Chapter I

INTRODUCTION

Advertising is one of the facets of mass communication. It is the largest component of any promotion activity. It is the structured and composed non-personal communication of information, usually paid for and commonly persuasive in nature, about the products through various media by identifying sponsors (Perrault and McCarthy, 2000). Advertising is the mode of informing and influencing the consumers to buy products or services through visual or oral messages. It helps to create demand, promote marketing and boost economic growth. Thus advertising forms the basis of marketing. Russel Colley (1961) observes “...Advertising succeeds or fails depending on how well it communicates the desired information and attitudes to right people at the right time at the right cost”.


The role of advertising is to make consumers, more informed about the brand and more favourable to it. Advertisement should make consumers think differently about the brand after being exposed to successful advertising by bringing about some sort of mental change in consumers and ultimately make the consumer purchase it (Weilbacher, 2001). As Colley (1961) puts it, “Advertising’s job purely and simply is to communicate, to a defined audience, information and a frame-of-mind that stimulate action. Advertising succeeds or fails depending on how well it communicates the desired information”.

Advertising is a key way to ouster competition. Companies need to continuously keep a watch on their marketing mix ahead, in order to ensure market leadership.

Advertising is the primary means by which firms inform consumers about new or improved products. Business firms usually advertise in order to protect their market share against competition. Firms try all sorts of gimmicks to reach the consumers. To achieve results, the advertisement campaign must have a creative edge in comparison with its competition. Undoubtedly, advertising can help to speedup the initial adoption of a new product by creating awareness and indirectly by gaining retail distribution and display.

With great diversity of products and services available, it is getting more and more difficult, and challenging for marketing messages to reach the target audience. The major challenge being clutter of Ads abound the market place. Capturing the large ‘share of mind of consumers’ is becoming a real task for business firms and hence to capture a major chunk of consumers. The ultimate goal of any marketer is to ensure an increased consumer brand preference translating into sales.
To quote Andrew Ehrenberg (1997)¹ “...the main aim of Advertising is growth in sales and brand building....The more realistic goal is brand maintenance”. Thus, brand preference amongst consumers through advertising is translated into sales.

Advertising that works in the short term and results in increased sales is what interests majority of marketers. Franzen (1994)² observes that, few advertisers solely aim at long-term effects. Jones (1997)³ has empirically proved that advertising is capable of sharp immediate effects on sales. The best commercials are usually the ones which have both short and long term effects and which are able to combine the communication of a relevant product message with the development of positive emotional associations with the brand. In the short-term, Jones (1997)¹, states that advertising is demonstrably capable of generating a powerful effect on

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consumer purchasing. To be effective in the short-run, the content of advertising must be substantial enough to stand-up to the competition. On the other hand, the long-term effectiveness of advertising is gradual. This is reflected through repeat purchase made by consumers which in turn is reflected through the powerful attachment between the brand and the consumers’ loyalty towards a particular brand.

Business enterprises all over the world are spending huge amounts on building brands through Advertising. They choose brand as a weapon of choice in the battle for survival in the competitive market. These business firms have also realized that a brand, ignited by a core idea, managed with imagination and driven with passion and focus, can drive the firms’ transformation and face the challenges posed ahead. These call for new ways of attracting new consumers and new ways for old consumers to maintain the competitive edge. The key to infuse an old brand with new life is to provide the consumer with new information about the brand. This is made possible through advertising.
Over the years, there is a great diversity in advertising media. There is traditional Television broadcast and print media which continue to retain a major share. World Wide Web popularly called the 'Internet' or simply the 'Net' and cable TV on the other hand are gaining importance, and have made enormous inroads on network advertising. Advertising subsidizes the free flow of information and entertainment to consumers through these media. Therefore, advertisers are rushing to capitalize through these media.

The economic scenario of the countries all over the world, and India in particular, has also seen a sea change due to globalization process. This has a profound impact on the industries’ media buying activities, too. These days, industries’ media buying is increasingly becoming a more scientific exercise and channel time is bought in a very scientific way. Companies spend anywhere between 5% and 20% of their sales revenues on buying media time or space. There has also been an increase in the popularity of the suitable media for increasing the effectiveness of advertising.
Truly effective advertising involves not only thirty-second TV Ads, but also branding, packaging, celebrity spokespeople, sponsorships, publicity, customer service, point of purchase and point of sale Ads. The information found in Ads can be divided into two categories, namely, direct and indirect. Direct information is factual and usually includes such things as feature, price, locations, where to make the product purchase and the like. Indirect information, on the other hand, is obtained by the consumer who makes inferences based on his/her perception. The wealth of indirect information as well as the Ad’s ability to persuade, are often based on who is presenting the information.

The practice of using celebrities to endorse products is not new to advertising either in the US or elsewhere in the world. About 20 years ago, almost one in three television commercial used celebrity endorsements (Business Week, 1978). Celebrity endorsement is not cheap and prices for celebrities continue to escalate.

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Use of celebrities in advertising is expensive, but firms all over the world are willing to spend huge money on popular personalities whose name, face, and/or voice can draw considerable attention of consumers. Agarwal and Kamakura (1995) estimate that approximately, 20% of all advertisement use some form of celebrity endorsement to inform and persuade consumers. By understanding what consumers perceive, how they store information and how they attribute the traits of endorsers to the products they endorse, one can gain a better understanding of the impact of Schemas.

Theory and practice prove that the use of superstars in advertising generates a lot of publicity and attention from public (Ohanian, 1991). Female athlete Venus Williams, tennis player and Wimbledon championship winner in 2002, for example had signed a 5 year $40 Million contract with sports wear manufacturer Reebok.

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International Inc\textsuperscript{1}. The soft drinks industry in India is one such industry known for its high decibel use of celebrity endorsers. This is evinced in the following pages where the celebrity endorsers appear in the popular soft drink Ads’.

**Figure 1.1 Some of the Popular Soft Drink Ads in India**

Source – Collected by the researcher from the internal source of The Coca-Cola Company.

\textsuperscript{1} Visit www.forbes.com
1.1 Soft Drinks Industry

The Indian Soft Drinks industry, in the recent past, witnessed a commotion of Ads, which have received international acclaim and have won many prestigious awards. One such case is the series of awards won by the Coca-Cola Company that are noteworthy. These are presented in Figure - 1.2 and Figure 1.3 in the next section.

It is imperative to know and understand whether these highly creative Ads are communicating the right messages to consumers and help in translating the Ad liking to purchase intent. Advertising can have an impact on various mental processes. Earlier research conducted by Broadbent (1975) and Jones (1995), suggests that consumers are often loyal to three or more national brands, over which their preference shifts over time. Individual brands attempt to increase their market share at the expense of other brands by increased advertising in conjunction with other promotional activities.


Figure 1.2 Award winning Ads of Coca-Cola

Source - Collected by the researcher from the internal communication source of The Coca-Cola Company.

Figure 1.3 Awards won by The Coca-Cola Company

CANNES
GOLD LION, PRINT CAMPAIGN - Non-alcoholic drinks for 'Thanda Matlab Coca-Cola'

ASIA PACIFIC ADVERTISING AWARDS
PRINT BRONZE - for 'Man in the Shadow'

ABBY AWARDS
CAMPAIGN OF THE YEAR for 'Thanda Matlab Coca-Cola'
CAMPAIGN GOLD - Food & Beverages for 'Thanda Matlab Coca-Cola'

CRESTA AWARDS
BEST SINGLE PRINT AD - for 'Man in the Shadow'
BEST PRINT CAMPAIGN - for 'Thanda Matlab Coca-Cola'

EFFIES
GRAND EFFIE for 'Thanda Matlab Coca-Cola'
CAMPAIGN GOLD - Consumer products (non-durable) for 'Thanda Matlab Coca-Cola'

AAAI AWARDS
PRESS SILVER - Food & Beverages for 'Man in the Shadow'
TELEVISION BRONZE - Food & Beverages for 'Bali ki Dukhna'
TELEVISION GOLD - Food & Beverages for 'Pyasaa Mehandiwal'
TELEVISION GOLD - Food & Beverages for 'Soni Kool'
CAMPAIGN OF THE YEAR for 'Thanda Matlab Coca-Cola'
ADVERTISER OF THE YEAR for 'Thanda Matlab Coca-Cola'

RAPA AWARDS
BEST TELEVISION COMMERCIAL - for 'Sohni Kool'
BEST SCRIPT - for 'Sohni Kool'

Source - Collected by the researcher from the internal communication source of The Coca-Cola Company.
The market survey of Indian industry by the Blackstone Agency\(^1\) reveals that out of the overall expenditure on advertising and promotions by the industrial sector, Fast Moving Consumer Goods (FMCG) companies spend about 70% of the total expenditure. A bulk of this was on the mainstream media and the rest on below-the-line promotional activity. Of this, the soft drinks industry alone spends more than 8% of the total advertisement expenditure in India.

This evinces the role of advertising in Indian Soft Drink Industry. To understand how advertising has worked in this industry, it is necessary to explore the possibilities people have for thinking, feeling and behaving towards various products and services in their lives. This is not easy because, all individuals are capable of being logical and illogical, objective and subjective, obvious and subtle, simultaneously.

The extensive literature survey done by the researcher evinces the fact that little attention has

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been given by the Indian Soft Drinks industry to understand the effectiveness of advertising in this sector with the above said perspective. Hence, an attempt has been made in the present study to understand the various modes of product advertisements and promotional activities adopted by Soft Drink companies in India, in general and in the city of Bangalore, in particular.

The soft drinks market in India is dominated by two of the worlds' leading beverage companies, namely, Coca-cola and Pepsi. Market reports indicate that 97% of the soft drinks market in India is held by these two multinational companies, rest being held by marginal local manufacturers. The rivalry between the two multinational giants for the market pie is classical and historical. It is manifesting in huge expenditure on Ads and, their aggressiveness to outwit each other is evident in their Ads.

Marketing research has established that Coca-cola and Pepsi score very high on brand awareness. These brands have been built over a long period of time by a continuous marketing innovation, by capturing the
imagination of consumers and through actual consumption experience by consumers. The battle, here, is not to create brand awareness, rather the battle is to hog the share of minds and thereby, corner a major share of throat. The battle is to steal market share through competition. Their focus is on building brand association, developing brand favourability and igniting brand purchase intent. This has resulted in a significant impact on the soft drink industry, as a whole.

The soft drinks industry in India constitutes of industries manufacturing two types of soft drink categories, namely, Carbonated Soft Drinks (CSD) and juices and powder drinks. CSD dominates the soft drinks market with 85% share and the remaining 15% is held by juices and powder drinks. It is because of this dominant role played by CSD in the soft drinks industry in India, there is a need to understand the CSD category.
1.1.1 CSD Category

Consumption of Carbonated Soft Drinks in India has increased from 75 million cases in 1993 to 450 million in 2005 and estimated to grow at a CAGR of 21%. This factor makes the CSD category a promising area for analyzing the determinants of their advertising intensity. Hence, CSD is still one of the leading sectors in FMCG sector that has been growing consistently.

Tollison, Kaplan and Higgins (1991), observe that consumers prefer various beverages differently on different occasions. Advertisement plays a significant role in the competition with the other beverages by accentuating benefits that appeal to different demographic and lifestyle segments. Given the intersector competition with other types of drinks and the intense rivalry among several soft drink brands, the CSD market’s total national advertising expenditure is

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1 Sourced from The Coca-Cola Company internal sources.
2 Cumulative Annual Growth Rate.
3 Sourced from the Coca-Cola Company internal sources
relatively high. To add to the complexities of the industry has been the presence of large number of local soft drink manufacturers\textsuperscript{1} in Rajasthan, Gujarat, Kerala, Tamil Nadu and Goa.

Of late, the CSD category is on the decline due to consumers moving from beverages to health drinks. The category is also dogged by negative media coverage as having unhealthy and higher levels of pesticides. Despite this, the potential in this category is undisputed. Hence, this is the appropriate time to understand the dynamics of consumer preference and find ways to draw consumer attention and interest towards Soft Drinks category, in general and CSD, in particular.

A fact about advertising and marketing of any brand or store is that customers have very limited attention span, devote little time or effort to processing information about brand or stores; and they have access, desire or ability to easily retrieve only a few bits of information about brands or stores included in their

\textsuperscript{1} Local soft drinks makers who make unbranded soft drinks like crush soda.
long-term memories (Kassarjian, 1981; Olshavsky and Granbois, 1979). A consumer’s top of mind brand or store name associations with a few bits of information, such as ‘most reliable’, ‘lowest overall prices’ are simply related to his or her shopping and buying behaviour. This is more relevant to Indian Soft Drinks Industry in particular.

The broad concern of the present study is to find out the effectiveness of Ads and to give insights into consumer behaviour. The study is envisaged to enable marketers to arrive at the right mix of strategies for soft drinks industry on one hand and reduce advertising wastage on the other. The research study sets out to address some of the concerns of the industry, namely, effectiveness of Celebrity endorsements on brand preference and purchase intent, linkage between visual attention to brands and recall of these brands at the point of purchase.


1.2 Need and Significance of the Study

Any study on effectiveness of advertising without understanding consumer behaviour would be incomplete. Hence, there is a need to understand the effectiveness of Ads on Consumer Behaviour.

Review of literature in this area of study evinces the fact that a number of studies have been made on effectiveness of Ads, brand preference and brand recall, in general. Not much work has been done on the effectiveness of Ads in Soft Drinks industry, in particular, and especially in India. Most of the studies on effectiveness of advertising have been conducted in the Western countries. India, being a future market (along with China) for the world business community, the scope for studies of this kind is very vast. Due to globalization, there is an impact on the consumer culture also, because of high use of Celebrity endorsements in Ads in the Indian context. Further, effectiveness of celebrity endorsements on brand preference is an important area, which is construed to be highly effective and taken at face value. It is very critical to
understand the impact of celebrity endorsement in the Soft Drinks industry. This made the researcher to choose this subject for the present study.

Another area of concern is to understand the linkage of visual attention to brands at the point of purchase and buying behavior. Point of purchase advertising comes as a boon as it performs the dual role of inducing sales and achieving communication objectives of the company.

A look at the Indian retail industry would reveal that there is a retail revolution happening and the whole industry is experiencing a paradigm shift. Added to this, the revolution in advertising would result in a major impact on retail business. Fernandes et.al (2000)\(^1\) in the McKinsey’s report estimate, that if retailing industry continues to grow at its present rate, it would touch 300 billion dollars by the year 2010. The whole of retail landscape is changing. These changes are being driven by the entry of large business houses in retail spearheaded by stores like Reliance, Pantaloons, Life

style, Shoppers’ Stop, Food world, Crossword and Planet M. There are perceptible changes in the retail format, product lines and the extent and type of communication to induce consumers.

Despite all these, smaller retailers have continued to grow and have shown absolute in adapting to the changing retail landscape. Companies cannot ignore these conventional ‘kirana’\(^1\) outlets, as they constitute more than 70% of the retail space. The small sized outlets on one side, and the large ‘mega mall’ outlets on the other side, pose a major challenge to the marketers in terms of reaching the consumers.

Hence, the current study is envisaged to throw light on the role of Point of Purchase Ads in inducing impulse behavior and resulting in consumption of the brand advertised.

Besides the theoretical contribution, the study aims to have a high managerial relevance. It offers a good

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\(^1\) Kirana outlets are small grocery shops found in lanes and by-lanes of Indian cities.
understanding of consumer perceptions and help managers and marketers to get the best return on investment on Ads. The empirical results provide managerial insights into how ads can contribute effectively to gain market share, become a category leader and sustain leadership position.

The researcher’s interest in the subject stems from the fact that he is working for the industry and is observing the developments very closely. The contribution of the study to enhance the professional knowledge is of paramount importance to the researcher and his company and in turn, to the industry.

The present study is aimed at accomplishing certain specific objectives that are discussed in the subsequent sections of this chapter.
1.3 Objectives of the Study

The effectiveness of ads and challenges faced by the soft drinks industry in reaching to consumer needs to be analyzed and empirically resolved. The present study aims at answering some of the questions relating to effectiveness of ads, celebrity endorsements and ad effectiveness, visual attention to ads at the point of purchase and purchase behavior. Hence, the major questions posed in the present study are:

Q1: Do Point of Purchase Ads have any significant influence on attitude towards advertisement, towards brand and purchase intent?

Q2: Do Ads with Celebrity cue have any significant influence on attitude towards advertisement, towards brand and purchase intent?

Q3: Do Trade Channel, Age, Store Category, Gender and Income of the location have any significant moderating influence on attitude towards advertisement, towards brand and purchase intent?
In order to answer the above questions, soft drinks industry has been chosen as the industry for current research work entitled, “Effectiveness of Advertisement-A study of Soft Drinks in Bangalore City”.

Specific objectives, which are critical to the present study, are the effectiveness of Celebrity endorsement on brand preference and purchase intent, and to study the linkage between point of purchase advertisement and impulsive purchase behavior.

1.4 Hypotheses of the Study

In order to accomplish the above objectives, a research framework was formed and the study set a few hypotheses based on the findings of earlier studies and researcher’s experience in soft drinks industry. The hypotheses set for the present study are mentioned below:

H1: There exists a significant relationship between Advertisements with Celebrity cue and Attitude towards Brand advertised.
**H2:** There exists a significant relationship between Advertisements with Celebrity cue and Attitude towards Advertisement.

**H3:** There exists a significant relationship between Advertisements with Celebrity cue and Purchase Intent.

**H4:** There exists a significant relationship between Point of Purchase Ads and Attitude towards Brand advertised.

**H5:** There exists a significant relationship between Point of Purchase Ads and Attitude towards Advertisement.

**H6:** There exists a significant relationship between Point of Purchase Ads and Purchase Intent.

**H7:** There exists a significant difference among Moderating elements towards Outcome elements.

Testing of hypotheses called for collating Primary and Secondary data. Primary data was collated through in-store observation and subsequent personal interviews on the basis of a tested questionnaire.
1.5 Locale of the Study

The sample data was collected from different clusters of Bangalore during various periods to cover seasonality. The study was limited to the city of Bangalore for two reasons:

1. Bangalore is one of the fastest developing cities in Asia, tipped to be a city of the future. It is truly cosmopolitan in nature as one can find consumers from all walks of life, with different life styles and culture.

2. Being a cosmopolitan city, Bangalore has a large scope for field experiments.

A total of 305 consumers at 15 Outlets were chosen from five different geographical areas of Bangalore for observation and field experiment as required by the present study.
1.6 Chapter Scheme

The Thesis is presented in six chapters. The first chapter ‘Introduction’ examines the rationale of advertising to highlight the role of advertisement in the Soft Drink industry in India, in general and Carbonated Soft Drink category in particular. It enumerates the need for current study and a clear framework of the study is spelt out, to understand the overall implication of the study.

The second chapter titled ‘Review of Literature’ highlights the objectives and findings of past studies conducted in the related areas of Advertising and Consumer Behaviour. A detailed examination of both theoretical and empirical studies is presented in this chapter. This has helped the researcher in building a strong conceptual framework for the present study.

The third chapter titled ‘Conceptual Framework’ explains the propositions made, the major factors influencing effectiveness of advertising, the key variables, and the hypotheses set for the present study.
The fourth chapter namely ‘Research Methodology’ describes the statistical tools used in the thesis for primary data collection.

The fifth chapter titled ‘Data Analysis and Interpretation’ presents a detailed account of statistical analysis. The results are discussed vis-à-vis the hypotheses formed at the beginning of the study and meaningful inferences have been drawn from the results.

The sixth chapter is a concluding chapter titled ‘Conclusion and Recommendations’. This chapter brings out the interpretations made based on the results of previous chapters and includes a concluding part of the present study.

Bibliography has been presented after the last chapter of the Thesis followed by a copy of the Questionnaire which has been presented at the end of the Thesis in Annexure - I.