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EFFETS OF ADVERTISING ON SALES PERFORMANCES OF PRIVATE ORGANISATIONS IN RWANDA

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ABSTRACT

The study focused on examining the effects of Advertising on sales performance of private organization in Rwanda. Data was collected from 54 participants by use of stratified sampling from ALICOMECH LTD, initially the whole population were 380 but by use of bouchard formula and stratified sampling, the respondents became 54. by use of the stratus, from these respondents there were 34 managers and staff and 20 customers. In order to analyze the effects, regression and correlation techniques were used as the real techniques which display the numerical answer regarding the effects of advertising on sales performance of private organization which indicated the significant effects of one variable to another variable as well as the study also ended by showing that many respondents strongly agreed that advertising

has significant effects on sales performance. The study used a cross-section survey design and the study focused on ALICOMECE LTD; an organization located in western region of Rwanda. The study used both qualitative and quantitative research approaches for Data collection like questionnaire, interview, documentary, observation as well as SPSS for descriptive statistics

Keywords: advertising, informative advertising, persuasive advertising, sales performance

INTRODUCTION

The companies are expanding at an increasing rate and are becoming intensely competitive. Today's dynamic business environment is continuously changing because of globalization, regulatory changes, increasing intensity of competition, increasingly demanding customers, new information technology, and mergers and acquisitions. This has resulted in markets that can be characterized as increasingly turbulent and volatile and have caused many organizations to seek competitive capabilities that enable them to exceed customers' expectations and enhance market and financial performance.

Firms are increasingly adopting advertising to reduce costs, increase market share and sales, and build solid customer relations. When competition is keen, and the consumers are faced with a brand choice in the market, it becomes imperative for the retailers to understand the major factors that can attract the attention of buyers to their outlets. These then form the basis for advertising to increase sales and ultimately the performance of the outlet (Wing et al., 2006).

Advertising belongs to the modern industrial world, and to those countries, which are developing and becoming industrialized. In the past when a shopkeeper or stall-holder had only to show and shout his goods to passers-by advertising, as we know it today hardly existed. Early forms of advertising were signs such as the inn sign, the red-and-white striped barber's pole, the apothecary's jar of colored liquid, and the wheelwright's wheel, some of which have survived until today.

The need for advertising developed with the expansion of population and the growth of towns with their shops and large stores, mass production in factories, roads, and railways to convey goods, and popular newspapers in which to advertise. The large quantities of goods being

produced were made known by means of advertising to unknown customers who lived far from the place of manufacture. This process developed some two hundred years ago in industrialized countries. (Perreault & McCarthy, 1997).

According to Clow and Blaack (2006), advertising represents an important mean by which organizations communicate with their customers, both current and potential. Thus, having clear objectives for advertising will aid operational decision making for advertising programs in effectively conveying the intended message to the audience. The objectives of an advertising campaign may adopt many forms such as the following, increasing brand awareness of existing or creating awareness of brands, building brand image, increases customer traffic, increasing retailer or wholesaler orders, responding to inquiries from end users and channel members, and providing quality information.

Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor (Kotler and Armstrong, 2010). There are various forms of advertising like informative advertising, persuasive advertising, comparison advertising, and reminder advertising. Informative advertising is used to inform consumers about a new product, service, or future or build primary demand. It describes available products and services, corrects false impressions, and builds the image of the company, (Kotler, 2010).

Advertising can be done through print media which includes newspapers, magazines, brochures, audio media for example Radio, and visual media which includes billboards, and television (Kotler and Armstrong 2010). According to Tenant, (2002), advertisement is a gate way to the survival and the performance of organizations in stiff competitions. He also posits that, if messaging about a product or service is effectively transmitted, it influences target audience's attitude, hence repeat buying of a product. Conversely, if a product is not advertised, the likelihoods that it can reach potential customers and make your business stand out from the rest is limited.

The brief background above unequivocally identifies the status and importance of advertisement as an inevitable tool for survival of business in highly competitive market. Despite this importance however, ALICOME Ltd meets challenges in trying to realize its objectives. The problem is that, despite spending huge amount of money on advertisement, sales have not improved to the desired targets.

The Annual Report (2017) on sales revenues denotes that, for the past 3 years, expected sales in ALICOMECEC Ltd have differed from their actual sales. The report states that. ALICOMECEC Ltd expected 60% from sales in the year 2015 but the actual sales they had was 58%”. Same report maintains that, in the year 2016, they expected “65% but realized 57% of sales, and in the year 2017, the industry expected to sale goods worth 62% but only managed to sale goods worth 56%”. There are a number of factors that have been attributed to the losses above. One of them is inefficiencies in which. ALICOMECEC Ltd carries out its advertising.

It is argued for instance that, ALICOMECEC Ltd advertisements in the visual media is done in the foreign language, that is (English), a language that can only be understood by a few people in the country, making the advertisement appealing only to a group of people. The other concern is that, the company advertisements lack the unique selling proposition in the statements used to differentiate their products from competitors. More so, it is argued that advertisements are done in the same way as the competitors making it hard to differentiate its products from others. Besides their company advertisements don’t provide room for further information about their products for clarification (New times April 2017). The magnitude of the problem is quite high, ranging from financial losses to wrong public perception about the products and services. Sales in ALICOMECEC Ltd for the past 3 years have been declining (Annual Report 2017).

Clients continue to defect due to inefficiencies in making product known to clients. Based on the background of the problem above, this study contends for effective approaches to advertisement for the industry to remain competitive and improved performance in business arena. It is in the line of the above argument that this study assessed the effects of advertising on sales performance in private organizations with a case study of ALICOMECEC Ltd

LITERATURE REVIEW

Effects of advertising on organizational performance

Coming to the other aspect like whether high a high or low-quality firm engages in high advertising there is huge signaling literature on advertising spending. Osogbo, (2014) found that

high-quality firms will reduce advertising spending and increase the price from their respective complete information levels. The intuition behind this is that when information is incomplete, the high-quality firm cannot exploit its advantages. Whenever there are advantages in quality, a firm will want to spend less on advertising.

Nelson (1974) explained the way in which advertising as information operates. Manufacturers of experienced goods can increase the demand by advertising heavily, lowering the prices, and increasing the quality; however, consumers have greater marginal revenue for search goods as compared to experienced goods. In the pharmaceutical industry, researchers have found small primary demand effects of detailing and direct-to-consumer advertising (Fischer and Albers (2010); Iizuka and Jin (2005)).

The objective of advertising is to increase sales revenue hence improving sales performance David et al (1988). Effective advertising can increase sales of advertisers' products, and by so doing increase their profits. Advertising provides consumers and other prospects with information about different products that are available to them. This enables consumers to compare and choose between the products and encourages competition. The competition encourages companies to be more price and quality conscious so as to retain customers and clients (Cambridge international college training manual, 2000).

Advertising combines with a host of other influences to determine what contribution advertising makes to the buyer's purchase decision. The retailer John Wanamaker is said to have remarked that he knew that only half of his advertising was effective but he was unable to know which half it was. It is through advertising or other forms of promotion that brands in different market segments can effectively tell people in the market that a product is intended especially for them. Engel 1991, Mc Gann and Russell, 1998).

The significance of advertising is to let customers know that an established brand is still around and it has certain characteristics, uses, and benefits. (Pride et al 1989). Gordon, (1993) states that companies advertise in order to compete in a new and aggressive way within the market to increase their market share through increased customers and utilize the low-cost way of teaching customers to create marketing approaches.

David et al (1988) recognize that many scholars have heard different views on the effect of advertising on sales performance however most of them agree that effective advertising will eventually increase revenue. Dunn 1968 points out that the market needs and conditions are changing; therefore, there is a need for creativity in selling. This will show the company what to produce so as to satisfy the needs of the users. When companies produce such a commodity and they advertise, there is an automatic high response in consumption. Thus, showing the relationship between advertising and sales performance.

RESEARCH METHODOLOGY

Sample and Data Collection

This study was carried out using a questionnaire and interview. This is an instrument that consists of a set of questions where by a large number of people is asked to answer in order to provide data/information to the research. The questionnaire was written in very simple language to avoid ambiguous answers from the respondents. The technique was of utmost importance for us, it helped to gather all the necessary information about this research. For the purpose of this study, the questionnaires were distributed to respondents selected from organization management of ALICOMECE LTD, in order to provide the necessary information related to the effects of advertising on sales performance particularly in ALICOMECE LTD.

The questionnaires were distributed through face-to-face intervention and visiting organization. A total of 54 questionnaires were distributed. According to Bailey (1978), interview this is where the interviewer obtains information from interviewee face to face. In this research the use of this instrument, selected respondent for the interest of this study interviewed. All over this investigation both structured interviews and unstructured interviews were used.

Data was collected using a non-probabilistic sampling (convenient sampling) technique. Data provided was collected from primary sources. Cover letter was also attached with questionnaire to

ensure that there is no risk to participate in this research and also assure you that participation will be confidential.

The survey also had 3 sections. First section was about demographic information which contains items including: age, name, sex, marital status, experience, qualification and so on. The second section indicated how the questions asked to the clients were answered by aid of four scales which are strongly agree, disagree, strongly disagree, agree. The last section is all about all questions addressed to the management and staff of ALICOMECLTD. all questionnaires were received and used.

Scale Used

Data for informative advertising, persuasive advertising, reminder advertising and sales performance was evaluated on 4-point likert scale (1= Strongly Disagree; 2= Disagree; 3= Agree; 4= Strongly Agree). English is mandatory for all the educations in Rwanda and some of the organizations use it. Thus, some of the questionnaires were translated to the participants into native language which is Kinyarwanda.

RESULTS AND DISCUSSIONS

Descriptive Statistics and Correlation

Descriptive statistics of informative advertising, persuasive advertising, reminder advertising and sales performance and correlation were presented.

The First objective of the study was to determine the effects of informative advertising on sales performance. The study sought to establish whether informative advertising has effects on sales performance, this illustrates that the informative advertising has positive significant effects on sales performance and the respondents strongly agreed on this test. As a results, most of the respondent's 95 percent indicated that advertising was informative, with a near percentage indicating creation of awareness. The second objective of the study was to determine the effects of persuasive advertising on sales performance. The study sought to establish whether persuasive advertising has effects on sales performance, as a results, most of the respondent's management and clients, 95 percent agreed that persuasive advertising has effects on sales performance at rate of 70%

Another results from third objective which is about to determine the effects of reminder advertising on sales performance indicated that 92% of respondents strongly agreed that reminder advertising has the effects on sales performance of ALICOMECLTD.

Correlation's analysis

| | Sales performance | Advertising |
|-----------------------|-------------------|-------------|
| Sales performance (r) | 1.000 | |
| (p) Sig. (2 tailed) | | |
| Advertising (r) | 0.894 | |
| (p) Sig. (2 tailed) | 0.018 | 1.000 |

Source: Primary data,2022

According to the Table above, there is a positive relationship between sales performance and advertising of magnitude 0.894.

The positive relationship indicates that there is a correlation between the sales performance with advertising. This notwithstanding, all the factors had a significant p-value ($p < 0.05$) at 95% confidence level. The significance values for relationship between sales performance and advertising was 0.018. This implies that advertising was a significant factor on sales performance.

DISCUSSIONS

Findings of the current study are in line with the previous literature made Nwielaghi & Ogwo (2013) concluded that full utilization of trade promotion strategies affects marketing performance by enhancing sales turnover, increase market share and profitability which support the finding of the study. Adebisi and Babatunde, (2011) supported this finding by commenting that proper application of the promotional mix will increase market share and improve organization growth in the face of a strong competition and as well as promotional mix has a significant positive influence on sales turnover.

Al-Rfou (2012) supported the findings by arguing that intensity of market competition has a positive impact on organizational performance of such companies trying to satisfy their customers by increasing the quality of their products. According to Julian Simon and Johan Arndt concluded

that the effects of advertising budgets follow the micro-economic law of diminishing returns. That is, as the amount of advertising increases, its incremental value decreases.

The logic is that those with the greatest potential to buy will likely act on the first (or earliest) exposures, while those less likely to buy are not likely to change as a result of the advertising. For those who may be potential buyers, each additional advert will supply little or no new information that will affect their decision. Thus, according to the concave-downward function model, the effect of advertising quickly begins to diminish. Budgeting under this model suggests that fewer advertising done by ALICOMECLtd may be needed to create the optimal influence on sales.

The findings augment the findings of Baltas, (2003) who indicated that marketing is perceived by the advertising users as a major source of information on available product in the market as reflected by their positive attitude in the world over. According to Calisir, (2003) advertising is an effective channel for marketing as the ad is attractive and appealing which changes from time to time. The study established that even though the reach of internet is much higher than that of other modes, its ability to attract consumers for awareness creation is very low.

CONCLUSION

To sum up, according to (Pride & Ferrel, 2008: 126) said that Advertising is very important to any business performance however, it is not absolute. It may serve, as a platform to inform or remind consumers of the existence of a product but the purchase decision needs more than that. After the purchase, the buyer begins evaluating the product to ascertain if its actual performance meets expected levels the consumer must be satisfied and convinced with all other factors such as product quality and endorsement among others to take action towards the product.

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