

Role of Advertising Expenses on Sales of Fertilizers Industry inPakistan

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Abstract

This study is based on the role of advertising expenses in the sales of the fertilizers industry in Pakistan. The study is the quantitative one and conducted with the help of an adapted questionnaire. The study was conducted with the help of data collected randomly from two hundred stakeholders of the fertilizers industry, these stakeholders mainly include customers and employees of the fertilizers companies. The analysis was performed on the collected data with the help of the statistical software SPSS to know about the role of advertising expenses on the sales of fertilizers in Pakistan. The statistical analysis include descriptive statistics, reliability, and correlations. These three statistical analyses were used to know what relationship advertising expenses have in the sale of fertilizers in Pakistan. The results of the study show the relationship between the variables advertising expenses and sales of fertilizers in Pakistan have medium positive. Thus, it can be concluded that advertising expenses have a role in the sales of fertilizers in Pakistan.

Keywords: Advertising, Sales, Expenses, Fertilizers, Customers, Employees.

Introduction

The business's ultimate goal is to maximize its shareholders' wealth. This goal also applies to every industry as companies try to maximize their shareholders' profits. There are also various secondary objectives of the company such as customer services, employee satisfaction, financial stability, brand value, and increasing market share, but it has been seen that the companies are more focused on achieving their primary target of maximizing profits. To achieve maximum profits companies, have to increase their sales. The best way to increase sales is to increase their advertisement to attract more and more customers (Acar & Temiz, 2017).

Even though advertisement has been considered a major cost for companies, it is estimated that it has also increased overall sales worldwide. The advertisement expenses are part of the operating expenses of the companies (Chemmanur & Yan, 2019). The operating expenses include advertising, salaries, transportation, warehousing, and distribution. The operating expenses help the companies to boost their sales and also increase their profitability which is the primary goal of the companies in each industry. Whereas the less operating expenses can also increase the overall profitability of the companies in percentage terms, but it will also decrease the overall sales of the companies. Other than the operating expenses, financial expenses are the major part of the overall costing model of the companies. These include loans, interest payments, debt loss, and bank charges. These amounts are paid by the companies to maintain their overall operating systems. Financial expenses are a key part of the company because they help the company in establishing various production facilities of the companies such as the expansion of the production facilities such as land, building, research, and development of the products (McAlister, Srinivasan, Jindal, & Cannella, 2016).

In the study, the focus point of our research is to overview the fertilizers industry of Pakistan and evaluate how advertising expenses play their role in increasing the overall sales of fertilizers. In the evaluation of the industry, it has been found that five major companies are operating in the industry and these are Engro, Fauji, Fatima, Arif Habib, and Fauji Fertilizers bin Qasim. These companies are working in the industry for more than five decades and they have been able to capture the major market share in the industry through quality products and services to the customers. The major activities of the companies are to produce various types of fertilizers to help the farmers increase the yield of their products. These companies are also in direct competition with each other and try to outsmart each other by getting the maximum share of the market. The best way for them is to increase their sales, which is only possible by attracting customers through advertising (Kumar & Tan, 2015).

The existing studies on the topic of advertising expenses and their impact on sales have mainly been conducted in various industries except for the fertilizers industry in Pakistan. Thus, the focus of the study is to know about the role of advertising expenses on sales in the fertilizers industry to provide support to the AIDA theory related to advertising expenses and sales revenue (Chemmanur & Yan, 2019).

This hypothesis can be studied in the fertilizers industry of Pakistan by working on the primary data of the fertilizers industry. The primary data for the study can be collected from the stakeholders of the company, such as customers and employees to know about the role of the advertising expense on the customers and sales of the fertilizers.

Research Problem

The main issue for the research on the topic is to prove whether it is a myth or reality that advertising expenses have a role in the sales of fertilizers in Pakistan. Thus, the research problem

for the study is to know how advertising can increase the sales of fertilizers companies and what is the relationship between advertising expenses and sales in the fertilizers industry.

Research Objective

The objective of the research on the topic of advertising expenses' role in sales in the fertilizers industry is to measure and quantify how advertising can increase sales in the fertilizers industry of Pakistan. Thus, the research will help companies to know about the relationship between advertising expenses and sales.

Research Questions

The research mainly has two questions to support the objective of the research and these are:

Q 1: What is the role of advertising expenses in the sales of fertilizers?

Q 2: How much percentage of fertilizers sales increases after increasing the advertising expenses?

Literature Review

Many academics have conducted more research studies throughout the decades that focus on the effect of advertising on sales in various industries (Chemmanur & Yan, 2019). Starting with the days when colonial reporters were uncomplainingly advertised in the public regarding institutions that required their services, (Mose, 2019) demonstrated a recent advertising operation that began during the colonial period. Some home post officers provided additional assistance in this regard by acting as agents for these newspapers. Over the past 50 years, there has been a great deal of discussion and research on the economic implications of advertising in the fields of economics, business administration, and management sciences. For instance, (Shende & Meshram, 2015) investigated the connection between advertising spending and overall demand and discovered that there is a positive and significant association between the two. On the other hand, (Yetilmezsoy,

Ilhan, Kocak, & Akbin, 2017) investigated the link between advertising and overall consumption and found no support for a favorable relationship between the variables. Similar to this, (Steenekamp, 2018) attempted to analyze the effect of advertising expenditures on sales in their study based on a model (Olwande, Smale, Mathenge, Place, & Mithöfer, 2015) and discovered that advertising expenses influence total consumption and total consumption influences advertising, leading to a bidirectional causal relationship between the two examined variables.

Over the past ten years, (Abdullahi, 2015) has researched the impact of advertising on the revenue from sales and profitability of a specific Nigerian food and beverage company. Using the OLS approach, he discovered in his time series study that advertising has no positive meaningful association with the sales of the selected enterprises. While it has been determined that there is a considerable correlation between advertising spending and the profitability of Nigerian businesses. Using both primary and secondary data, (Olaniyi, Salman, & Adebayo, 2013) evaluated the effect of advertising expenses on the revenue of Brewery Nigerian companies. The analysis was completed using the OLS method. Their research comes to the conclusion that advertising, whether considered separately or in combination with other pertinent elements, is a significant predictor of company turnover. Thus, it can be attributed from the literature that advertising has an impact on sales in the fertilizers industry (Ilinova, Dmitrieva, & Kraslawski, 2021).

H1: Advertising expenses have an impact on sales in the fertilizers industry in Pakistan.

Research Methodology

The study on the role of advertising expenses on sales in the fertilizers industry has two variables such as advertising expenses and sales volume. In the study, advertising expense is the independent variable whereas the sales volume is the dependent variable. The study on the topic is quantitative

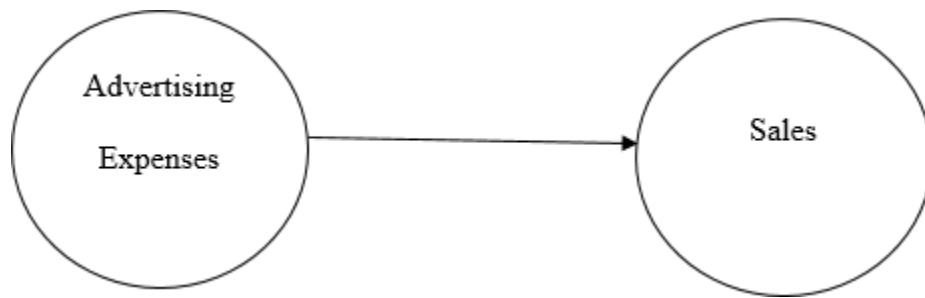
with data collected from the stakeholders of the industry. The stakeholders are comprised of the customers and employees because they both have a role in the sales of fertilizers in Pakistan. The data collection for the study is conducted with the help of a questionnaire adapted from a similar study on the topic. The main purpose of using the adopted questionnaire for the data collection is to have reliability and validity in the data collection. The adopted questionnaire for the study has fourteen questions four related to the demography of the audience and ten related to the variables of the study. The questions on the variables are based on a five-point Likert consisting of the options varying from strongly disagree to strongly agree. The questionnaire for the data collection is sent to the stakeholders through google forms to collect data from employees and customers. The use of google forms in data collection is mainly due to data accuracy and privacy of the audience. The collected data from the stakeholders is sorted in Microsoft Excel before analyzing it on the SPSS software.

Theoretical Framework

The theoretical framework of the study consists of the AIDA theory of advertising. The AIDA consists of four steps mainly attraction, interest, desire, and action. The theory is mainly used by advertisers to measure the effectiveness of advertising. The AIDA theory states that advertising has an impact on sales and therefore businesses should spend more on advertising to attract customers (Chemmanur & Yan, 2019).

Conceptual Framework

The Conceptual framework consists of two variables advertising expenses and sales. In the framework, advertising expense is the independent variable whereas sales will be the dependent variable.



Independent Variable: Advertising Expenses

The advertising expense in the study is the independent variable, which consists of the various expenses companies in the fertilizers industry occur to attract customers and increase the sales of the fertilizers. The change in the sale of fertilizers due to changes in advertising expenses is the main objective of the study. These expenses consist of the various marketing activities conducted by the companies to get the customer aware of the benefits of the product and make them purchase the fertilizers to increase the sales volume of the company.

Dependent Variable: Sales

The sale of the fertilizers industry is the dependent variable in the study, which consists of the sales volume in the fertilizers industry and the change in the sales volume due to advertising expenses. The sales in the fertilizers industry heavily depend upon the behavior of the customers whether they want to purchase fertilizers or not. Thus, businesses in the fertilizers industry try their best to attract customers through various advertising campaigns to buy fertilizers and use them to increase their sales.

Data Analysis

The data analysis of the study is conducted with the help of the statistical software SPSS and the data is collected from the stakeholders of the fertilizers industry, such as customers and employees.

The data analysis in the study is conducted in three phases first one is descriptive statistics, the second is reliability statistics, and the third is correlation. The interpretation of these three statistical analyses is given for a better assessment of the hypothesis.

Descriptive Statistics

Frequencies

		Statistics									
		A1	A2	A3	A4	A5	S1	S2	S3	S4	S5
N	Valid	200	200	200	200	200	200	200	200	200	200
	Missing	0	0	0	0	0	0	0	0	0	0
Mean		3.7200	3.5350	4.4100	3.5800	2.1850	3.3100	4.2900	4.0500	3.9950	4.2000
Std. Deviation		1.13934	.95042	.58619	.96345	1.02765	.97398	.68428	.42236	.77975	.56710
Skewness		-.421	-.899	-.400	-.434	.716	-.096	-.823	-.091	-.634	-.668
Std. Error of Skewness		.172	.172	.172	.172	.172	.172	.172	.172	.172	.172
Kurtosis		-1.233	.899	-.702	-.823	-.592	-1.049	1.533	4.723	.314	4.341
Std. Error of Kurtosis		.342	.342	.342	.342	.342	.342	.342	.342	.342	.342

Interpretation: The descriptive statistics on the questionnaire items of advertising expenses and their role in sales show the mean, standard deviation, skewness, and kurtosis of the data. The mean in statistical analysis is the average of the responses on the data, and in the table, it is above three which shows that the responses of the audience are very much inclined towards agree (4). The standard deviation in the statistical analysis shows the fluctuation in the data, in the table, it lies in the range of one and below which shows that there is not much deviation in the data. The skewness in the statistical analysis shows the range of the graph in the positive, negative, or normal range, and the skewness analysis in the table shows that the data has negative skewness. Whereas, the kurtosis in the statistical analysis is about the tail of the data in positive, negative, or normal. The analysis table shows that the data has negative kurtosis (Cresswell & Clark, 2017).

Reliability Statistics

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	200	100.0
	Excluded ^a	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.800	10

Interpretation: The reliability analysis of the data of the advertising expenses and its role in sales in the fertilizers industry shows that the questionnaire has ten items and there are two hundred duly filled questionnaires with a Cronbach alpha of 0.8, which shows that the items in the study are reliable and data can be used for the empirical study (Tavakol & Dennick, 2011).

Correlation Statistics

→ Correlations

Correlations			
		AA	AS
AA	Pearson Correlation	1	.350**
	Sig. (2-tailed)		.000
	N	200	200
AS	Pearson Correlation	.350**	1
	Sig. (2-tailed)	.000	
	N	200	200

** . Correlation is significant at the 0.01 level (2-tailed).

Interpretation: The variables of the study on advertising expenses and their role in sales of the fertilizers industry of Pakistan show that they have a medium positive correlation. The Pearson Correlation of 0.35 in the above table shows that the variables have a medium positive relationship among them because they are in the correlation category of 0.3 to 0.5 (Schober, Boer, & Schwarte, 2018).

Conclusion

The primary goal of the business is to increase profitability in order to increase the wealth of the shareholders. The businesses working in the fertilizers industry of Pakistan are also trying to increase their profitability by increasing their sales volume. Companies in the business of fertilizers use various strategies to increase their sales volume and one of the strategies is increasing their advertising expenses, but it is not known whether the strategy has been a success or not. Thus, to measure the success or failure of the strategy it was analyzed on statistical tools with data. The data for the study was collected from the stakeholders of the fertilizers industry who are getting the direct impact of the advertising such as customers and employees. The collected

data was analyzed and the analysis was performed on the statistical tool SPSS. The results of the analysis show that advertising expenses have a medium positive role in the sales of fertilizers in Pakistan as shown by the correlation analysis of the variables. Therefore, it can be concluded that the increase in advertising expenses can increase the sales of fertilizers in Pakistan.

Recommendation

The results of the study show that the research on the role of advertising expenses on the sales of the fertilizers industry in Pakistan has given conclusive results by proving the hypothesis of the study that advertising expenses have a positive relationship with the sales of fertilizers. Thus, it can be said that if a company in the fertilizers industry wants to increase sales, it must have to increase its advertising expense to create awareness among the customers about the benefits of fertilizers so that the customers can purchase them for use in agriculture. The increase in the sales of fertilizers by customers will increase the sales and thus will increase the profitability of the company.

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Appendix 01

QUESTIONNAIRE

SECTION A

Instruction: Please tick or mark where applicable.

- Sex: (a) Male ()
 (b) Female ()
 Age Distribution: (a) Below 25years ()
 (b) 25 – 35 years ()
 (c) Above 46 years ()
 Marital Status: (a) Single ()
 (b) Married ()
 Designation: (a) Manager ()
 (b) Head of Department ()
 (c) Staff [Junior & senior] ()
 (d) Others ()

	SECTION B	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
1	No product can survive competition without intensive advertisement					
2	Advertising activities increase the length of leisure period					
3	Advertising will increase organization target market and boost sales					
4	The advertising target often includes everyone in the firm target					
5	The advertising programme of the company has no impact on the sales volume of their product.					
6	Most advertisement are misleading and false.					
7	Advertisement is a strong tool in tapping into consumers buying power.					
8	Advertising creates product differentiation					
9	Selection of advertising media is of primary concern to an organization					
10	An organization must consider their financial status before embarking on advertisement					