advertisement but nowadays we target different audience through newspaper, magazine and brochure. In print advertisement company explains their product briefly and also shows all product range, there is another point of view that print advertisement fully explains that with print ads frequency is high to read or to see the advertisement.

Social Media Advertisement (Facebook, Snap chat, Instagram and Twitter)

In above figure, In the light of above mention table we can interpret that from primary source, the social media advertisement (Facebook, snap-chat, Instagram and twitter) target of Gillette is nowadays increased and customers/consumers are educated and also know what they purchase that's why company needs to do advertisement on social media because to attract large number of customers and also write or upload the full product knowledge and also to use the bloggers to explain all product's knowledge and product's range. Social media advertisement (Facebook, snap-chat, Instagram and twitter) has impact on customers/consumers decision very fast and effectively. That's why company needs to expense on social media advertisement (Facebook, snap-chat, Instagram and twitter) to increase the impact on customers/consumers.

Out of Home Advertisement

In above figure, In the light of above mention table we can interpret that from primary source Out Of Home Advertisement (billboard advertising, point of sale displays, street furniture (bus shelters, kiosks, telephone booths and postal booths) transit advertising and wraps (taxis, buses, subways and trains) and mobile billboards) of Gillette have great impact on customer's/consumer's mind and also purchase decision. Through that company impacts on customers/consumers subconscious mind to remember the product when they purchase the product or decide to purchase. That's why company needs to expense on out of home advertisement.

Content of Advertisement

In above figure, In the light of above mention table of television advertisement, television

advertisement impact on customer purchase decision and they all respondent notice the advertisement of Gillette on television, but advertisement of television ads have been has good content to show the product knowledge, how the company use their product to create impact on consumers. Audio, visual and which story tells you in advertisement have been impact on customers/consumer. In content of ads graph show that very high and high impact on customers/consumer that's why company need to expend on ads of content.

Celebrities Endorsement

In above figure, In the light of above mention table we can interpret that from primary source, celebrities endorsement in television advertisement i.e in print advertisement (newspaper, magazine and brochure),social media advertisement (Facebook, snap-chat, Instagram and twitter) and Out Of Home Advertisement(billboard advertising, point of sale displays, street furniture (bus shelters, kiosks, telephone booths and postal booths))of Gillette have great impact on customer/consumer because people follow them and also admire them and they want to look like these celebrities. Celebrities are also reference group for customers/consumers. That's why company needs to expense on positive and neutral celebrities to promote their product.

Slogan/ Jingle

In above figure , In the light of above mention table we can interpret that from primary source, In electronic advertisement of Gillette, slogan/jingle impact on customer/consumers to remember the advertisement, through the graph respondent said that slogan/jingle has high impact. That's why company needs to expense on music (slogan/jingle)in advertisement to increase the attraction.

Repetition of Advertisement

In above figure , In the light of above mention table we can interpret that from primary source the repetition of advertisement helps to increase the frequency to watch the advertisement on television advertisement, Print advertisement (newspaper, magazine and brochure),social media advertisement (Facebook, snap-chat, Instagram and twitter),That's why company needs to expense on repetition on

advertisement.

Mean

GILLETTE PAKISTAN LIMITED

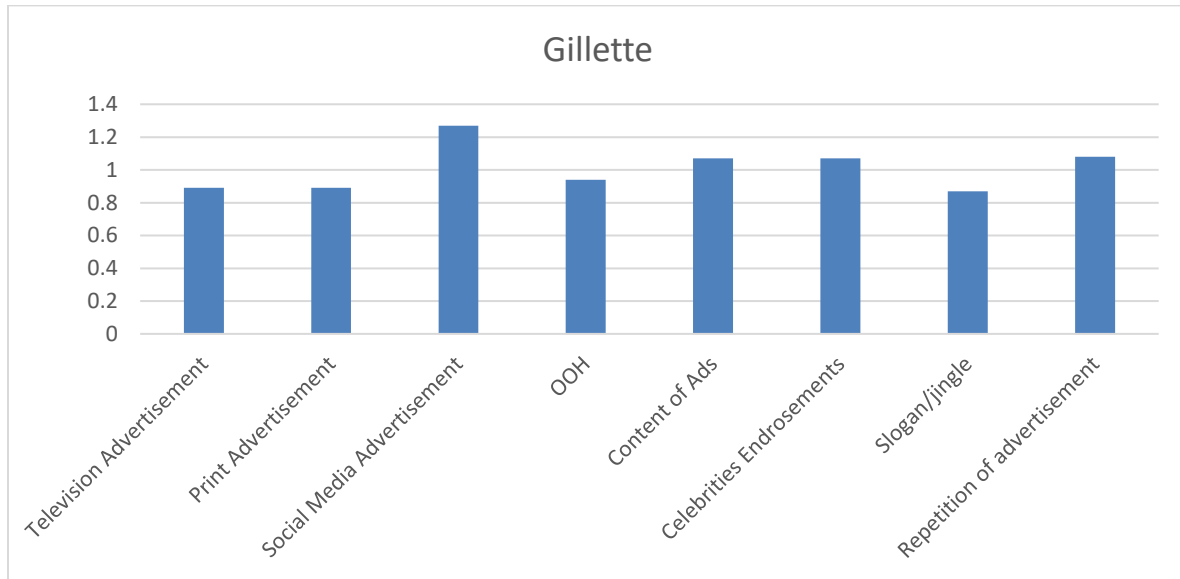


Figure - Responses on Impact of factors advertisement and promotional tools (Mean Gillette)

Analysis

- In Gillette respondent point of view is social media advertisement has the great impact on nowadays customers/consumers.
- Respondent point of view repetition of advertisement has secondly impact on customer and consumer mind
- Content of ads and celebrities endorsement has also impact on customer purchase decision.

TREET CORPORATION LIMITED

The following graph, figure, shows the responses of customers for the impact of factors in advertisement and promotional tools. The graphs represent responses for locally manufactured cars and for imported cars being sold in Pakistan.

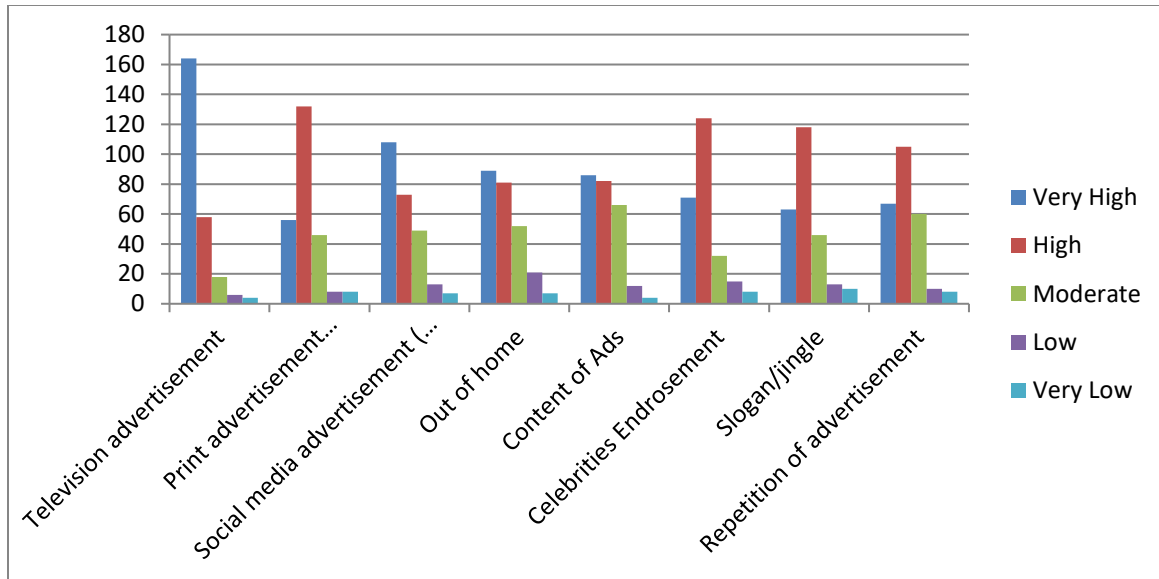


Figure - Responses on Impact of factors advertisement and promotional tools (Treet)

Television Advertisement

In above figure In the light of above mention table we can interpret that from primary source, television advertisement of Treet impact on customer purchase decision and they all respondent notice the advertisement of Gillette on television, they get influence by television ads, when the expenditure on television advertisement was increase the more customers/consumers attract, television advertisement also change the purchase decision also target audience are large and no age limit to television advertisement. We targeted both genders at the same time. Television advertisement has effective results. And cater the best target audience to impact on purchase decision by television advertisement.

Print Advertisement (newspaper, magazine and brochure)

In above figure, In the light of above mention table we can interpret that from primary source, print advertisement (newspaper, magazine and brochure) of Treet impacts on customer purchase decision lower than television advertisement but nowadays we target different audience through newspaper, magazine and brochure. In print advertisement company explains their product briefly and also shows all product range, there is another point of view that print advertisement fully explains is that

the frequency is high to read or see the advertisement.

Social Media Advertisement (Facebook, Snap-chat, Instagram and Twitter)

In above figure, In the light of above mention table we can interpret that from primary source, the social media advertisement (Facebook, snap-chat, Instagram and twitter)of Treet nowadays have been increased and customers/consumers are educated and also have choices for what they purchase. That's why company need to do advertisement on social media so it can attract large number of customers and also write or upload the full product's knowledge and also use the bloggers to explain all products knowledge and product's range. Social media advertisement (Facebook, snap-chat, Instagram and twitter) has great impact on customers/consumer that gives very fast and effective results. That's why company needs to expense on social media advertisement (Facebook, snap-chat, Instagram and twitter) to increase the impact on customer/consumers.

Out of Home Advertisement

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Content of Advertisement

In above figure, In the light of above mention table of television advertisement of Treet, television advertisement impact on customer purchase decision and all respondents notice that the advertisement of Treet on television, but advertisement of television ads have been has good content to show the product's knowledge, how the company use their product to create impact on consumers. Audio, visual and which story tell you in advertisement have been impact on customers/consumer. In

content of ads graph show that very high and high impact on customer/consumer. That's why company needs to expense on ads of content.

Celebrities Endorsement

In above figure, In the light of above mention table we can interpret that from primary source, celebrities endorsement in television advertisement, Print advertisement (newspaper, magazine and brochure),social media advertisement (Facebook, snap-chat, Instagram and twitter) and Out Of Home Advertisement(billboard advertising, point of sale displays, street furniture (bus shelters, kiosks, telephone booths and postal booths))of Treet has great impact on customers/consumers because people follow them and also admire them and they want to look like these celebrities. Celebrities are also a reference group for customers/consumers. That's why company needs to expense on positive and neutral celebrities to promote there

Slogan/ Jingle

In above figure, In the light of above mention table we can interpret that from primary source, In electronic advertisement, slogan/jingle of Treet impact on customer/consumers to remember the advertisement, through the graph respondent said that slogan/jingle have been impact is high. That's why company needs to expense on music (slogan/jingle)in advertisement to increase the attraction. The company has good slogan/jingle so for.

Repetition of Advertisement

In above figure, In the light of above mention table we can interpret that from primary source of Treet, rated that repetition of advertisement increase frequency to watch the advertisement on television advertisement, Print advertisement (newspaper, magazine and brochure),social media advertisement (Facebook, snap-chat, Instagram and twitter),That's why company needs to expense on repetition on advertisement.

MEAN

GILLETTE PAKISTAN LIMITED

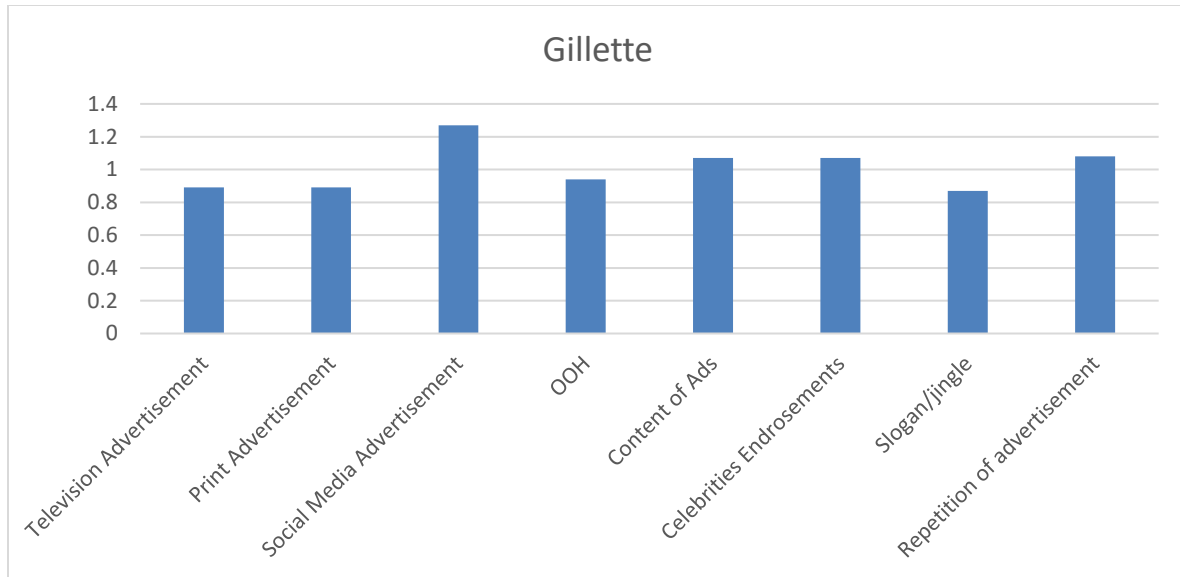


Figure - Responses on Impact of factors advertisement and promotional tools (Mean Gillette)

Analysis:

- In Gillette respondent point of view is social media advertisement has the great impact on nowadays customers/consumers.
- Respondent point of view repetition of advertisement has secondly impact on customer and consumer mind
- Content of ads and celebrities endorsement has also impact on customer purchase decision.

Secondly we find out the mean of Treet Corporation Limited.

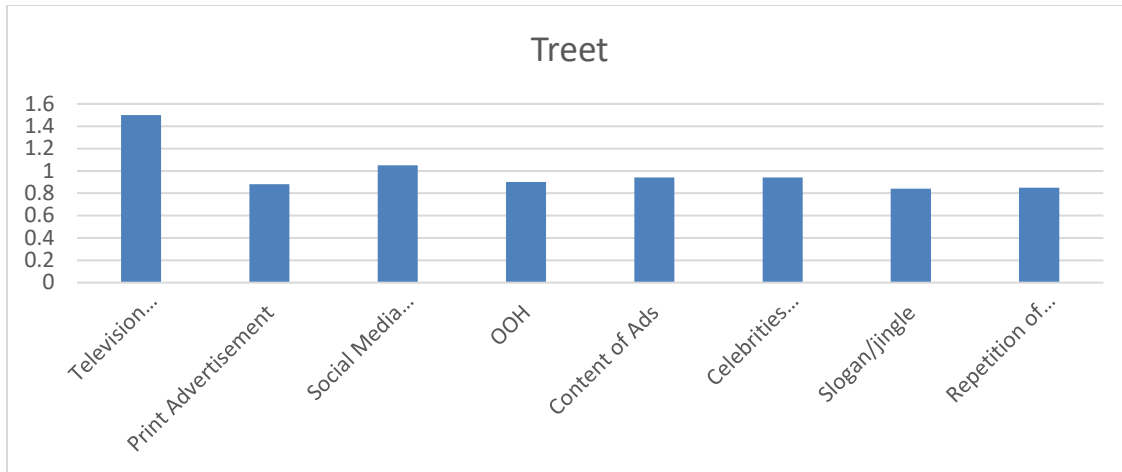


Figure - Responses on Impact of factors advertisement and promotional tools (Mean Treet)

Analysis:

- In above graph, respondent think that television advertisement has great impact on customer
- Secondly social media advertisement impact on customer/consumer.

Impact of Branding on Customer of Fmcg's (Personal Care) Industry

In this Group we will discuss the branding factor and its impact on purchase decision. For this purpose secondary data will be discussed first to support the above group factor. As the study is conducted through questionnaire, 250 respondents took part in this study and presented their views about the purchase decision and the factors that influence their buying decision and also advertisement and promotion influence. Hence this chapter will present the comparative study of previous researches and the outcome of questionnaire filled for the purpose of evaluation of secondary data.

GILLETTE PAKISTAN LIMITED

The following graph, figure, shows the responses of customers for the impact of factors in branding tools.

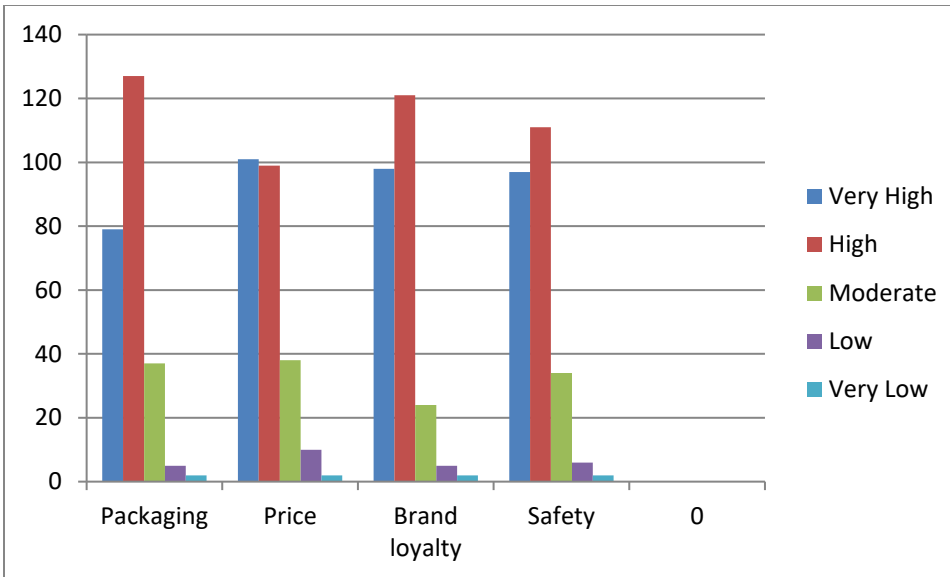


Figure - Responses on impact of factors branding tools (Gillette)

Packaging

In the light of above mention table we can interpret that among the primary sources packaging has great impact on customer's purchase decision and all respondents noticed that packaging has impact on them and others customers. Customers thought that package take their attention than product have something, packaging is low budget advertising and also increases the branding of product. Customers of Gillette Pakistan Limited also think that packaging increases their interest towards the product and its purchase, also through packaging product knowledge is increased among the customers.

Price

In the light of above mention table we can interpret that among the primary sources price has greater impact on customer purchase decision and all respondents notice that pricing has impact on them and others customers. Now a day shopping is involves great importance to price. Pricing has impact on branding value. Like respondents are thinking that price plays an important role for product, most of the respondents think that there is very high or high impact of price on product. Customer often compare a product's price to a reference price which they maintain in their mind, company always need to check competitor's price or market price in which customer think to buy that product. If company does full

research on price it will give better result on sale of the product.

Brand loyalty

In the light of above mention table we can interpret that among the primary sources brand loyalty has greater impact on customer purchase decision and all respondent notice that brand loyalty has impact on them and others customers, respondent think that high impact of brand loyalty because customers experience that product and also loyal customers will consistently buy products regardless of convenience or price, companies attract them through giveaways and reward program. And in FMCG companies are always ready to make loyal customer because FMCG's products are regularly used products. The loyal customers are foundation of marketing strategy and beyond the profit they generated. Loyal customers are reference group because they spread positive mouth of words to others customers.

Treet corporation Limited

The following graph, figure, shows the responses of customers for the impact of factors in branding tools.

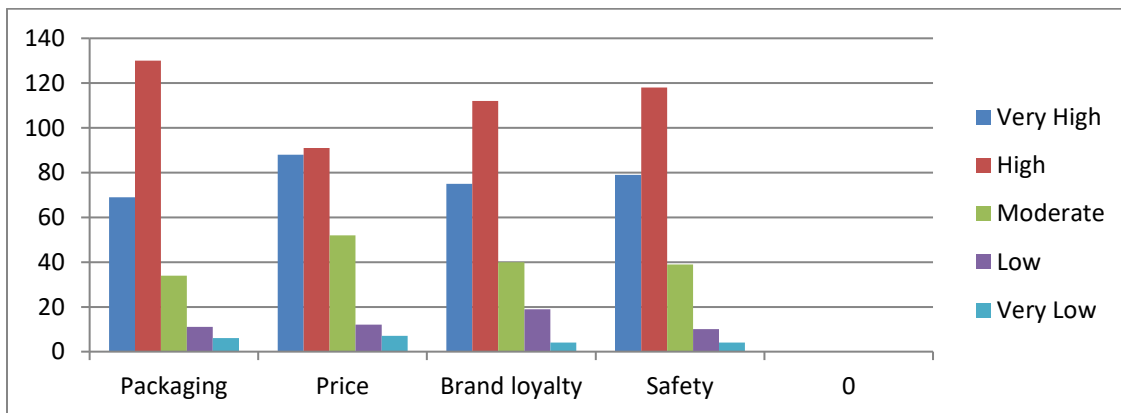


Figure - Responses on impact of factors branding tools

Packaging

In the light of above mention table we can interpret that among the primary sources packaging has great impact on customer purchase decision and all respondents notice that packaging has impact on them and others customers. Customer thought that package takes their attention more than products have sometimes. Packaging is low budget advertising and also increases the branding of product through the

packaging also branding of product increases, customer of Gillette Pakistan Limited also think that packaging increase their interest towards the product in point of purchase. Also through packaging product knowledge is increased among the customer.

Price

In the light of above mention table we can interpret that among the primary sources price has greater impact on customer purchase decision and all respondents notice that pricing has impact on them and others customers, now a days shopping is involving its importance to understand pricing and it is impact on branding value. Like respondents are thinking that price plays an important role in product, most of the respondents think that it is very high and high impact of price in product. Customer often compare product's price to a reference price which they maintain in their mind, company always check and need to check it's competitor price or market price in which customer think to buy that product. If company does full research on price it will give better result of sale.

Brand loyalty

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The loyal customers are foundation of marketing strategy and beyond the profit they generated. Loyal customers are reference group because they are spared positive moth of words to others customers.

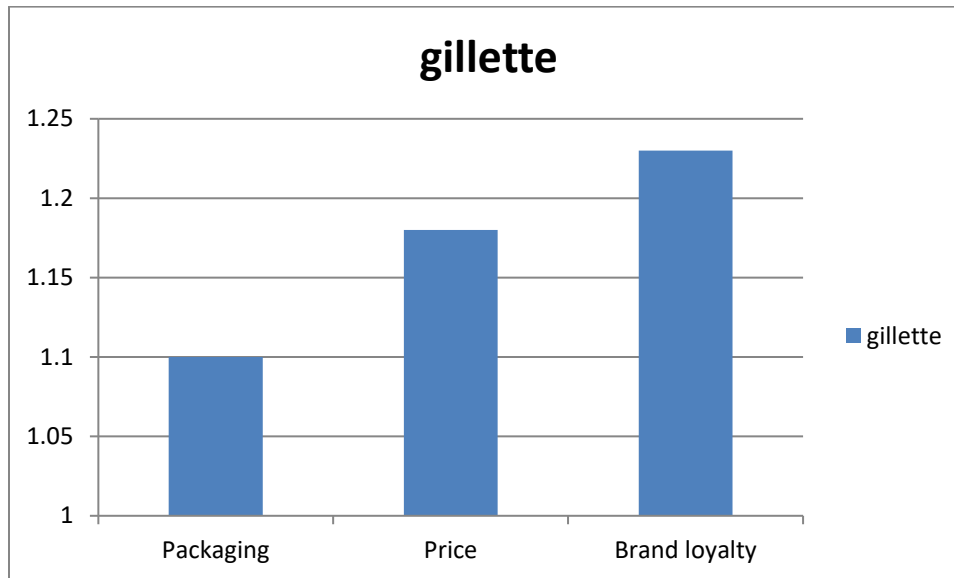
MEAN

Figure - Responses on impact of factors branding tools (Mean)

Analysis:

In this group (Branding). In respondent's point of view brand loyalty has greater impact on customer's mind, this graph shows that Gillette need to focus on customer loyalty because customer loyalty increases the sale and also word of month.

In respondent's point of view price has secondly impact on customer mind, customer always check the price if they are new customer, when they become brand loyal customer than price does not matter to them, in starting of purchase price matter, company need to focus on price, price should be affordable to mass customers.

In respondent's point of view packaging also impacts on customer's mind, now a day packaging is first part of advertisement on point of purchase, company need to focus on packaging also.



Figure - Responses on impact of factors branding tools (mean)

Analysis

In this graph respondent point of view packaging has great impact on customer mind now a day packaging is first part of advertisement on point of purchase, company need to focus on packaging.

In respondent point of view price has secondly impact on customer mind, customer always check the price if they are new customer, when they become brand loyal customer than price is not matter to them, in starting of purchase price matter, company need to focus on price, price is affordable to mass customers.

In repondent point of veiw brand loyalty has mainer imapct on customer but impact on customer,customer loyalty increase the sale and also word of month.

Conclusion

It is very common thing that companies need to earn more and more profit. The thesis is about FMCG's product (personal care products) advertisement and promotional tactics that has created positive impact on customer purchase and also on sale and profitability. From these two companies which are registered in Pakistan stock exchange, the secondary data of past ten years was collected from

annual report to analyze the impact of factors which are relevant to hypothesis. The primary data was collected through questionnaire, primary data respondents are 250 customers, who use these products and also are aware of advertisement and promotional tactics of both companies.

Both primary and secondary data shows that advertisement and promotional impact on customer purchase increases the sale and profitability (means both hypothesis are being accepted). Below is the discussion and interpretation of both products.

Gillette

From the primary and secondary data we evaluate that advertisement and promotion impact on consumer/customer purchase decision is 70% because the Gillette target audience is young, educated and middle and upper class, they are also active user of social media.

Through secondary data we evaluate that advertisement and sale promotion impact on customer/consumer but in primary data we evaluated which factor of advertisement has large amount of impact on customer/consumer purchase decision.

Evaluated that social media advertisement, repetition of advertisement and also content of advertisement has impact on customer, which kind of message company want to deliver to their target Audience customer/consumer, there is another factor that has impact on customer/consumer is out of home Advertisement, out of home shows the visibility of product there.

Celebrities Endorsements has positive impact on customer, 60% respondents of primary data said that it impacts when we see the advertisement on regular basis.

Respondents believe that slogan and jingle now a days help to recall the brand in customer's mind because repetition of advertisement recalls the brand and helps to recognize brand on daily basis.

Treet corporation Limited:

From the primary and secondary data we evaluate the impact of advertisement on consumer/customer purchase decision. The treet target market is totally different from Gillette.

Through secondary data we evaluate that advertisement and sale promotion has impact on customer/consumer but in primary data we evaluate which factor of advertisement has large amount of impact on customer/consumer purchase decision.

Treet's respondents thought that television advertisement has large amount of impact on customer/consumer purchase decision. The second factor that impact on customer/consumer is social media advertisement.

Celebrity endorsements have greater impact on customer's mind. Through primary data analysis it is concluded that celebrities have more impact in advertisement.

Now a day's out of home advertisement has increased a lot, respondent thought that Out Of Home advertisement impacts effectively on customers.

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