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EFFECT OF ADVERTISING ON PERFORMANCE OF SELECTED MANUFACTURING FIRMS IN NIGERIA

Naati ADAMU

Abuja Environmental Protection Board, Federal capital territory administration Abuja-Nigeria.

Corresponding Email; drmistanatgaya@gmail.com

ORCID ID :*https://orcid.org/0009-0003-51820308*

ABSTRACT

Advertising is a persuasive communication which attempt to change or reinforce one's prior attitude and it is basically done not only inform customers about product rather. it is a process which further influences and persuades customers to purchase a product or services. The objective is to determine the effect of advertising on sales revenue sale volume and profitability of the food and beverages firms in Nigeria. Data were collected purely through secondary sources by extracting the relevant data from the annual report and account of the food and beverages firm from 2003 to 2015 where annual figures for advertising expenses available in the annual report and account were used as a measure of advertising data related to annual sale revenue, sales volume and profitability were also used. The study commenced by establishing the gap that spur this study It was discovered that research paid little attention to the effect of advertising cost on the sales revenue and profitability of the firms The study therefore recommends amongst others that. Management should emphasize on strategic policy to enhance advertisement budgets from time to time in tandem with economic realities review of policy on products, so that multiple approaches could be used to reach target consumers, other promotional products and right medium should be put in place as to enhance sales revenue, sales volume and profitability of the product or services to guaranty efficient and effective advertising.

Keywords: Advertising Expenditure, Sales Revenue, Profitability, Food and Beverages Firms, Manufacturing Performance

INTRODUCTION

1.1 Background to the Study

The role of sales promotion in the form of advertising in promoting product and service awareness among consumers cannot be overstressed. Advertisement provides a platform for firms to create awareness about their products or services and how consumers can make the best out of such products. Olusegun (2006) opined that all advertisement must be honest and follow ethical standards and must not be perceived by the target consumer as lie; otherwise it can batter the image of a company and hinder it from building successful brands. Thus, for advertising to be effective, it must have an appeal, attract attention, command interest, inspire conviction and must provoke interest. In the same vein, Okeji (2008) posited that a good advert message should not be boring but rather reflect the lifecycle of the product. He concluded that advertising must be exposed in the right medium as this will enable organization to reach the right people with the right message. A number of studies such as Herbert (1982), Nigel (1994), Gladson and Chinedu (2005) and Meshach (2007) have shown that advertising is a major competitive tool in establishing position in the market place. Companies use advertising not only to market and promote their products but to among other things wade-off competitors, improve their brands and create a vintage-point for their products in the presence of anticipated users, buyers or clientele. Persons, organizations, groups, government agencies and different sectors of many economies employ advertising to marshal messages to target to disseminate messages and build brand peelerances. As is the trend goal in sales pretion to get their existing and prospective consumers informed about their products and servis Among all the tweils of sales promotion in Nigeria, advertising has grown over the years to become the most prominent and easily understandable to firms, and the mend public (Haruna, 2005 therefore not surprising that routes commited to shetisement by firms in Nigeria have grown astronomically over the years: Studies by Akants and Adryeye (2011-have posited that in Nigeria, advertising is more pranongmanufacturing firms especially these in the food and beverages sector as awareness regarding their products can reach the consumers more rapidly through this channel. They also argued further that the companies listed under food and beverages sector stand distinct as a model for the use of advertisement to rapidly reach out to consumers. This can be substantiated by the revelations made by Kingsley (2012) who explained that Euro Monitor International in its recent findings showed that the Nigerian food and beverages sector was ranked one of the best-performing segments of Nigeria's manufacturing industry. The findings further revealed that operating capacity was generally at a higher level in the sector than within the Nigerian manufacturing sector as a whole, and the sector have shown good returns in the Stock Exchange.

Analysts have argued that even though the use of advertisement as a promotional tool is common among manufacturing firms in Nigeria like food and beverages firms committing

huge sums of money into advertising companies do not automatically translate to better performance indices for the organizations. It has been argued that advertising, even when very extensive, does not lead automatically to purchase because it is the culmination of a whole sequence of events (Abiodun, 2011)

The foregoing has shown clearly that advertising does not take place without the organization incurring some costs to that effect. Hence, many are of the belief that the desirability or otherwise of advertisement by firms in Nigeria could also be established when it is related in the context of sales and the profits that advertising companies realizz at the end. Against this backdrop of controversy, it became very pertinent to investigate the extent to which the advertising costs of manufacturing firms in Nigeria affect their sales revenue and profits. Consequently this study was conducted with the intent of establishing the extent to which the advert of the food and beverages firms affect their sales revenue and net profits.

1.2 Statement of the Problem

Despite the fact that the advertising budget of the food and beverages companies had grown over the years to constitute a reasonable chunk of expenditure for the companies little research attention has been paid to the effect of such advertising costs on the sales revenue and net profit of the companies The study by Akanbi and Adeyeye 20111 which sought to establish the effect of advertising on the sales volume of the Nigerian Banding Company Ple utilizing data from the annual accounts and reports of only une company from 1999 to 2009 which are shepdate the stanly to starreen litics by stilising the date sought from Caseyond Noth Nigeria Pie both in list mad beverages sogar 2015.

1.3 Research Questions

Following from the statement of the problem, the study seeks to find answers to the following basic questions:

i. To what extent does advertising affect sales revenue of the food and beverages firms in Nigeria?
ii. To what extent does advertising affect the net profit of the food and beverages firms in Nigeria?
iii. To what extent does advertising affect sales volume of food and beverages firms in Nigeria?

14 Objectives of the Study

The main objective of the study is to determine the effect of advertising on the sales revenue, sales volume and profitability of the food and beverages firms in Nigeria. The specific objectives of the study are to:

i. Determine the extent to which advertising affect the sales revenue of the food and beverages firms in Nigeria.
ii. Evaluate the effect of the advertising on the net profit of the food and beverages firms in Nigeria.
iii. Determine the extent to which advertising affect sales volume of the food and beverages firms in Nigeria.

1.5. Statement of Hypotheses

The hypotheses to be tested by the study, stated in the null form, are as follows:

H_{01}: Advertising have no significant effect on the sales revenue of the food and beverages' firms in Nigeria.

H_{02}: Advertising has no significant effect on the net profit of the food and beverages firms in Nigeria.

H_{03}: Advertising has no significant effect on the sales volume of the food and beverages firms in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Review

Advertising is one of the most significant aspects of marketing communication that is used by organisations to communicate information, persuade and influence consumers about their products, services and ideas. It could generally be described as a paid, non-personal communication about an organization, product, service or idea from an identifiable sponsor (Bennett, 2006). Television, radio, newspapers, magazines, billboards and the internet are all used for advertising. Its primary goal is to increase awareness, affect consumer behavior, build brand preference and ultimately increase product patronage and organizational performance (Kotler, 2000; Shimp, 2007). Also, advertising helps companies to inform the public about the features of their products, stand out from competitors and keep their products in the market.

The purpose of advertising is supposed to be well-defined and linked to the marketing objectives of an organization. As per Kotler 2001 advertising goals can be categorized as informative, persuasive and reminder advertising. Informative advertising is a kind of advertising that is conducted to gain awareness and give relevant information about the product, especially on the introduction of it. Persuasive advertising is used in competitive markets to get the customer to buy a specific product or brand, as opposed to other similar

offerings, and reminder advertising is used to get them to buy a product or brand that is already established. Sales results, behavioural responses and Communication effects are the ways in which advertising effectiveness can be measured. Communication effects can be awareness, knowledge, attitudes and brand preference, while behavioural effects can be requesting information about the product or visiting a retail outlet (Adeleye, 1998).

Creating an effective advertising message requires knowledge of the target market, the product's features and the benefits the consumers think are important. Kotler (2000) described the process of developing an ad message as one of generating possible appeals, evaluating and selecting possible messages, executing the selected message and reviewing the social responsibility of the message. It is important that an effective message is desirable, exclusive and believable. But the effectiveness of advertising relies as much on the way that the audience reads and interprets the ad. Messages that are not congruent with consumers' needs, beliefs or attitudes may be ignored. Thus, the advertiser needs to know the nature of the audience they want to appeal to and the type of message that will be able to gain their attention and convey his or her message (Dacin, 1998).

Another important determinant of advertising effectiveness is the medium used for the advertisement. Shimp (2002) pointed out that the media that should be selected is the one that can reach the target audience and effectively communicate the advertising message. The factors that will affect the choice of the media are the cost of advertising, the characteristics of the product, the characteristics of the audience, the goal of the campaign, the characteristics of the message, and geographical coverage. Television has widespread reach and includes both sound and action, but requires a lot of funds. Radio, generally low-cost and with geographical selectivity, but only audio communication. Newspapers are good for local market coverage and magazines are good for credibility and long message exposure. In contrast to internet advertising, outdoor advertising creates multiple exposures and provides opportunities for interaction, and it costs relatively little (Kotler, 2000). Therefore, an organization will need to choose media that will align with their advertising goals, target audiences and budget.

Advertising performs several functions in an organization, including informing consumers about products, educating them on product usage, persuading them to purchase, reminding existing customers and creating favourable corporate images. It may also foster competition, spur product innovation, open up markets and boost sales revenue (Adewale, 2004). Shimp (2007) listed informing, influencing, reminding, adding value, and assisting other activities of other organizational marketing as being the major communication functions of advertising. Advertising can likewise help to augment the value of the product by building good brand associations and assist individuals to appreciate the advantages of choices that are accessible to them (Akanbi & Adeyeye, 2011).

There are several ways advertising can be categorized, such as by medium, by sponsor, by geographic reach, by audience and by product life-cycle stage. Media-based advertising can be classified as print and electronic advertisement. It could be a sponsorship or manufacturer/cooperative advertising. Geographical classification covers local and national ads, whereas audience classification covers consumer, industrial, trade and professional ads. Also, advertising could be categorized based on the product life cycle. Pioneering Advertising, Competitive Advertising, and Reminder Advertising are the three types of advertising which are basic to the advertising process (Colley, 1961; Lavidge & Steiner, 1961).

Typically, the effectiveness of the advertising message is judged by the outcomes of the communication and the results of the sales. Communication measurements evaluate the impact of advertising on awareness, knowledge, attitudes and preferences; and sales measurements evaluate the impact on revenue, sales volume and profitability. According to Kotler (2000), the effectiveness of advertising relies on the content of the message, selection of media, product perception and other market conditions. The measurement of sales effects can be complicated though because sales are affected by a number of factors, such as product quality, price, etc. and by competitors' activities. Thus, the assessment of advertising expenditures should focus on their contribution to organizational performance and not be assessed on their own.

Advertising budgeting is necessary because organisations need to make their precious money work efficiently. Common methods of determining advertising budgets include the affordable method, percentage-of-sales method, objective-and-task method and competitive-parity method (Agbonifoh et al., 1999). The right amount of advertising investment relies on the product life cycle, market share, competitive strength, ad frequency, product features, and resources of the organization (Boone & Kurtz, 1980). While advertising can enhance awareness and sales, it has also been criticized for causing unnecessary consumption, as well as increasing the cost of products and services to consumers and preventing smaller companies from competing (Adewale, 2004; Bennett, 2006). These are all criticisms that highlight the importance of responsible advertising and financial management.

2.2 Empirical Review

Researchers have investigated the link between advertising and organizational performance in Nigeria, either empirically or numerically.Emphatically, the link between advertising and organizational performance in Nigeria has been studied in Nigeria by several empirical and numerical studies. Okeji (2008) carried out a study on the effectiveness of advertising as a marketing instrument in food and beverage industry in Nigeria, which involved 50 staff members of Nigerian Bottling Company. The research

found that advertising was a positive factor concerning sales. But the sample size was arbitrarily determined, which affected generalizability of findings.

Akanbi and Adeyeye (2011) analyzed the impact of advertising on the sales volume of Nigerian Bottling Company Plc in Nigeria for the period 1999 to 2009 and adopted the ordinary least square regression and t-test. The researchers concluded that there was a significant correlation between the advertising expenses and the sales volume. However, the not stationarity of the time-series data was a methodological drawback.

Abiodun (2011) studied the effect of advertising on the volume of sales of the Starcomms Plc. Frequency tables, percentages and chi square analysis were employed in the study. However, some restrictions due to sampling procedures, questionnaire validity and reliability, and the number of questionnaires returned undermined the strength of its results.

Aiken (2011) studied customer attitude towards internet advertising and e-sales in Nigeria MTN as a case study. The study did find a relationship between internet advertising and online sales, but there were some problems with the measurement of variables and sampling procedures. The same applies to the study conducted by Olufayo, Ladipo and Bakare (2012) on the effect of advertising on the patronage of a new product (Nestlé Plc). They studied 170 respondents and discovered relationships between the customer patronage and advertising, and between the sales volume and advertising budget allocation. But, the use of correlation prevented causal inferences.

The overall findings of these studies can be summarized as a correlation between advertising and sales volume and customer patronage. However, the fact that the attention of food and beverages companies in Nigeria to the relationship between advertising expenditure and profitability is narrowly targeted and methodological limitations justify further research.

2.3 Theoretical Framework

This study was based on the Sales Effect Model and Dynamic Theory of Profitability. Leads and Shultz (1997) propose that the sale should be viewed as an investment in organizational resources, and this is the basis of the Sales Effect Model. Its value is measured by comparing the amount of extra sales revenue the advertising produces with the cost of the advertising. This model has applicability in the context of study because it

gives an insight into the relationship between the advertising spend and the sales performance.

The Dynamic Theory of Profitability defines profit as the gap between revenue and costs, and it suggests that the economic condition and the technological advancement could affect the production's costs and the returns in the business (Don, 2009). Profitability is one of the key factors reflecting the performance of business and its long-term survival. The theory is pertinent as it is possible that advertising can raise the level of sales, but only if the additional product revenues generated by the advertising provide an overall increase in profitability after advertising and other operating expenses are considered.

Finally, literature suggests that advertising can impact on consumer's awareness, patronage of the product, product volume sales, and organizational profitability. But the role of advertising is effective only if the message is developed appropriately, media is selected, budgeting and evaluation. Relationships between advertising and sales have already been created in previous Nigerian studies but there are still methodological limitations and less attention paid to profitability. The present study thus focuses on the study of advertising expenditure on food and beverage firms in Nigeria in relation to its sales and profitability.

3. RESEARCH METHODOLOGY

3.1 Introduction

In a research work, it is of high significance that the information provided meets the purpose and should be reliable too. This is a function of data collection adopted. This chapter focuses on research design, method of data collection adopted for the study and the method of data analysis employed for this study.

3.2 Research Design

This work has utilized the correlational research design as the approach for the study. The choice of the design is necessitated by the fact that the study sought to establish relationship among variables. Since the study specifically intended to establish the effect of costs on the sales revenue, sales volume and profitability of the food and beverages firms in Nigeria. The appropriate design for the research work is the correlational design

3.3 Population and Sample of the Study

The population of the study consisted of the fifteen firms listed under the food, beverages and tobacco sector of the Nigerian Stock Exchange at 31 December 2015. Some companies were purposively selected from the food and beverages firms as samples by the study because of their accurate and up-to-date data and the longevity of their existence. Industry

analysts believe that the companies' use of advertising were unique within the industry (Kingsley, 2012).

Using filtering to the whole companies data filed in the Abuja and Kaduna Stock Exchange libraries, thus companies whose data were available for the period of the study.

were picked up. And those companies whose data were not complete were not considered for the study.

3.4 Sources and Method of Data Collection

Data for the study was collected purely through secondary sources by extracting the relevant data from the annual report and accounts of Cadbury Nigeria plc and Nestle Food plc in Nigeria from 2003 to 2015. The study therefore used annual figures for advertising expenses available in the annual report and accounts of the companies from 2003 to 2015 as a measure of advertising. Further, data relating to the annual total sales revenue of the companies for the period of the study were collected from the same annual report and accounts. Lastly, data on the profit after tax or the net profit of the companies which are also available in the annual report and accounts were collected over the period of the study.

3.5 Technique of Data Analysis

The techniques of data analysis used in this study are the descriptive statistics and Ordinary Least Squares (OLS) regression analysis. They were employed to ascertain the effect of advertising on the sales revenue, sales volume and the net profit of the firms.

In order to ensure that none of the assumptions guiding OLS estimation was violated, the residuals of the regression model was subjected to the Breusch-Godfrey serial correlation test in order to ensure that there is no serial dependence among the variables of the study

3.6 Model Specification and Development

The model of the study was premised on the simple linear relationship that advertising should have some sort of effect on sales. This relationship could be modeled below:

$$TS_{it} = a_q + \beta_1 AC_{i,t} \quad - \quad - \quad - \quad - \quad - \quad - \quad 1$$

Where $TS_{i,t}$ is the total sales revenue for the company at time t, α_0 and β are the intercept and coefficients to be estimated, $AC_{i,t}$ is the advertising cost of the company at time t, and $E_{i,t}$ is the random disturbance term. To model the effect of advertising on the net profit of the company, the following simple relationship become obvious:

$$PAT_{i,t} = \alpha_0 + \beta_1 AC_{i,t} \quad - \quad - \quad - \quad - \quad - \quad - \quad 2$$

Where $PAT_{i,t}$ is the profit after tax for the company at time, t, and α_0, B1, $AC_{i,t}$ and $e_{i,t}$ are the intercept and coefficients to be estimate, is the advertising cost of the company at time t, and it the random disturbance term.

Thus, hypothesis one of the study would be tested using equation (1), while hypothesis two would be tested based on equation (2).

The table below provided a summary of the variables and their descriptions as they were used by the study.

Table 3.1: Variable Measurement

Variable name	Variable description
Advertising	Measured by annual total costs of advertising by the company
Total sales	Measured by annual total sales revenue reported by the company.
Profitability	Measured by annual Profit/Loss after tax reported by the company.

4. RESULTS AND DISCUSSION

4.1 Introduction

in this chapter, the various data sourced from the annual financial statements of the selected food and beverages firms in Nigeria were presented. Finally, the findings in this study were discussed in line with other previous findings in this chapter.

4.2 Descriptive Statistics

Descriptive statistics

	N	Minimum	Maximum	Mean	Std deviation	Skewness		Kurtosis	
	Statistic	Statistics	Statistics	Statistics	Statistics	Statistics	Std. Statistics	Statistics	Std. Error
Sales	13	1.92E10	6.20E11	1.1099E11	1.58245E11	3.214	.616	10.929	1.191
PAT	13	6.33E8	5.52E10	1.963E10	1.48900E10	2.369	.616	6.138	1.191
Advert	13	3.08E8	2.39E11	2.4914E10	6.45664E10	3.557	.616	12.746	1.191
Valid	13								
N (list wise)									

The basic characteristics of the variables under study were shown in the table above in form of descriptive statistic. The average expenditure on advert was N2.49 billion as the average expenditure on profit after tax was N1.196 billion and that of sales revenue was N1.109 billion respectively for the period of the study. On the other hand, the minimum value for the advert was N3.08billion and its maximum value stood at N2.39billion. For the profit after tax, the minimum value was N6.33 billion and its maximum value was N5.52 billion. Further, the minimum value for the sales revenue was N1.92 billion with a corresponding maximum value of No.20 billion for the period. The standard deviation of 2.491: 7304, and1 583 for advertising costs, profit after tas and total sales respectively for the food and beverages firms in Nigeria were indicative of the variables deviation around their respective means

In terms of skewness, the companies have portrayed the values of 0.616and 0.616 for advert cost and total sales respectively and were positively skewed. This implied that the variables exhibited normal distribution with a right long tail. For the profit after tax, the skewness of 1.573 distribution had shown flatness with a right long tail Further, in terms of kurtosis, advert cost has a value of 12.446 and total sales have a value of 109, implying that the series exhibited flatness. The profit after tax's kurtosis value of 2014 had shown flatness distribution for this study.

4.3 Advertising and Sales

Model summary[b]

Model	R	R square	Adjusted r square	Std. error of the estimate	Durbin-watson
1	.857[a]	.734	.683	2.646533E11	1.514

a. Predictors: (constant), Advert
b. Dependent variable: sales

ANOVA[b]

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression Residual Total	2.281E21 2.982E23 3.005E23	1 11 12	2.281E21 2.711E22	24.084	.000[a]

a. Predictors: (constant), Advert
b. Dependent Variable: Sales

Coefficients[a]

Model	Unstandardized Coefficient		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(constant) Advert	1.057 9.14	4.921 .736	 .087	.214 1.241	.000 .005

a. Dependent Variable: Sales

The regression line Sales 1.057+0.914Advert indicates that Sales of quoted Food and Beverages Company in Nigeria will decrease by 0.914units for every lunit increase in Advertising Cost (Advert). The significant value or P-value of 0.005 is less than the t-value of 0.05. The study, therefore, rejects Null Hypothesis that the effect of Advert on Sales revenue of quoted Food and Beverages Company in Nigeria is significant. This is corroborate by the correlation coefficient (r) of 0.857 that shows a strong relationship and the coefficient of determination (R2) of 0.734 which indicates that about 73.4% of variation in sales can be explained by Advert or the ability of the regression line to predict sales is about 73.4%. In the absent of the Advert, sales quoted Food and Beverages Company in Nigeria will remain 1.057 as indicated by constant (a). The F-Stat of 24.084 and its corresponding p-value of 0.000 indicate the fitness of the model.

4.4 Advertising and PAT

Model summary[b]

Model	R	R Square	Adjusted R square	Std. Error of the Estimate	Durbin-Watson
1	.788[a]	.620	.585	2.489090	1.538

a. Predictors: (constant), Advert

Model summary[b]

Model	R	R Square	Adjusted R square	Std. Error of the Estimate	Durbin-Watson
1	.788[a]	.620	.585	2.489090	1.538

a. Predictors: (constant), Advert
b. Dependent Variable: PAT

ANOVA[b]

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression Residual Total	2.214E20 2.439E21 2.661E21	1 11 12	2.214E20 2.217E20	32.999	.000[a]

a. Predictors: (constant), Advert
b. Dependent Variable: Sales

Coefficients[a]

Model	Unstandardized Coefficient		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(constant) Advert	1.031 .961	4.451 .067	 .288	.231 14.343	0.41 .000

a. Dependent Variable: PAT

The regression line PAT 1.031+0.961 Advert indicates that Profit after Tax (PAT) of quoted Food and Beverages Company in Nigeria will decrease by 0.961 units for every lunit increase in Advertising Cost (Advert). The significant value or P-value of 0.000 is less than the t-value of 0.05. The study, therefore, rejects Null Hypothesis that the effect of Advert on PAT of quoted Food and Beverages Company in Nigeria is significant. This is corroborate by the correlation coefficient (r) of 0.788 that shows a strong relationship and the coefficient of determination (R2) of 0.620 which indicates that about 62% of variation in PAT can be explained by Advert or the ability of the regression line to predict PAT is about 62%. In the absent of the Advert, PAT quoted Food and Beverages Company in Nigeria will remain 1.031 as indicated by constant (a). The F-Stat of 32.999 and its corresponding p-value of 0.000 indicate the fitness of the model.

4.5 Sales and PAT

Model summary[b]

Model	R	R Square	Adjusted R square	Std. Error of the Estimate	Durbin-Watson
1	.723[a]	.522	.503	2.55478	1.292

a. Predictors: (constant), Sales
b. Dependent Variable: PAT

ANOVA[b]

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression Residual Total	1.463E18 2.659E21 2.661E21	1 11 12	1.463E18 2.417E20	28.006	.009[a]

a. Predictors: (constant), **Sales**
b. Dependent Variable: PAT

Coefficients[a]

Model	Unstandardized Coefficient		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(constant) Advert	1.172 .802	5.339 .128	 .023	.219 6.265	0.51 .003

a. Dependent Variable: PAT

The regression line PAT 1.172+0.802Sales indicates that Profit after Tax (PAT) of quoted Food and Beverages Company in Nigeria will decrease by 0.802units for every lunit increase in Sales Revenue (Sales). The significant value or P-value of 0.000 is less than the t-value of 0.05. The study, therefore, rejects Null Hypothesis that the effect of Sales on PAT of quoted Food and Beverages Company in Nigeria is significant. This is corroborate by the correlation coefficient (r) of 0.723 that shows a strong relationship and the coefficient of determination (R) of 0.522 which indicates that about 52.2% of variation in PAT can be explained by sales or the ability of the regression line to predict PAT is about 52.2%. In the absent of the sales, PAT quoted Food and Beverages Company in Nigeria will remain 1.172 as indicated by constant (a). The F-Stat of 28.009 and its corresponding p-value of 0.009 indicate the fitness of the model.

4.6 Discussion of Findings

The results above clearly indicated that advertising cost is positively related to sales revenue and profitability of quoted food and beverages companies in Nigeria with statistical significance. This implies that, sales of quoted food and beverages companies in Nigeria increases as advertising cost increases. The finding is consistent with prior findings in Okeji (2008); Abiodun (2011): Akeem (2011); Akanbi and Adeyeye (2011), Olufayo, Ladipo and Bakare (2012) who found significant relationship between advertising costs and the sales revenues of the various companies. A similar positive and significant effect of sales revenue on profitability of quoted food and beverages companies in Nigeria was

found. This means that, increase in sales of quoted food and beverages companies in Nigeria increases their profitability. This is also in tandem with the work of Comanor and Wilson (1967); Carl and David (2013).

The results above revealed that advertising cost it positively related to sales revenue and profitability of quoted food and beverages companies in Nigeria with significance. This implies that, sales of quoted food and beverages, companies in Nigeria increases as advertising cost increases. A similar positive and significant effect of sal revenue on profitability of quoted food and beverages companies in Nigeria was Donsd This means that, increase in sales of quoted food and beverages companies in Nigela increases their profitability.

5. CONLUSION AND RECOMMENDATION

5.2 Conclusion

Advertising is a persuasive communication that attempts to inform the consumer, shape their attitude, and get them to buy the product. This study analysed the impact of the advertising expenditure on sales revenue and profitability of selected food and beverage Companies in Nigeria. The secondary data collected for advertising expenditure, sales revenue and profits were the data available from annual reports of the companies during 2003-2015. Carefully selected the companies according to the availability of data and preliminary observations.

The first hypothesis was supported as there was no statistically significant difference in sales revenue due to advertising costs. This implies that there was no corresponding rise in sales from the advertising expenditure, possibly due to poor budgets, poor media selection or poor allocation of advertising resources. The second one, however, suggested that there was a significant relation between the cost of advertising and profitability. This could be due to advertising and other factors affecting the organization and the market.

The study concluded that advertising is an important tool to enhance the effectiveness of an organization, if used correctly. But the sales revenue and profitability are additionally affected by product quality, pricing, brand reputation, customer loyalty, personal selling, publicity and sales promotion. Hence, the effective advertising strategy should be used along with other promotional activities and market conditions to enhance the sales and profitability of the business.

5.3 Recommendations

Based on the findings and the conclusion reached in this study, the following recommendations were made:

i. The management should emphasize on advertising as an important and strategic policy aimed at increasing sales revenue of the firms while formulating strategies relating to sales revenue and profitability promotion policy. This could be achieved through the commitment of more financial resources and the enhancement of advertisement budgets from time to time in tandem with economic realities.
ii. We recommended that there is the cogent need for the management to review their existing advertising policy on their products so that multiple approaches could be used in a cost effective manner to reach out to target consumers and by implication increase sales revenue for the firms.
iii. Other factors which are crucial to increase sales revenue, sales volume and profitability such as, sales promotion, personal selling and publicity etc. which are important should be considered while formulating promotion policy for the firms.
iv. Finally, management should use the right medium of advertising so that the message would reach the target consumers with the right products. By doing so, a large number of consumers would be reached. This could help to increase the patronage of the buyers leading to improving the sales revenue of the companies in Nigeria.