AND IMPORTANCE

Chapter-4
ROLE OF ADVERTISEMENT IN MARKETING FAST MOVING CONSUMER GOODS
-A CASE STUDY
4.1 Introduction
The Indian FMCG sector is the fourth largest sector in the economy. According to analysis conducted by the Associated Chambers of Commerce and Industry of India (Assocham), Fast Moving Consumer Goods (FMCG) sector will witness more than 50 per cent growth in rural and semi-urban India. In totality, it is projected to grow at a CAGR (compounded annual growth rate) of 10 per cent and increase its market size to Rs 100,000 crore from the present level of Rs 48,000 crore. Companies in the sector to benefit will include known names such as ITC, HLL, Dabur, Godrej, Britannia, among others.

The four important companies have been considered in this analysis whose data have been taken from the Annual reports of the Companies. The data have been taken for the last nine years (2003-2012). The Companies are the topmost Companies. Deliberately the companies have been chosen to show the output of FMCG Companies. Britannia Limited Company is situated in KOLKATA which is famous for producing Biscuits Britannia with top line sales growing, making Britannia the leader among FMCG Companies in terms of organic growth. Hindustan Unilever Company has been chosen as it is the topmost Company dealing with Fast Moving Consumer Goods. Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods Company with a heritage of over 75 years in India and touches the lives of two out of three Indians. Indian Tobacco Limited has been chosen as a Company famous for Cigarettes but now if we compare it, then it is a company competing with Britannia in terms of Biscuits. I have
chosen Nestle India as it is one of the leading Companies in FMCG and ranks fifth. Its headquarter is situated in Switzerland. The gross Sales and Profit in Comparison to other Companies is increasing year after year. Nestle is the largest food and beverage company in the world. With a manufacturing facility or office in nearly every country of the world, Nestle often is referred to as "the most multinational of the multinationals." One of the significant characteristics of FMCG sector again is—it spends maximum amount in advertising, keen competition and the availability of different brands of same product may be the reason. Figure 4.1 depicts how maximum share of advertising expenses relate to FMCG sector.

The purpose of present study is to investigate the impact of advertisement on consumer. This aims to explore the role of advertisement expenses incurred by the company which is expected to increase the sale of the company and ultimately the profit of the company leading to the overall growth of the company. Annual reports of the Company have been analyzed to evaluate the impact of advertisement expenses. The results reveal that advertisement attracts towards the preference and choices to influence the consumer buying behavior and ultimately leads the sales of the company to grow. Advertisement expenses influence the consumers and increase the sales of the company. Advertising is simply an economic movement with only one objective behind to increase the consumer demand of the product as well as to enhance the sales volumes. Many advertisers and agencies believe that advertising creates “magic in the market place” (Russell & Lane, 1996). In view of such importance of advertising in FMCG, the present study intends to study the impact thereof on sales and profit.

Figure 4.1: Nielsen’s quarterly Global AdView Pulse report. The largest sector by ad spends has been the FMCG Companies.
4.2 OBJECTIVES OF THE STUDY

- To study the impact of the advertisements expenses on consumer behavior.

- To explore the impact of Advertisement expenses on sales and overall growth of the company.

4.3 Research Methodology adopted and hypothesis drawn in the context of Aforesaid objectives have been shown in chapter 1.
# Introduction to HUL

**Details of Hindustan Unilever Limited**

<table>
<thead>
<tr>
<th>Details</th>
<th>Details</th>
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<tbody>
<tr>
<td>Date of Establishment</td>
<td>17-10 1933</td>
</tr>
<tr>
<td>Revenue</td>
<td>5025.94 ( USD in Millions )</td>
</tr>
<tr>
<td>Market Cap</td>
<td>1244701.99981485 ( Rs. in Millions )</td>
</tr>
<tr>
<td>Corporate Address</td>
<td>Unilever House, B. D. Sawant Marg, Chakala, Andheri East, Mumbai-400099, Maharashtra</td>
</tr>
<tr>
<td></td>
<td><a href="http://www.hul.co.in">www.hul.co.in</a></td>
</tr>
</tbody>
</table>

**Management Details**

- **Chairperson** - Harish Manwani

**Business Operation**

<table>
<thead>
<tr>
<th>Background</th>
<th>Household &amp; Personal Products</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Hindustan Unilever (HUL) is the largest fast moving consumer goods (FMCG) company, a leader in home &amp; personal care products and foods &amp; beverages. HUL's brands are spread across 20 distinct consumer categories, touching lives of every 2 out of 3 Indian.</td>
</tr>
<tr>
<td></td>
<td>It has employee strength over 15000 &amp; 1200 managers. It has created widespread network through its 2000 suppliers &amp; associaties.</td>
</tr>
</tbody>
</table>

**Financials**

- **Total Income** - Rs. 264276.4 Million (year ending Mar 2013)
Hindustan Unilever (HUL) is the largest fast moving consumer goods (FMCG) company, a leader in home & personal care products and foods & beverages. HUL’s brands are spread across 20 distinct consumer categories; touching lives of every 2 out of 3 Indian. It has employee strength over 15000 & 1200 managers. It has created widespread network through its 2000 suppliers & associates. There 75 manufacturing locations in India itself. It caters its wide range of products to 6.3million outlets. It has market capitalization of 11.5billion.

Brands

**Home & personal care:** Under this it has brands that cater to every income segment of population. In this segment it has brands like Lakme, Axe, Pepsodent, Surf Excel, Wheel, Lux, Dove, Fair & Lovely & many more.

**Foods & Beverages:** Under this segment it has brand like Kissan, Knorr Soups, Annapurna, Kwality Walls, Brooke Bond & Lipton.

It has also launch water purifier with the name Pureit.

The FMCG market is set to treble from $11.6 billion in 2003 to $33.4 billion in 2015. Penetration level as well as per capita consumption in most product categories like jams, toothpaste, skin care, hair wash, etc in India is low indicating the untapped market potential. Companies present in FMCG segment like HUL, Dabur, ITC, Godrej & many more have potential to acquire market share.

With over 35 brands spanning 20 distinct categories such as soaps, detergents, shampoos, skin care, toothpastes, deodorants, cosmetics, tea, coffee, packaged foods, ice cream, and water purifiers, the Company is a part of the everyday life of millions of consumers across India.
Its portfolio includes leading household brands such as Lux, Lifebuoy, Surf Excel, Rin, Wheel, Fair & Lovely, Pond’s, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall’s and Pureit.

**Figure: 4.2 Different Brands of HUL Product**

**Product Categories**

Products categories comprise Hair Care, Skin Care, Oral Care, Deodorants and Colour cosmetics. Hair Care continues to be an attractive category with high volume growth, driven through increased consumption and value growth through premiumisation.

*Sunsilk* continued to grow with superior product quality and packaging backed by the distinctive proposition of ‘co-created by experts’. Company continued its focus on market development by investing strongly behind the nascent but emerging high potential hair conditioners segment, thus driving aggressive growth. The Skin Care category holds very strong potential as the country becomes more affluent. In this context, the category delivered strong double digit growth, led by a very powerful innovation programme and strong
market development efforts. *Fair & Lovely* continued to grow well on the back of a re-launch of the brand. *Pond’s White Beauty* continued its strong growth momentum in the year, growing well ahead of the market. *Vaseline* successfully entered many new Skin Care categories during the year including Skin creams, male grooming, Premium jelly and Lip formats, apart from strengthening its core body lotions portfolio.

*Pond’s Talcum Powder* was re-launched in February 2011 and received good response. Company embarked on a plan to accelerate Oral Care business growth and the planned actions were put into market during the financial year. *Pepsodent Germ Kill* credentials were further strengthened with the launch of a focused and engaging ‘*Pappu & Pappa*’ campaign. *Closeup* continued to build its freshness credentials and grew in line with the market. The toothbrush market has witnessed intense competition during the year and Company has put in place robust actions to compete in this fast growing market. With key launches of 2010 continuing to perform as per business plans, the Colour Cosmetics category witnessed stable growth during the year. Deodorants business continued to witness growth. During the year, Company strengthened its position in anti-perspirants category with the launch of *Sure* brand both in roll-on and aerosol spray format. Company continued to drive new innovations across *Dove* and *Axe* led by ‘*Go Fresh*’ range of *Dove* and launch of *Axe Musicstar* Campaign. Company has leveraged digital media to build over a million fans for *Axe* on Facebook and has leveraged gaming and viral campaigns to drive high levels of interaction between the target audience and the brand.

While there was strong volume growth in the Soaps and Detergents category, value grew by 6.1% due to price corrections taken in laundry business in the early part of 2010. Fabric wash recorded its highest volume growth on innovations (*Wheel*) and a significant strengthening of *Rin*. The Company’s cost-effective programmes delivered exceptionally well to neutralize part of the impact. Company will continue to focus on laundry driving innovation and relevant communication, even as costs are controlled across the value chain. Household products recorded double digit volume growth during the period. *Vim* bar continues to perform well. *Domex* continued on its journey to provide better and germ free toilets to the Indian consumer. Personal Wash category recorded good growth during the year. This was driven through innovations across the portfolio (Re-launch of *Lifebuoy* and *Hamam*, launch of *Lux* variants) backed by strong micro marketing and market
development. Through strong use of market mix modeling and focus on cost-effectiveness, the Company was able to grow the category, despite stiff competition and volatile commodity costs. As a result, growth was broad-based across every segment of the category.

The Foods portfolio of Company comprises Beverages (Tea and Coffee), Processed Foods (Kissan, Knorr and Annapurna range of products), Ice Creams and Bakery products (Modern Foods). The Foods business has delivered strong double-digit growth across the portfolio during the year. Consumer and Customer needs have been translated into many relevant and successful innovations in beverages, ice creams and packaged foods segments. Packaged food represents a significant consumer and business opportunity, given changing demographic profiles, rapid urbanisation, dramatic shifts in income pyramid and need for products with health benefits. Company has proactively managed multiple challenges, which include: High competitive intensity from MNC, National as well as local players in many categories; Company has responded through increased promotion and advertising investments and value-enhancing innovations. Significant food inflation across the spectrum leading to market slowdown and down trading; Company has countered this challenge through consumer-centric value packs, judicious price increases and aggressive cost saving programmes.

Return on marketing investments (ROMI) is an area where the company has stepped up focus in recent times. ROMI is about maximising the effectiveness of advertising, promotional and trade investments. The efficiencies generated from the above initiatives are ploughed back into enhancing our product offerings. Company continues to drive supply chain to deliver top-quality products with world class service, at a competitive cost. Company is deploying various techniques that allow them to assess all the marketing levers to drive growth and superior yields from marketing investment. The learnings from the past investments are being deployed to improve the effectiveness of future activities.

**Milestones achieved**

- Five of HUL's leading brands – Lux, Dove, Pears, Clinic Plus and Sunsilk – won the Reader's Digest Trusted Brand 2008 Awards.
• Four HUL brands featured in the top 10 list of the Economic Times Brand Equity’s Most Trusted Brands 2008 survey
• HUL was awarded the Bombay Chamber Civic Award 2007 in the category of Sustainable Environmental Initiatives.
• HUL was selected as the top Indian company in the FMCG sector for the Dun & Bradstreet - American Express Corporate Awards 2007
• HUL ranked 12th in The World’s Most Innovative Companies “The Super 50” list by Forbes.
• Eighteen HUL brands featured in the ‘100 Most Trusted Brands’ list by Brand Equity.
• Seven HUL brands feature in the top 100 list of the Brand Trust Report 2013 published by Trust Research Advisory.
• At the Emvies Media Awards, six HUL brands including Axe, BRU Gold, Ponds, Kissan, Knorr and Surf Excel won awards across 10 award categories across Digital, Outdoor, Print and TV media.
• The ‘Superfast Handwash’ campaign for HUL’s Lifebuoy, created by Lowe Lintas and Partners India won the Bronze Global Effie for 2012.
• HUL lifted Gold, two Silvers and the Grand Prix awards at Spikes Asia 2012 for Kissan tomato Ketchup’s Kissanpur, Rin’s Chamakte Raho and BRU Gold’s print media campaign.
• HUL won the second prize at the Elle Beauty Awards as well as the first position in the makeup category. Lakmé won in nine categories in the awards.
• HUL picked up 5 awards at the Effies. Vaseline won a Silver in the Cosmetics and Toiletries Category.
• HUL brands picked up 40 packaging packaging awards at INDIASTAR 2012.

**Ways of Advertising:**
1) Transit
2) Electronic Media
3) Print Media
4) Direct
Advertisement Analysis

- USP or the common thread through all the advertisements is the Presence of Movie Stars through the ages.
- The product has been positioned on the basis of REFERANCE GROUP by using a celebrity popular at that point in time.
- Some amount of attribute positioning by mentioning the various ingredients has also been done

Thus, for the first time the film star was used as a communication device and not as the main feature of the ad. The move away from the film star and her fantasy world to a regular Lux user, with the focus on the protagonist’s star quality, is a change from the norms set by Lux advertising in the past. With the new communication strategy, the film star is used purely as a communication device to portray star quality in every Lux user.

To quote the marketing of HUL, one word that comes to mind is mammoth. HLL has retained its stronghold as country’s biggest advertiser in 2004. The FMCG giant topped the list of India’s leading advertisers with a combined TV and press ad spend.

4.4.1 Case study of Hindustan Unilever Limited:

Figure 4.3: Graph showing growth of Net sales of Hindustan Unilever Limited Company during Study period.
**Figure 4.4:** Graph showing the advertisement and Sales Promotion expenses of *Hindustan Unilever Limited* Company during the Study period.

**Figure 4.5:** Graph showing the increase of the linear trend ratio of sales/Capital Employed of *Hindustan Unilever Limited* Company.
Figure 4.6: Graph showing the growth of Profit Margin of *Hindustan Unilever Limited* Company during the Study period.
Figure 4.7: Graph showing the growth of Research and Development expenses of *Hindustan Unilever Limited* Company during the Study period.
Table 4.4: Model Expressing the percentage of the dependent and Independent variables

<table>
<thead>
<tr>
<th>Company</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUL</td>
<td>0.964^a</td>
<td>0.93</td>
<td>0.888</td>
<td>1538.572</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Advertisement expenses, Capital Employed, Research and Promotional Expenses

Table 4.5: Anova table showing the significance level of the dependent variable with the help of F test.

<table>
<thead>
<tr>
<th>Company</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUL</td>
<td>Regression</td>
<td>1.58E+08</td>
<td>3</td>
<td>52540000</td>
<td>22.194</td>
</tr>
</tbody>
</table>

^a
Table 4.6: Table showing the significance level of the dependent variable with the help of Multiple Regression analysis i.e T test

<table>
<thead>
<tr>
<th>Company</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>P-Value(Sig)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>T</td>
</tr>
<tr>
<td>(Constant)</td>
<td>6827.519</td>
<td>3012.013</td>
<td>20.267</td>
<td>0.073</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>-0.069</td>
<td>0.868</td>
<td>-0.011</td>
<td>-0.079</td>
</tr>
<tr>
<td>Research and Promotional Expenses</td>
<td>49.839</td>
<td>29.645</td>
<td>0.43</td>
<td>10.681</td>
</tr>
<tr>
<td>Advertisement Expenses</td>
<td>3.312</td>
<td>1.496</td>
<td>0.571</td>
<td>20.214</td>
</tr>
</tbody>
</table>

4.4.2 Summary of findings of Hindustan Unilever Limited
Table 4.2 (page 220) represents the relevant figures of *Hindustan Unilever Limited* about the Shareholders funds, Equity Shares of the Company, Reserve and surplus, Loan funds, Capital employed, Gross sales, Net sales, Advertising and Sales expenses, expenses on Research and Development and Profit Margin. The figures are taken from the annual records of the Company which exhibit that as years are passing by, the Company is making more and more profit leading to the growth and prosperity in the Company. Net Sales of the Company is growing year after year (Figure 4.3) along with the growth of capital employed. But if the growth of sales had been the result of capital employed only, the sales/capital employed ratio would have been same over the period. On the contrary; the ratio is increasing year after year as is shown in Table 4.3 (page 221) and Figure 4.5, that indicates the impact of other independent variables on the dependent variable sales or profit margin. So inter alia, we have taken into consideration the variables like Advertisement and Sales promotion and Research and Development expenses. These two expenses are also increasing over time (Figure 4.4 and 4.7) and both have the impact on the growth of sales and profit margin. But it is crystal clear from Table 4.6 as above that the impact of Advertising and promotional expenses is more significant in comparison to that of Capital employed or Research and Development expenses.

The model chosen for the analysis is the Regression analysis as shown in Table 4.4 (page 130). It proves to be 96.4% significant. It explains the dependent variables on the Independent variables. The Anova table Table 4.5 (page 130) for the Hindustan Unilever Limited Company shows the F value (i.e. 22.194) is >0.001. Hence the Anova value helps us to interpret that the variables taken in the analysis are significant.

The tabulated (critical) value of F for (3, 5) d.f at 5% level of significance is 5.41. Since the computed value of F=22.194 is greater than the critical value, it is significant. Hence the value of test statistic F is significant and we reject H₀ at 5% level of significance and
conclude with 95% confidence that independent variables Advertisement expenses, Capital Employed & Research and Promotional Expenses create impact on Gross Sales and help sales of the Companies to increase.

The tabulated (critical) value of F for (3, 5) d.f at 1% level of significance is 12.06. Since the computed value of F = 22.19 is greater than the critical value, it is significant. Hence the value of test statistic F is significant and we reject $H_0$ at 1% level of significance and concludes with 99% confidence that independent variables Advertisement expenses, Capital Employed & Research and Promotional Expenses creates impact on Gross Sales and helps sales of the Companies to increase.

From statistical table , we find that for 8 degrees of freedom the value of t corresponding to upper 5% and 1% “tail areas” are $t_{0.05} = 1.86$ and $t_{0.01} = 2.90$.

- Since the observed value of t for Capital Employed (-0.079) is smaller than corresponding values of $t_{0.05}$ and $t_{0.01}$, we accept $H_0$ and conclude that alternative Hypothesis $H_1$ is rejected i.e. the Capital Employed is not effective in increasing the sales.

- Since the observed value of t for Research and Promotional Expenses (10.681) is larger than the corresponding values of $t_{0.05}$ and $t_{0.01}$, we reject $H_0$ and conclude that alternative Hypothesis $H_1$ is accepted i.e. the Research and Promotional Expenses is effective in increasing the sales.

- Since the observed value of t for Advertisement Expenses (20.214) is larger than the corresponding values of $t_{0.05}$ and $t_{0.01}$, we reject $H_0$ and conclude that alternative Hypothesis $H_1$ is accepted i.e. the Advertisement Expenses is effective in increasing the sales.

The entire analysis shows that the variables taken have relations with the growth of sales of the company. The variables taken here are Capital Employed, Research and Promotional Expenses and Advertisement Expenses. However the Multiple Regression analysis helps us interpret that Advertisement Expenses is the only independent variable which is affecting the gross sales in a significant way as its t value is higher here (i.e. 20.214) at significance level 0.078. Capital Employed Expenses is not the independent variable which
is affecting the gross sales in a significant way as its t value is less than 2 (i.e. -0.079) at significance level 0.094. Research and Promotional Expenses is independent variable which is affecting the gross sales in a significant way as its t value is more than 2 (i.e. 10.681) at significance level 0.154. Though the Research and promotional expenses is significant, still in comparison to Advertisement expenses the t –value is not so significant. The other dependent variables have t value more than 2 but they are insignificant in the model because of high P-value.

It is clear from the 2003-2004 to 2011-2012 year records that the Company is spending more on the Research and Development which is actually helping them in innovating more. However the ratios, Multiple Regression, Pie Chart and various records from the Annual Reports have helped us to come to a conclusion that the growth of sale in the selected Company is dependent more on Advertisement Expenses. In FMCG sector particularly where everyday newer and newer brands are coming in, no one perhaps will be able to retain the customers without Advertising. R & D expenses are necessary, otherwise new brand cannot be launched, but without Advertising no new launch can be economically viable.

4.5 Profile of Britannia Limited
Introduction to Britannia Industries

Details of Britannia Limited Company

Date of Establishment 1918
Revenue 1050.15 ( USD in Millions )
Market Cap 101781.0391905 ( Rs. in Millions )
Corporate Address 5/1 A,Hungerford Street,KOLKATA-700017, West Bengal
www.britannia.co.in

Management Details
Chairperson - Nusli N Wadia

Business Operation

Consumer Food
- Britannia, one of the India’s biggest brands of the country, has a market share of 33%. A more-than-a-century old Britannia has launched big brands in FMCG Segment.
- The company is expanding its customer base by launching new products and renovating existing ones. Britannia’s brands
The story of Britannia Company one of India's favourite brands reads like a fairy tale. Once upon a time, in 1892 to be precise, a biscuit company was started in a nondescript house in Calcutta (now KOLKATA) with an initial investment of Rs. 295... By 1910, with the advent of electricity, Britannia mechanized its operations, and in 1921, it became the first company east of the Suez Canal to use imported gas ovens. Britannia's business was flourishing. But, more importantly, Britannia was acquiring a reputation for quality and value. As a result, during the tragic World War II, the Government reposed its trust in Britannia by contracting it to supply large quantities of "service biscuits" to the armed forces.

As time moved on, the biscuit market continued to grow... and Britannia grew along with it. In 1975, the Britannia Biscuit Company took over the distribution of biscuits from Parry's who till now distributed Britannia biscuits in India. In the subsequent public issue of 1978, Indian shareholding crossed 60%, firmly establishing the Indianans of the firm. The following year, Britannia Biscuit Company was re-christened Britannia Industries Limited (BIL). Four years later in 1983, it crossed the Rs. 100 crores revenue mark.

On the operations front, the company was making equally dynamic strides. In 1992, it celebrated its Platinum Jubilee. In 1997, the company unveiled its new corporate identity - "Eat Healthy, Think Better" - and made its first foray into the dairy products market. In 1999, the "Britannia Khao, World Cup Jao" promotion further fortified the affinity consumers had with 'Brand Britannia'.

Britannia strode into the 21st Century as one of India's biggest brands and the pre-eminent food brand of the country. It was equally recognized for its innovative approach to products and marketing: the Lagaan Match was voted India's most successful promotional activity of the year 2001 while the delicious Britannia 50-50 Maska-Chaska became India's most successful product launch. In 2002, Britannia's New Business Division formed a joint venture with Fonterra, the world's second largest Dairy Company, and Britannia New Zealand Foods Pvt. Ltd. was born. In recognition of its vision and accelerating graph, Forbes Global rated Britannia 'One amongst the Top 200 Small Companies of the World', and The Economic Times pegged Britannia India's 2nd Most Trusted Brand.
Britannia, one of the India’s biggest brands of the country, has a market share of 33%. A more-than-a-century old Britannia has launched big brands in FMCG Segment. The company is expanding its customer base by launching new products and renovating existing ones. It launched various brands in biscuits, bread, cake & rusk business. It has launched brands like Tiger, Britannia 50:50, and Good Day, Britannia Treat, Marie & many more.

Britannia was once again rated the “Most Trusted Food Brand” by consumers across India in the annual survey done by Nielsen for The Economic Times. This is the fourth year in succession that your Company has achieved this distinction. Additionally, Brand Britannia also rose to the No. 2 position across all product categories amongst India’s Most Trusted Brands, as voted by consumers. The year 2012 also marked the Silver Jubilee year of Company’s most iconic brand - Good Day which saw new advertising and several consumer activities, culminating with the “Heart of Gold” program that showcased stories of ordinary people doing extraordinarily compassionate acts.

The 80-year-old Britannia's biggest problem was that it thought Britannia meant biscuits to the customer. It actually meant health and nutrition. Eat healthy; Think Better is a tangible proposition to the customer. Britannia realised that it would have to both fire up its marketing strategies in its mainline of business, and tap new food categories to grow in too. One reason why it woke up late was because the company didn't have a proper parent until the French food and beverages major, Danone, acquired RJR Nabisco's holding in the company.
The Biscuit market is growing as a whole, thus Britannia stands to benefit just by maintaining itself. The Tiger Brand Britannia’s Tiger brand is very successful in its segment. Launched as direct competition to Parle’s Glucose Biscuits, it contributes 25% of the Companies Volumes and 19% of its Sales the Premium Range Britannia faces no competition at all in its premium range of biscuits. Its Cream Treat Range of Products is at present the only players in that segment.

Britannia is the market leader in the organized biscuit and bakery product market in India. They are the only Indian biscuit company with a presence across all segments, from Glucose, Salted, Arrowroot and Premium Cream Biscuits. Biscuits contribute 84% of Britannia's total turnover.

Even as Britannia Industries Ltd (BIL) is unwrapping a new advertising strategy for its relaunched brand MarieGold, Parle Products Pvt Ltd has roped in Ogilvy & Mather India to design the advertising plans for its yet-to-be launched brand Monaco Bites. With the entry of Hindustan Lever Ltd’s biscuit brand Modern Energy Biscuits, competition is hotting up in the Rs 2,500-crore Indian biscuits market.

For starters, BIL has recently relaunched its flagship brand Marie Gold with value additions in a bid to rejuvenate the brand. Along with the relaunch, the company has also revamped the advertising and packaging strategy of the brand in the overcrowded category.

Strapped with a new tagline ‘Packed with wheat energy’, the new avatar of Marie Gold in a new packaging hit the Indian marketplace just a few days ago. The company is still in the process of rolling out the relaunched brand across the country through different advertising sources. And to announce the relaunch of Marie Gold, BIL is rolling out a multi-media ad campaign which includes press advertisement, television commercials and radio advertising, says Lowe India (Bangalore) vice-president Preeti Maroli. “We’ll be using all the media vehicles that are available. To start with, we have launched a television commercial in Hindi. Very soon, we will roll out print ad campaign first in Hindi. Later we will go for press ads in English,” she adds.
To support the mass media ad campaign for its relaunched brand, the agency will be using below-the-line activities too, says Ms Maroli. The agency also has plans to put up hoardings and banners as part of its outdoor media strategy. “As for our ad strategy, we have used the health plank to highlight the benefit of wheat energy in the relaunched MarieGold. And of course, we have revamped Marigold’s packaging strategy with the relaunch,” adds Ms Maroli.

On the other hand, Parle Products Ltd has hired the services of Ogilvy & Mather India to create communication plans for its new product called ‘Monaco Bites’. Says Ogilvy & Mather India executive director Nishi Suri: “Amid stiff competition, we won this new account. The other agencies in the fray were Everest Communications and Grey Worldwide. It’s a prestigious account as our client plans to launch ‘Monaco Bites’ in different flavours, including cheese.”

**Britannia for major advertising campaign to promote brand name**

After a gap of five years, leading biscuit maker Britannia is all set to launch an advertising campaign to promote its brand name on the electronic media next week. “We have not promoted Britannia brand as such in the last many years as we were only promoting our singular products like Tiger biscuits or Good Day biscuits,” Britannia category director Anuradha Narasimhan (Director of marketing strategies). “However, this was part of our marketing strategy. At first, we wanted to strengthen the image of the products that we are offering in the minds of the spectators. And now, we will work for the image building of Britannia brand by launching two commercials on television,” Narasimhan (Director of Marketing) said.

In India, Britannia biscuits are leading with over 33 percent of the market share. Britannia has its manufacturing units at 70 locations across the country. Presently, Britannia is offering biscuits, cakes and breads under the brand. The latest addition in their offering is Britannia daily fresh curd that was launched in Feb 2008 in some parts of the country. “In India, packed food market is of about Rs.600 billion ($13 billion) of which the biscuit market accounts for Rs.80 billion. In 2007, Britannia’s share in the biscuits market was Rs.27 billion,” Narasimhan said.
Britannia Industries Limited has chalked out an umbrella branding strategy for ‘GoodDay’. As a first step in this direction, the company rebranded its Merricake range of small cakes and relaunched the same under the Britannia GoodDay. The company plans to further grow the number of product offerings under the GoodDay name. It has already launched GoodDay Plum Cake priced at Rs 35 for a 300 gm pack. For the first time in India we have Britannia NutriChoice 'Diabetic Friendly' Essentials specially designed for people with diabetes. This new product of the Company has also been reflected by the help of different Medias of Advertisement.

Britannia NutriChoice Oat Cookies are scientifically created to suit the special lifestyle and nutrition needs of diabetics to manage extreme swings in blood sugar. In the latest television commercial for Britannia Cakes, Grey Advertising turns to an age-old nursery rhyme to convey the goodness of the product.

**Milestones achieved**

- In 2000 Britannia was among Top 300 small companies in Forbes global ranking.
- Britannia’s Lagan Match was India’s most successful promotional activity of the year 2001.
- Economic Times ranked Britannia Industries as India’s 2nd most trusted branded in 2002.
- In 2002 Britannia joint ventured with Fonterra – the world’s second largest dairy company.
- In 2004 its crosses volumes of 3, 00,000 tonnes of biscuits.
- In 2005, Britannia launched ‘Greetings' range of premium assorted gift packs.
- In 2007, Britannia industries formed a joint venture with the Khimji Ramdas Group and acquired a 70% beneficial state in the Dubai-based Strategic Foods International Co. LLC and 65.4% in the Oman-based Al Sallan Food Industries Co. SAOG.
4.5.1 Case study of Britannia Limited:

**Figure 4.8:** Graph showing growth of Net sales of Britannia Company during Study period.
**Figure 4.9:** Graph showing the advertisement and Sales Promotion expenses of Britannia Company during the Study period.
Figure 4.10: Graph showing the increase of the linear trend ratio of sales/Capital Employed of Britannia Company.
**Figure 4.11:** Graph showing the growth of Profit Margin of Britannia Company during the Study period.
Figure 4.12: Graph showing the growth of Research and Development expenses of Britannia Company during the Study period.
Table 4.9: Model Expressing the percentage of explaining the dependent and independent variables

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
</tr>
<tr>
<td>Britannia</td>
</tr>
<tr>
<td>a. Predictors: (Constant), Advertisement expenses, Capital Employed, Research and Promotional Expenses</td>
</tr>
<tr>
<td>b. Predictors: (Constant), Advertisement expenses, Research and Promotional Expenses, Capital Employed</td>
</tr>
</tbody>
</table>

Table 4.10: Anova table showing the significance level of the dependent variable with the help of F test.

<table>
<thead>
<tr>
<th>ANOVA&lt;sup&gt;c&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
</tr>
</tbody>
</table>

### Table 4.11: Table showing the significance level of the dependent variable with the help of Multiple Regression analysis i.e. T test

<table>
<thead>
<tr>
<th>Company</th>
<th>(Constant)</th>
<th>Capital Employed</th>
<th>Research and Promotional Expenses</th>
<th>Advertisement Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Britannia</td>
<td>97.97</td>
<td>0.87</td>
<td>56.584</td>
<td>9.444</td>
</tr>
<tr>
<td></td>
<td>319.499</td>
<td>0.743</td>
<td>56.583</td>
<td>1.841</td>
</tr>
<tr>
<td></td>
<td>0.307</td>
<td>0.139</td>
<td>0.113</td>
<td>0.769</td>
</tr>
<tr>
<td></td>
<td>0.771</td>
<td>0.294</td>
<td>0.363</td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Coefficients**

<table>
<thead>
<tr>
<th>Company</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>P-Value(Sig)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Britannia</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>T</td>
</tr>
<tr>
<td>(Constant)</td>
<td>97.97</td>
<td>319.499</td>
<td>0.307</td>
<td>0.771</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>0.87</td>
<td>0.743</td>
<td>0.139</td>
<td>10.171</td>
</tr>
<tr>
<td>Research and Promotional Expenses</td>
<td>56.584</td>
<td>56.583</td>
<td>0.113</td>
<td>10</td>
</tr>
<tr>
<td>Advertisement Expenses</td>
<td>9.444</td>
<td>1.841</td>
<td>0.769</td>
<td>50.129</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Advertisement expenses, Capital Employed, Research and Promotional Expenses

b. Predictors: (Constant), Advertisement expenses, Research and Promotional Expenses, Capital Employed
c. Dependent Variable: Gross Sales
4.5.2 Summary of findings of Britannia Limited

Table 4.7 (page 221) represents the relevant figures of Britannia Company about the Shareholders funds, Equity Shares of the Company, Reserve and surplus, Loan funds, Capital employed gross sales, Net sales Advertising and Sales expenses, expenses on Research and Development and Profit Margin. The figures are taken from the annual records of the Company which exhibits that as the years are passing by, the Company is making more and more profit leading to the growth and prosperity in the Company. Net Sales of the Company is growing year after year (Figure 4.8) along with the growth of capital employed. But if the growth of sales had been the result of capital employed only, the sales/capital employed ratio would have been same over the period. On the contrary, the said ratio is increasing year after year as is shown in Table 4.8 (page 222) and Figure 4.10, that indicates the impact of other independent variables on the dependent variable sales or profit margin. So inter alia, we have taken into consideration the variables like Advertisement and Sales promotion and Research and Development expenses. These two expenses are also increasing over time (Figure 4.9 and 4.12) and both have the impact on the growth of sales and profit margin. But it is crystal clear from Table 4.11 as above that the impact of Advertising and promotional expenses is more significant in comparison to that of Capital employed or Research and Development expenses.

The model chosen for the analysis is the Regression analysis as shown in Table 4.9 (page 142). It proves to be 99.2% significant. It explains the dependent variables on the Independent variables. The Anova table Table 4.10 (page 142) for the Britannia Company Limited shows the F value (i.e. 100.211) is >0.001. Hence the Anova value helps us to interpret that the variables taken in the analysis are significant.

The tabulated (critical) value of F for (3, 5) d.f at 5% level of significance is 5.41. Since the computed value of F=100.211 is greater than the critical value, it is significant. Hence the value of test statistic F is significant and we reject H0 at 5% level of significance and
conclude with 95% confidence that independent variables Advertisement expenses, Capital Employed & Research and Promotional Expenses create impact on Gross Sales and help sales of the Companies to increase.

The tabulated (critical) value of F for (3, 5) d.f at 1% level of significance is 12.06. Since the computed value of F=100.211 is greater than the critical value, it is significant. Hence the value of test statistic F is significant and we reject $H_0$ at 1% level of significance and conclude with 99% confidence that independent variables Advertisement expenses, Capital Employed & Research and Promotional Expenses create impact on Gross Sales and help sales of the Companies to increase.

From statistical table, we find that for 8 degrees of freedom the value of t corresponding to upper 5% and 1% “tail areas” are $t_{0.05}=1.86$ and $t_{0.01}=2.90$.

- Since the observed value of t Table 4.11 namely for Capital Employed (10.171) is larger than the corresponding values of $t_{0.05}$ and $t_{0.01}$, we reject $H_0$ and conclude that alternative Hypothesis $H_1$ is accepted i.e. the Capital Employed is effective in increasing the sales.

- Since the observed value of t Table 4.11 namely for Research and Promotional Expenses (10) is larger than the corresponding values of $t_{0.05}$ and $t_{0.01}$, we reject $H_0$ and conclude that alternative Hypothesis $H_1$ is accepted i.e. the Research and Promotional Expenses is effective in increasing the sales.

- Since the observed value of t Table 4.11 namely for Advertisement Expenses (50.129) is larger than the corresponding values of $t_{0.05}$ and $t_{0.01}$, we reject $H_0$ and conclude that alternative Hypothesis $H_1$ is accepted i.e. the Advertisement Expenses is effective in increasing the sales.

The entire analysis shows that the variables taken have relations with the growth of sales of the company. The variables taken here are Capital Employed, Research and Promotional Expenses and Advertisement Expenses. However the Multiple Regression analysis helps us interpret that Advertisement Expenses is the only independent variable which is affecting the gross sales in a significant way.
as its t value is higher here (i.e. 50.129) at significance level 0.004. The other dependent variables are containing t value more than 2 but they are insignificant in the model because of high P-value.

It is clear from the 2003-2004 to 2011-2012 year records that the Company is spending more on the Research and Development which is actually helping them in innovating more. However the ratios, Multiple Regression, Pie Chart and various records from the Annual Reports have helped us to come to a conclusion that the growth of sale in the selected Company is dependent more on Advertisement Expenses. In FMCG sector particularly where everyday newer and newer brands are coming in, no one perhaps will be able to retain the customers without Advertising. R & D expenses are necessary, otherwise new brand cannot be launched, but without Advertising no new launch can be economically viable.
4.6 Profile of Nestle India Limited

Introduction to Nestle India Limited

Details of Nestle India Ltd

Date of Establishment 1959
Revenue 1566.35 (USD in Millions)
Market Cap 487082.556604 (Rs. in Millions)
Corporate Address M-5 A, Connaught Circus, New Delhi-110001, Delhi
www.nestle.in

Management Details Chairperson - Antonio Helio Waszyk
Business Operation Consumer Food

Background
- Nestle has its presence in India for around nine decades, making it one of the oldest company in India. Nestlé India is a subsidiary of
Nestlé has its presence in India for around nine decades, making it one of the oldest company in India. Nestlé India is a subsidiary of Nestlé SA of Switzerland. The company has its headquarters at Gurgaon near Delhi and has seven factories spread all over India. It started its journey in India in 1912 by entering into the dairy business. Nestle India, one the biggest players in FMCG segment, has a presence in milk & nutrition, beverages, prepared dishes & cooking aids & chocolate & confectionery segments. Nestle has created brands like Nestlé Milkmaid, Nestlé Every day, Maggi Noodles, Maggi Soups, Polo, Kit Kat, Nescafe & many more. As per the market-wise position Nestlé India stands first in instant noodles & ketchups, second in healthy soups, No.1 in instant coffee, & No.2 in overall chocolate category. Nestle India continuously focuses on understanding changing lifestyles in India. This helps it to foresee needs in product offerings. The company innovates new product & renovates existing one providing high quality, safe food products at affordable prices.

Nestle is the largest food and beverage company in the world. With a manufacturing facility or office in nearly every country of the world, Nestle often is referred to as "the most multinational of the multinationals." Nestle markets approximately 7,500 brands.
organized into the following categories: baby foods, breakfast cereals, chocolate and confectionery, beverages, bottled water, dairy products, ice cream, prepared foods, foodservice, and pet care.

In 1877 Nestle faced a new competitor when the Anglo-Swiss Condensed Milk Company--already the leading manufacturer of condensed milk in Europe--decided to broaden its product line and manufacture cheese and milk food for babies. Nestle quickly responded by launching a condensed milk product of its own. George Page spent so much time there that Anglo-Swiss began to lose its hold on Europe, much to the delight of Nestle. After George Page's death in 1899, the Anglo-Swiss Condensed Milk Company decided to sell its American business to Borden in 1902 so that it could concentrate on regaining market share in Europe.

Until 1898 Nestle remained determined to manufacture only in Switzerland and export to its markets around the world. But that year the company finally decided to venture outside Switzerland with the purchase of a Norwegian condensed milk company. Two years later, in 1900, Nestle opened a factory in the United States, and quickly followed this by entering Britain, Germany, and Spain. Nestle became a partner in the Swiss General Chocolate Company, the maker of the Peter and Kohler brands.

The study of SWOT analysis shows that the ‘strengths’ and ‘opportunities’ far outweigh ‘weaknesses’ and ‘threats’. Strengths and opportunities are fundamental and weaknesses and threats are transitory. Any investment idea can do well only when you have three essential ingredients: entrepreneurship (the ability to take risks), innovative approach (in product lines and marketing) and values.

All that needs to be done is: to innovate, convert products into commercially exploitable ideas. All the time keep reminding yourself: Benjamin Franklin discovered electricity, but it was the man who invented the meter that really made the money.
Nestle India is a subsidiary of Nestle S.A. of Switzerland. With seven factories and a large number of co-packers, Nestle India is a vibrant Company that provides consumers in India with products of global standards and is committed to long-term sustainable growth and shareholder satisfaction.

The Company insists on honesty, integrity and fairness in all aspects of its business and expects the same in its relationships. This has earned trust and respect of every strata of society that comes in contact with and is acknowledged amongst India's 'Most Respected Companies' and amongst the 'Top Wealth Creators of India'.

When one looks at Nestle’s results, one sees that the company stepped up its media spending by 10% in 2009, as advertising rates became more affordable. This is really important for Nestle, as it has around 28 brands which have sales above $1 billion. They know that long-term successes of these brands are dependent on long-term brand recognition and loyalty and an increase in advertising can only help. Besides the encouraging news with regards to advertising policy change, the results were pretty good. In its earning teleconference, the company said:

Nestle is the world's biggest food manufacturer, with around 440 factories spread across the globe, and a portfolio that ranges from baby foods to pet care, from chocolate to mineral water. Its world-famous brands include Nescafe, Kit Kat and Perrier, among many others. The group also owns a large shareholding in cosmetics company L'Oreal. As with other food companies, recent years have seen a greater concentration on a focused food and beverage business. In particular Nestle has leveraged its performance in sectors such as ice cream and petfoods with an aggressive acquisition strategy. At the same time, it has placed health and wellness at the forefront of its agenda, developing the widest possible range of nutritionally balanced products under the overall umbrella "Good Food, Good Life".
Advertising represents an important means by which companies communicate with their customers, both current and potential. Among the key objectives of advertising is the generally perceived benefit that it persuade customers to purchase the product.

The consumer foods firm appears to have got the upper hand over rising input costs through a mixture of selective price hikes, improved product mix and economies of scale. A lower proportion of free volumes, used as a promotional tool, were also partly responsible for the fall in the material cost to sales.

Advertising and promotion expenses are likely to be the main reason behind the sharp jump in other expenditure. Since the company has cut down promotional volumes, which become expensive when input costs are soaring, it may have stepped up on advertisements to keep up sales momentum.

Advertisement & Media Evaluation as a Need in Today's Scenario in FMCG (Nestle)
Nescafe is an aim of advertising campaign, this is a persuasive advertising. Therefore, Nescafe is an advertising appeal, this is an emotion aspect. A significant Nescafe is shown to consumer in the many style such as, Warm of love; Advertising represent to love which show the actor in the short movie about 1 – 1.5 minute. Each advertisement of Nescafe build impression of consumer so, this brand can live in mind of consumer. Until in the present Nescafe can be top 10 of the world. Nescafe is getting the popularity in the worker and teenager.

**Advertising Campaigns**

- Television
- Newspapers
- Internet
- Public relation activity
- Public relation at selling point

*The distinctive point of advertising* was TV which is special in the movie style and music marketing strategy

**Nescafe’s advertising Strategy**
Nescafe employs a “think globally, act locally” marketing strategy. According to Keegan and Green, “Nescafe Coffee is marketed as a global brand, even though advertising messages and product formulation vary to suit cultural differences”. Nescafe’s marketing campaign is global in the sense that the company uses the same symbols worldwide, such as the renowned coffee mug and Nescafe logo. However, Nescafe tailors its campaigns to suit diverse consumer attitudes and preferences. For example, marketing advertisements targeting different locations and regions often are different in terms of copy (message and language) and advertising appeal (rational vs. emotional).

The language is tailored to fit the home countries in all three ad examples (See Nescafe Advertisements): Spanish for the Argentine market, German for the German market, and English for the U.S. market. However, the Argentine ad uses the “tú” form instead of the standard Argentine “vos” This could allude to Nescafe using a regional marketing strategy for the entire Latin American market, instead of focusing solely on Argentina. Although some symbols and the logo are the same throughout the ads, the messages conveyed are focused on the specific region or country. Argentina’s message/tagline is “change the day, start within”, Germany’s is “give (offer) yourself a break”; while in the U.S. it is “make the smart choice”. Nescafe uses emotional appeals in the German and Argentine appeals and rational appeals in the U.S. market for the emotional appeals; Nescafe is trying to tug at the heartstrings of coffee drinkers. However, the specific appeals differ in that in the German ad is geared towards appealing to a person’s need for a break from his/her busy life, whereas the Argentine ad is focused on starting the day on a positive note with the help of a tasty coffee.

The emotional appeals are similar in that Nescafe wants to be a part of their consumer’s day but it is positioned as an escape in Germany and as helpful pick me up in Argentina. In the United States, Nescafe employs a rational appeal. The company compares itself to Starbucks and positions itself as the “smart choice”, thus appealing to the consumer’s intellect and encouraging them to be logical in their choice of coffee. The U.S. ad is geared to those who are constantly on the go, i.e. busy individuals such as students and members of the workforce. The German ad is targeted towards an older audience, especially those that work for a living or have busy daily schedules. The Argentine ad is geared more towards younger professionals, such as Generation Y who has more modern attitudes, can read between the lines and need more visual stimulation to find ads appealing.
Nescafe is a brand of instant coffee made by Nestle. It comes in the form of many different products. The name is a portmanteau of the words "Nestle" and "café". Nestle's flagship powdered coffee product was introduced in Switzerland on April 1, 1938 after being developed for seven years by Max Morgenthaler and Vernon Chapman.

Nescafe is a brand within Nestle. Nescafe can be traced back to the 1930s. In the US the Nescafe name was used on its products up until the 1960s. Later, Nestle (owners of the Nescafe brand) introduced a new brand in the United States called Taster's Choice, which supplanted Nescafe for many years.

Other Marketing activity included Experiential Marketing/Relationship Marketing, which led Nescafe to become the headline sponsor of Good Food show 2008 at Birmingham NEC as part of their campaign to drive awareness of the increased Nescafe collection. 95% of consumers at this popular event rated the Nescafe Collection stand the best at the show. Nescafe used advanced 3D technology to engage their consumers, led by if Experiential. Nescafe is an aim of advertising campaign, this is a persuasive advertising. Therefore, Nescafe is an advertising appeal, this is an emotion aspect.

Milestones achieved

- CNBC Awaaz Consumer Awards has honored Nescafe as the most preferred coffee brand.
- Business India has rated Nestlé India as No.1 on Return on Capital Employed amongst Super 100 companies.
- In 2006-2007 Nestlé India was awarded the ‘Best Exporter of Instant Coffee’, ‘Highest Exporter to Russia and CIS”, ‘Highest Exporter to Far East Countries’.
4.6.1 Case study of Nestle India Limited:

Figure 4.13: Graph showing growth of Net sales of Nestle India Limited Company during Study period.

![Graph showing growth of Net sales of Nestle India Limited Company during Study period.](image)

Figure 4.14: Graph showing the advertisement and Sales Promotion expenses of Nestle India Limited Company during the Study period.

![Graph showing advertisement and Sales Promotion expenses of Nestle India Limited Company during Study period.](image)
Figure 4.15: Graph showing the increase of the linear trend ratio of sales/Capital Employed of Nestle India Limited Company.
Figure 4.16: Graph showing the growth of Profit Margin of *Nestle India Limited* Company during the Study period.
Figure 4.17: Graph showing the growth of Research and Development expenses of Nestle India Limited Company during the Study period.
### Table 4.14: Model Expressing the percentage of explaining the dependent and independent variables

<table>
<thead>
<tr>
<th>Company</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle</td>
<td>0.995</td>
<td>0.99</td>
<td>0.985</td>
<td>2774.672</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Advertisement expenses., Capital Employed, Research and Promotional Expenses
b. Predictors: (Constant), Advertisement expenses., Research and Promotional Expenses, Capital Employed

### Table 4.15: Anova table showing the significance level of the dependent variable with the help of F test.

<table>
<thead>
<tr>
<th>Company</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
</table>
Table 4.16: Table showing the significance level of the dependent variable with the help of Multiple Regression analysis i.e. T test

<table>
<thead>
<tr>
<th>Company</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>P-Value(Sig)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle (Constant)</td>
<td>-2108.44</td>
<td>-0.705</td>
<td>0.507</td>
<td></td>
</tr>
<tr>
<td>Capital Employed</td>
<td>0.596</td>
<td>0.23</td>
<td>30.023</td>
<td>0.023</td>
</tr>
<tr>
<td>Research and Promotional Expenses</td>
<td>17.169</td>
<td>0.087</td>
<td>10.208</td>
<td>0.272</td>
</tr>
<tr>
<td>Advertisement Expenses</td>
<td>18.281</td>
<td>0.719</td>
<td>70.474</td>
<td>0.001</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Gross Sales

4.6.2 Summary of findings of *Nestle India Limited*
Table 4.12 (page 223) represents the relevant figures of Nestle India Limited about the Shareholders funds, Equity Shares of the Company, Reserve and surplus, Loan funds, Capital employed gross sales, Net sales Advertising and Sales expenses, expenses on Research and Development and Profit Margin. The figures are taken from the annual records of the Company which exhibits that as the years are passing by, the Company is making more and more profit leading to the growth and prosperity in the Company. Net Sales of the Company is growing year after year (Figure 4.13) along with the growth of capital employed. But if the growth of sales had been the result of capital employed only, the sales/capital employed ratio would have been same over the period. On the contrary; the said ratio is increasing year after year as is shown in Table 4.13 (page 223) and Figure 4.15, that indicates the impact of other independent variables on the dependent variable sales or profit margin. So inter alia, we have taken into consideration the variables like Advertisement and Sales promotion and Research and Development expenses. These two expenses are also increasing over time (Figure 4.14 and 4.17) and both have the impact on the growth of sales and profit margin. But it is crystal clear from Table 4.16 as above that the impact of Advertising and promotional expenses is more significant in comparison to that of Capital employed or Research and Development expenses.

The model chosen for the analysis is the Regression analysis as shown in Table 4.14 (page 155). It proves to be 99.5% significant. It explains the dependent variables on the Independent variables. The Anova table Table 4.15 (page 155) for the Nestle India Company shows the F value (i.e. 200.098) is >0.001. Hence the Anova value helps us to interpret that the variables taken in the analysis are significant.

The tabulated (critical) value of F for (3, 6) d.f at 5% level of significance is 4.76. Since the computed value of F=200.098 is greater than the critical value, it is significant. Hence the value of test statistic F is significant and we reject H0 at 5% level of significance and conclude with 95% confidence that independent variables Advertisement expenses, Capital Employed & Research and Promotional Expenses create impact on Gross Sales and help sales of the Companies to increase.
The tabulated (critical) value of F for (3, 6) d.f at 1% level of significance is 9.78. Since the computed value of F=200.098 is greater than the critical value, it is significant. Hence the value of test statistic F is significant and we reject H₀ at 1% level of significance and conclude with 99% confidence that independent variables Advertisement expenses, Capital Employed & Research and Promotional Expenses create impact on Gross Sales and help sales of the Companies to increase.

From statistical table, we find that for 9 degrees of freedom the value of t corresponding to upper 5% and 1% “tail areas” are $t_{0.05}=1.833$ and $t_{0.01}=2.821$.

- Since the observed value of t **Table 4.16** namely for Capital Employed (30.023) is larger than the corresponding values of $t_{0.05}$ and $t_{0.01}$, we reject H₀ and conclude that alternative Hypothesis H₁ is accepted i.e. the Capital Employed is effective in increasing the sales.

- Since the observed value of t **Table 4.16** namely for Research and Promotional Expenses (10.208) is larger than the corresponding values of $t_{0.05}$ and $t_{0.01}$, we reject H₀ and conclude that alternative Hypothesis H₁ is accepted i.e. the Research and Promotional Expenses is effective in increasing the sales.

- Since the observed value of t **Table 4.16** namely for Advertisement Expenses (70.474) is larger than the corresponding values of $t_{0.05}$ and $t_{0.01}$, we reject H₀ and conclude that alternative Hypothesis H₁ is accepted i.e. the Advertisement Expenses is effective in increasing the sales.

The entire analysis shows that the variables taken have relations the growth of sales of the company. The variables taken here are Capital Employed, Research and Promotional Expenses and Advertisement Expenses. However the Multiple Regression analysis helps us interpret that Advertisement Expenses is the only independent variable which is affecting the gross sales in a significant way as its t value is higher here (i.e. 70.474) at significance level 0.001. The other dependent variables have t value more than 2 but they are insignificant in the model because of high P-value.
It is clear from the 2003-2004 to 2011-2012 year records that the Company is spending more on the Research and Development which is actually helping them in innovating more. However the ratios, Multiple Regression, Pie Chart and various records from the Annual Reports have helped us to come to a conclusion that the growth of sale in the selected Company is dependent more on Advertisement Expenses. In FMCG sector particularly where everyday newer and newer brands are coming in, no one perhaps will be able to retain the customers without Advertising. R & D expenses are necessary, otherwise new brand cannot be launched, but without Advertising no new launch can be economically viable.
## 4.7 Profile of ITC Limited

### Introduction to ITC Limited

### Details of ITC Limited

<table>
<thead>
<tr>
<th>Date of Establishment</th>
<th>1910</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>7756.31 ( USD in Millions )</td>
</tr>
<tr>
<td>Market Cap</td>
<td>2576196.300195 ( Rs. in Millions )</td>
</tr>
<tr>
<td>Corporate Address</td>
<td>Virginia House,37 Jawaharlal Nehru Road, KOLKATA-700071, West Bengal <a href="http://www.itcportal.com">www.itcportal.com</a></td>
</tr>
<tr>
<td>Business Operation</td>
<td>Cigarettes/Tobacco</td>
</tr>
</tbody>
</table>

### Background
- ITC was incorporated on August 24, 1910 under the name of 'Imperial Tobacco Company of India'. In first six decades, the company solely focused on growth and strengthening its cigarettes and leaf tobacco business. In seventies it witnessed an
ITC was incorporated on August 24, 1910 under the name of ‘Imperial Tobacco Company of India’. In first six decades, the company solely focused on growth and strengthening its cigarettes and leaf tobacco business. In seventies it witnessed an evolution leading towards momentous changes in the life of company. In 1975 through its acquisition of a hotel in Chennai, the company launched its hotel business with name 'ITC-Welcomgroup Hotel Chola'. In 1979 it entered into manufacturing paperboards, packaging & printing business. In 1985 it set up Surya Tobacco Co. in Nepal, now a subsidiary of ITC. In 1990 ITC set up the Agri Business Division for export of agri-commodities based on partnership with farmers, for revolutionizing the rural agricultural sector. In 2000, ITC launched a line of greeting cards under the brand name ‘Expressions’. There has been further extension in product line with introduction of gift wrappers; autograph books slam books and stationery. In 2000, it entered in lifestyle retailing business with the Wills Sport, a range of international quality wear for men and women. ITC InfoTech India was set up in 2000 to provide outsourcing solutions to manufacturing, BFSI (Banking, Financial Services & Insurance), CPG&R (Consumer Packaged Goods & Retail), THT (Travel, Hospitality and Transportation) and media & entertainment. ITC entered food business in 2001, its product line in this segment consist of brands 'Kitchens of India', ‘Aashirvaadatta’, ‘Candyman’, ‘Sunfeast’ & ‘Bingo’’. ITC has a range of diversified product in its portfolio. Recently ITC commissioned a 14 MW wind power project in Tamil Nadu whose output would be used to meet energy requirement at its packaging and printing plant in the state, having an investment of about Rs.90 crore.

Advertising and promotional expenses are rising for all players in the ITC Company due to intense competition and brand awareness.
ITC is involved in following businesses:
The personal-care market is one of the largest markets in the Indian FMCG space. There are entrenched players in this category with long international heritage. The future strategy will be to win consumers with innovative and winning value propositions.

Indian market has multiple consumers with multiple consumer needs. The Company developed and launched a portfolio of brands appealing to various consumer segments with their differential value propositions at appropriate price points. The Company has entered into multiple consumer segments in multiple markets with a portfolio of products within a short span only by different ways of Advertising media.

Consumers have been born in the age of ‘plenty’. They have been exposed to a plethora of products in every category they have interacted with. So, they love flexibility and the freedom to choose from multiple options. They do not get bogged down by past heritage. Brands in the personal-care industry need to understand this change. One needs to invest time and resource to understand consumers and to develop new products or variants so that they can offer multiple choices. Some of the forthcoming challenges for the industry will be fast turnaround in product development, shorter product lifecycle and innovative value proposition through Advertisements.

Extensive R&D and consumer research are keys to develop a product portfolio with unique and differentiated offerings. Product innovation in this industry leads to addition of new features to the product and provides new and additional benefit to the consumers. ITC wanted to design a brand portfolio that will help in targeting every consumer with a unique and differentiated set of offerings. The products were developed with extensive research at ITC’s R&D centre. Every element of the mix was extensively researched with lakhs of consumers, feedback taken on board and improvements executed to offer a suitable value proposition to customers.
ITC Company engages with the consumer with a 360° approach. All relevant media are leveraged to communicate the brand message. Each media has a marketing objective to deliver. Advertising is developed, often in a media-specific context, and measured rigorously so that marketing objectives are met.

Biscuits and tea in the morning were a routine. The two major players Britannia and Parle were busy biting of chunks of the national market among themselves, with a host of smaller brands in various regions. While the business was still very competitive, there wasn't
anything ground breaking. At that time, Britannia and Parle held, between them over 82 per cent of the market in value terms. The rest too was firmly held by smaller players like Priya Gold which had a strong presence in the north. So, in essence, the market already had strong well entrenched players.

Three years down the line, however, things have changed a lot. It is a classic story of the hare and the tortoise. While it is far from winning the race, slowly and steadily, the tortoise is gaining ground. The late entrant is already on the podium in the third place with as much as 7 per cent of the market in terms of value. "ITC made hay when the sun wasn't shining," says a consultant who's been tracking the industry for a long time. But first, why did ITC train its eye on biscuits? Ravi Naware, chief executive, ITC Foods, makes it sound simple.

"We decided to enter the foods segment because it's Rs 550,000 crore (Rs billion) market in India. But only 6 per cent of this is branded and packaged. In developed markets, nearly 95 per cent of the food market is branded and packaged. So there was lot of scope for a branded player." In foods, biscuits were tempting. The Rs 4,000-crore (Rs billion) Indian biscuits market has grown at 12-14 per cent year-on-year. Then, there was a business synergy. ITC was already value-adding to wheat with its branded atta presence. By entering the biscuits segment, it could also improve its bottom-line further.

Before entering the segment, ITC dug into market research. Research revealed that the category had gaps which ITC could settle into. Findings revealed that consumers wished to taste new and innovative products. That was precisely what the competition had not done in a big way. Says Naware, "The biscuits industry had witnessed little innovation; Glucose was Glucose and Marie was still Marie." The company decided that this could be its biggest point of attack. In 2003, ITC launched Sunfeast with six ranges. But it was a calculated risk. ITC stuck to category favourites like Glucose, Marie and Bourbon cream. Along with that, it also launched innovations such as orange-flavoured Marie, Marie light and butterscotch-flavoured cream biscuits. In 2004, Sunfeast followed this up with the launch of Sunfeast Milky Magic. More recently, it also has launched the Sunfeast Snacky and Sunfeast Golden Bakes.
Analysts believe that just because Sunfeast was a new brand which attracted the attention of the consumers by the different advertising strategies. Says a consultant, "The biscuits industry had not witnessed any major product innovation in years. Consumers were just waiting for something new, something fresh, when Sunfeast happened."

Even the competition had not made things better. Between 2000 and 2005 neither Parle nor Britannia launched any major new product. Yes, Britannia did re-launch its Tiger brand in 2005. But Britannia claims that it is looking at more than just products. Richa Arora, general manager and head of marketing and innovations, Britannia Industries, says, "We are not just looking at new products, but tapping newer opportunities -- such as different occasions as well as out-of-home consumptions." (by the help of advertising strategies).

In August 2003, a month after its launch, the company undertook a major sampling exercise to promote the product. For two years then, the brand did all the usual rounds -- riding behind buses, blocking television spots, booking that corner space in your favourite newspaper and so on. Well differentiated advertisements, some which showed a complete cream world with cream rivers, cream mountains and cream trees, were targeted at kids watching cartoon channels.

At the same time, on general entertainment channels, mothers received information on the importance of glucose, the wholeness of wheat and so on. Also, the company tied up with Bey Blades, the popular television series that was a rage among children, to promote itself. In April 2005, Sunfeast launched its major campaign. It signed on Hindi film actor, Shah Rukh Khan as its brand ambassador. In the same year, as the official sponsor of the WTA tennis championship -- titled the Sunfeast Open -- the company had teenage sensations Sania Mirza and Mahesh Bhupathi campaigning for it. For promotions in southern states, Sunfeast has signed Tamil superstar Surya as a brand ambassador.

The company claims that it has been spending 35-40 per cent of its turnover from the biscuits segment on advertising and promotions. Going by that number, ITCs annual marketing spends are estimated to be in the region of about Rs 115-120 crore (Rs billion). ITC is
clearly among the largest spender on ads and promotions in the biscuits category. Analysts predict that these figures are all set to rise this year. But industry experts aren't impressed.

Says a consultant, "Although Sunfeast's Shah Rukh Khan association is interesting, it is yet to do something groundbreaking, like Britannia khao world cup jhao or the Lagaan promotion for that matter." Back in 2003, nobody thought Sunfeast would have consumers eating out of its hands. Says Naware, "Seven per cent in less than three years is something that we could have only dreamt about." Importantly, industry barometer AC Nielsen has indicated that both Parle and Britannia are losing market shares. According to the AC Nielsen retail sales audit in March 2006, both Britannia and Parle have lost volumes. Britannia's shares have dropped from 35.8 per cent to 30.5 per cent (volumes). Parle's shares have also dropped from 42.2 to 38.4 per cent in the same period. Even Priya Gold has seen a minor dip from 6.4 per cent to 5 per cent. ITC's Sunfeast has been a big gainer with its share increasing from 2.7 to 6.7 per cent. In terms of value, Britannia leads the market with 37 per cent market share, followed by Parle's 31.3 per cent and ITC's 6.3 per cent. Nevertheless, the gap is still wide. Sunfeast still has a long way to go. While the full game is yet to be played out, for the moment the sun seems to be shining on Sunfeast.

**Advertisement Strategies**

Innovation in the product line -- biscuits with butterscotch cream with actual granules in the cream, strawberry cream with flavour-enhancers and orange-flavoured marie.

- Gained an edge from the well established distribution network
- Signed up big film stars like Shah Rukh Khan and southern star Surya as brand ambassadors for Sunfeast.
- Branded the WTA tennis tournament with promos starring tennis stars, Mahesh Bhupati and Sania Mirza.
- Big brand ambassadors, and strong enough advertising campaigns for big brand recall
4.7.1 Case study of Indian Tobacco Limited

Figure 4.18: Graph showing growth of Net sales of *Indian Tobacco Limited* Company during Study period.

![Net Sales Graph](image-url)

**Figure 4.19:** Graph showing the advertisement and Sales Promotion expenses of *Indian Tobacco Limited* Company during the Study period.
Figure 4.20: Graph showing the increase of the linear trend ratio of sales/Capital Employed of **Indian Tobacco Limited** Company.
Figure 4.21: Graph showing the growth of Profit Margin of *Indian Tobacco Limited* Company during the Study period.
Figure 4.22: Graph showing the growth of Research and Development expenses of *Indian Tobacco Limited* Company during the Study period.
Table 4.19: Model Expressing the percentage of explaining the dependent and independent variables.

<table>
<thead>
<tr>
<th>Company</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITC</td>
<td>0.993 *</td>
<td>0.986</td>
<td>0.977</td>
<td>1175.515</td>
</tr>
<tr>
<td></td>
<td>a. Predictors: (Constant), Advertisement expenses., Capital Employed, Research and Promotional Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Predictors: (Constant), Advertisement expenses., Research and Promotional Expenses, Capital Employed</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.20: Anova table showing the significance level of the dependent variable with the help of F test.

<table>
<thead>
<tr>
<th>Company</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITC</td>
<td>Regression</td>
<td>4.71E+08</td>
<td>3</td>
<td>1.57E+08</td>
<td>113.554</td>
</tr>
</tbody>
</table>

* indicates statistical significance at the 0.05 level.
Table 4.21: Table showing the significance level of the dependent variable with the help of Multiple Regression analysis i.e. T test.

<table>
<thead>
<tr>
<th>Company</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>P-Value (Sig)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>ITC</td>
<td>(Constant)</td>
<td>-1172.68</td>
<td>1553.093</td>
<td>-0.755</td>
</tr>
<tr>
<td></td>
<td>Capital Employed</td>
<td>1.703</td>
<td>0.384</td>
<td>0.876</td>
</tr>
<tr>
<td></td>
<td>Research and Promotional Expenses</td>
<td>40.308</td>
<td>40.907</td>
<td>0.199</td>
</tr>
<tr>
<td></td>
<td>Advertisement Expenses</td>
<td>-3.378</td>
<td>9.152</td>
<td>-0.077</td>
</tr>
<tr>
<td>a. Dependent Variable: Gross Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.7.2 Summary of findings of Indian Tobacco Limited Limited
Table 4.17 (page 224) represents the relevant figures of Indian Tobacco Limited about the Shareholders funds, Equity Shares of the Company, Reserve and surplus, Loan funds, Capital employed gross sales, Net sales Advertising and Sales expenses, expenses on Research and Development and Profit Margin. The figures are taken from the annual records of the Company which exhibit that as years are passing by, the Company is making more and more profit leading to the growth and prosperity in the Company. Net Sales of the Company is growing year after year (Figure 4.18) along with the growth of capital employed. But if the growth of sales had been the result of capital employed only, the sales/capital employed ratio would have been same over the period. On the contrary; the said ratio is increasing year after year as is shown in Table 4.18 (page 224) and Figure 4.20, that indicates the impact of other independent variables on the dependent variable sales or profit margin. So inter alia, we have taken into consideration the variables like Advertisement and Sales promotion and Research and Development expenses. These two expenses are also increasing over time (Figure 4.19 and 4.22) and both have the impact on the growth of sales and profit margin. But it is crystal clear from Table 4.21 as above that the impact of Advertising and promotional expenses is more significant in comparison to that of Capital employed or Research and Development expenses.

The model chosen for the analysis is the Regression analysis as shown in Table 4.19 (page 168). It proves to be 99.3% significant. It explains the dependent variables on the Independent variables. The Anova table Table 4.20 (page 168) for the ITC Company shows the F value (i.e. 113.554) is >0.001. Hence the Anova value helps us to interpret that the variables taken in the analysis are significant.

The tabulated (critical) value of F for (3, 5) d.f at 5% level of significance is 5.41. Since the computed value of F=113.554 is greater than the critical value, it is significant. Hence the value of test statistic F is significant and we reject H₀ at 5% level of significance and conclude with 95% confidence that independent variables Advertisement expenses, Capital Employed & Research and Promotional Expenses create impact on Gross Sales and help sales of the Companies to increase.
The tabulated (critical) value of F for (3, 5) d.f at 1% level of significance is 12.06. Since the computed value of F=113.554 is greater than the critical value, it is significant. Hence the value of test statistic F is significant and we reject H₀ at 1% level of significance and conclude with 99% confidence that independent variables Advertisement expenses, Capital Employed & Research and Promotional Expenses create impact on Gross Sales and help sales of the Companies to increase.

From statistical table, we find that for 8 degrees of freedom the value of t corresponding to upper 5% and 1% “tail areas” are \( t_{0.05} = 1.86 \) and \( t_{0.01} = 2.90 \).

- Since the observed value of t Table 4.21 namely for Capital Employed (40.434) is larger than the corresponding values of \( t_{0.05} \) and \( t_{0.01} \), we reject H₀ and conclude that alternative Hypothesis H₁ is accepted i.e. the Capital Employed is effective in increasing the sales.

- Since the observed value of t Table 4.21 namely for Research and Promotional Expenses (0.985) is smaller than the corresponding values of \( t_{0.05} \) and \( t_{0.01} \), we accept H₀ and conclude that alternative Hypothesis H₁ is rejected i.e. the Research and Promotional Expenses is effective in increasing the sales.

- Since the observed value of t Table 4.21 namely for Advertisement Expenses (0.369) is smaller than the corresponding values of \( t_{0.05} \) and \( t_{0.01} \), we accept H₀ and conclude that alternative Hypothesis H₁ is reject i.e. the Advertisement Expenses is effective in increasing the sales. The reason according to this company as in annual reports was due to the other areas expenses like hotel and expenses more on innovation in consecutive two years.

The entire analysis shows that the variables taken have relation with the growth of sales of the company. The variables taken here are Capital Employed, Research and Promotional Expenses and Advertisement Expenses. In this case study the effect shown has a negative impact since the company is more in competition with new innovation due to which the effect of Advertisement is negative. However the Multiple Regression analysis helps us interpret that Advertisement Expenses is the only independent variable which is affecting the gross sales in a significant way as its t value is higher here (i.e. -0.369) at significance level 0.727. The other dependent
variables are containing t value more than 2 but they are insignificant in the model because of high P-value. The Company is more into innovation as we could see that the company is trying more advertisement expenses to promote more new innovation. Hence it is showing a negative effect.

It is clear from the 2003-2004 to 2011-2012 year records that the Company is spending more on the Research and Development which is actually helping them in innovating more. However the ratios, Multiple Regression, Pie Chart and various records from the Annual Reports have helped us to come to a conclusion that the growth of sale in the selected Company is dependent more on Advertisement Expenses. In FMCG sector particularly where everyday newer and newer brands are coming in, no one perhaps will be able to retain the customers without Advertising. R & D expenses are necessary, otherwise new brand cannot be launched, but without Advertising no new launch can be economically viable.

4.8 Overall Performance of the FMCG Companies (i.e.) of four top most FMCG Companies:

Table 4.22: Model Expressing the percentage of explaining the dependent and independent variables
<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.974&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.949</td>
<td>0.944</td>
<td>4786.44</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Advertisement expenses, Capital Employed, Research and Promotional Expenses

**Table 4.23:** Anova table showing the significance level of the dependent variable with the help of F test.

| ANOVA<sup>b</sup> |
|---|---|---|---|---|
| Sum of Squares | Df | Mean Square | F | Sig. |
| Regression | 1.41E+10 | 3 | 4.7E+09 | 205.15 | .000<sup>a</sup> |
| Residual | 7.56E+08 | 33 | 22910000 | | |
| Total | 1.49E+10 | 36 | | | |

<sup>a</sup> Predictors: (Constant), Advertisement expenses, Capital Employed, Research and Promotional Expenses

<sup>b</sup> Dependent Variable: Gross Sales

**Table 4.24:** Table showing the significance level of the dependent variable with the help of Multiple Regression analysis i.e. T test.

| Coefficients |
|---|---|---|---|---|
| Unstandardized Coefficients | Standardized Coefficients | T | P-Value(Sig) |
| --- | --- | --- | --- |---|
| (Constant) | -281.141 | | | 0.83 |
| Capital Employed | 0.955 | 0.17 | 0.313 | 50.633 | 0 |
| Research and Promotional | 102.716 | 16.414 | 0.517 | 60.258 | 0 |
The model chosen for the analysis is the Regression analysis shown in Table 4.22(page 172). It explains the significance of the dependent variables on the Independent variables (97.4%). The Anova table Table 4.23(page 172) for the four Companies shows the F value is (i.e. 205.15) at the significance level >0.001. Hence we can conclude the variables taken in the analysis are significant.

The tabulated (critical) value of F for (3, 33) d.f at 5% level of significance is 2.60. Since the computed value F=205.15 is greater than the critical value, it is significant. Hence the value of test statistic F is significant, we reject H₀ at 5% level of significance and conclude with 95% confidence that independent variables Advertisement expenses, Capital Employed & Research and Promotional Expenses create impact on Gross Sales and help sales of the Companies to increase.

The tabulated (critical) value of F for (3, 33) d.f at 1% level of significance is 3.78. Since the computed value F=205.15 is greater than the critical value, it is significant. Hence the value of test statistic F is significant, we reject H₀ at 1% level of significance and conclude with 99% confidence that independent variables Advertisement expenses, Capital Employed & Research and Promotional Expenses create impact on Gross Sales and help sales of the Companies to increase.

From statistical table, we find that for 36 degrees of freedom the value of t corresponding to upper 5% and 1% “tail areas” are t₀.05=1.68 and t₀.01=2.423.

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Advertisement Expenses</th>
<th>5.686</th>
<th>1.309</th>
<th>0.288</th>
<th>40.345</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Dependent Variable: Gross Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Since the observed value of $t$ (Table 4.24) for Capital Employed (50.633) is larger than the corresponding values of $t_{0.05}$ and $t_{0.01}$, we reject $H_0$ and conclude that alternative Hypothesis $H_1$ is accepted i.e. the Capital Employed is effective in increasing the sales.

Since the observed value of $t$ (Table 4.24) namely for Research and Promotional Expenses (60.258) is larger than the corresponding values of $t_{0.05}$ and $t_{0.01}$, we reject $H_0$ and conclude that alternative Hypothesis $H_1$ is accepted i.e. the Research and Promotional Expenses is effective in increasing the sales.

Since the observed value of $t$ (Table 4.24) namely for Advertisement Expenses (40.345) is larger than the corresponding values of $t_{0.05}$ and $t_{0.01}$, we reject $H_0$ and conclude that alternative Hypothesis $H_1$ is accepted i.e. the Advertisement Expenses is effective in increasing the sales.

The entire analysis shows that the variables taken are positively reacting and increasing the growth of sales of the company. The variables taken here are Capital Employed, Research and Promotional Expenses and Advertisement Expenses. The alternative hypothesis is therefore accepted in case of all four Companies. However the Multiple Regression analysis helps us to interpret that Advertisement Expenses is the only independent variable which is affecting the gross sales in a significant way as its $t$ value is higher here (i.e. 40.345) at significance level $>0.001$. The other dependent variables are containing $t$ value more than 2 but they are insignificant in the model because of high $P$-value.

It is clear from the 2003-2004 to 2011-2012 year records that the Company is spending more on the Research and Development which is actually helping them in innovating more. However the ratios, Multiple Regression, Pie Chart and various records from the Annual Reports have helped us to come to a conclusion that the growth of sale in the selected Company is dependent more on Advertisement Expenses. In FMCG sector particularly where everyday newer and newer brands are coming in. No one perhaps will be able to retain the customers without Advertising. R & D expenses are necessary, otherwise new brand cannot be launched, but without Advertising no new launch can be economically viable.