



# Effect of Marketing Communication on Sales Performance of Multinational Companies: A Case Study of Proctor and Gamble Company

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## Abstract

*The relationship between marketing communication and sales performance of multinational companies has always attracted the interest of the researchers in different parts of the world. However this relationship in multinational companies has not been addressed properly in global perspective. The aim of this study is to fill this gap by evaluating the relationship of marketing communication and sales performance of Proctor and Gamble company (P & G). The researchers have used five years data ranging from 2008 to 2012 of P and G Company for this study. The correlation coefficient method was used for analyzing the relationship between the two variables. The result shows that there is significant relationship ( $r = 0.94$ ) between marketing communication and sales performance of P&G Company.*

**Keywords:** Marketing communication, advertising, personal selling, public relations, sales promotions.

## Introduction

In this modern cut through competition a firm needs to communicate the features and benefits of the product to current and potential customers after producing, pricing, packaging and placing it at convenient places. Firm use effective marketing mix tools to communicate with customers and get responses from the target audience and formulate or modify its marketing strategies accordingly. The tools of marketing mix which a firm uses are product, price, place and promotion<sup>1</sup>. Firm uses marketing communication also referred as promotion mix tools to reach, inform and persuade the existing and potential customers to buy the wants satisfying product for resale or ultimate consumption. Marketing communication also focuses on preparing the organizational messages effectively, as effectively designed messages influence the behavior of the consumers, which result in improved sales<sup>2</sup>.

Marketing communication works as bridge between the seller and customer. The seller uses different promotional tools for reaching the target market, depending on the nature of the product and mental filter of the target audience. These tools are advertising, sales promotion, personal selling and public relations.

Promotion helps the seller to have a two way discourse with the seller at pre-selling, selling, consumption and post purchase stages of the product<sup>3</sup>. Effectively employed promotional tools for a product influence the buying and consumption patterns of the customers and provide maximum return on investment to seller. One of the great challenges to a firm in the modern competitive environment is to make the customers brand loyal and to retain them for its survival and making profitable sales, and this, retention is based on the product features, not the price and place, and promotional activities<sup>4</sup>.

**Research Objectives:** In the light of above discussion the main objective of this study is to evaluate the relationship between marketing communication and sales performance. Different studies have been conducted on marketing communication and sales performance relationship in multinational companies in different parts of the world. But the researchers are interested to evaluate this relationship in global perspective. For this purpose, the researchers have used P & G company as a case for this study.

**Hypotheses:** The data is tested and analyzed keeping in view the objective of the study.

Ho: There is no significant relationship between the promotional expenses and sales of the Proctor and Gamble Company.

H1: There is significant relationship between the promotional expenses and sales of the Proctor and Gamble Company.

## Methodology

Researchers have used P and G company as a case for this study. Data was collected from the annual report and sales records of the company. The promotional expenses and data regarding sales of P&G company ranging from 2008 to 2012 were taken for analysis. Correlation coefficient method was used for data analysis in order to accomplish the purpose of this study.

**Literature Review:** The response of market to the marketing mix of a firm has always been an issue of great theoretical and practical importance and that is why the marketers always put great efforts to coordinate between the firm's marketing communication activities and sales and expenditures for sustainability and growth of the firm<sup>5</sup>.

Marketing communication consists of those promotional tools that positively transmit information to target audience about the products or services of the organization with the objective of influencing purchase decision making<sup>6</sup>. Another study explains that “Marketing communications are the ways through which firms attempt to inform, persuade, and remind consumers—directly or indirectly—about the products and brands they sell. In a sense, marketing communications represents the “voice” of the company and its brand, and are means by which it can establish a dialogue and build relationships with consumers”<sup>7</sup>.

Marketing communication helps organization to shape and mould the behavior of the customers and establish long lasting relationship with them<sup>8</sup>. In this modern age of competition marketers face a big challenge to inform and persuade the customers about the organization and its products after launching them<sup>9</sup> because, providing only quality products to target audience does not mean that the job of the marketer is over but also has to communicate the attributes, values added and benefits of the firm’s products for making profitable sales volume<sup>10</sup>.

Customer for wise purchase decision making is always interested to seek information about the attributes of the product or service, value added, how much to pay for it and accessibility to it<sup>8</sup>. He further explains that if the channels of marketing communication of a company are effective, they can result in adding up value to the company’s product or service which further affecting the behavior of the consumer and boosting up the sales generation.

Marketing communication helps the company to build a strong relationship between the consumers and the products as it provides information to customers about the products, making sense of judgment to compare the products with other companies’ products and facilitate them in buying the products<sup>11</sup>.

Marketing communication takes into consideration the overall marketing program of a company rather focusing on one aspect of it<sup>12</sup>. Marketing communication activities are used by organization for creating and building up positive image of the product and attainment of long term objectives through informing and persuading the target audience<sup>13</sup>.

Marketing communication is the integral part of marketing mix. It is any attempt of the firm the objective of which is, informing and convincing the existing or prospective consumers, concerning the characteristics and benefits of the products so that they keep on buying or begin to buy the firm’s product<sup>14</sup>.

**Elements of marketing communication:** Marketing communication is also known as promotion mix<sup>6</sup>. It consists of four elements of promotion which are advertising, sales promotion, personal selling and public relations<sup>15,3</sup>. Effective

implementation of promotion mix helps the organization in reaching its target audience, informing, influencing and persuading them for buying products or services.

Promotional mix is defined as “any marketing effort whose function is to inform or persuades actual or potential consumers about the merit a product possess for the purpose of inducing a consumer to either start buying or continue to purchases the firm’s product<sup>14</sup>.”

Marketing communication elements or promotional mix are tools or medium which are used to inform and persuade the customers about the products or services of the organization, about which they were not aware before or not paid due attention<sup>16</sup>.

**Advertising:** Advertising is defined as “any paid form of non personal presentation and promotion of ideas, goods and services by an identified sponsor”<sup>17</sup>. It is the spreading of information by marketer relating to a product, service or an idea through different medium, such as newspaper, radio, television, billboards or magazines by a recognized source<sup>18</sup>. Through advertisement consumers get to know about the products or services offered by firm and helps in minimizing the hindrances between the organization and customers<sup>19</sup>. Advertising provides employment opportunities, create standards in the course of competition, improves the living standards and entertain the audience<sup>20</sup>. Advertising has many advantages to marketers such as comparatively reasonable cost than that of other promotional mix elements, targeting large segment of population, establishing good relationship with potential customers, creating good image and promoting the reiterate purchase of the product or service<sup>6</sup>.

Another study on “a theoretical approach to the concept of advertising in marketing” states that advertising is aimed to educate the customer about the features and value of the product or service and also to persuade them for buying the firm’s product. Moreover it helps in upholding and improving demand for current product and generating demand for new product and thus results in increasing the firm’s sale<sup>21</sup>.

**Sales promotion:** Sales promotion is defined as “techniques and devices commonly used on a temporary basis, to make goods and services more attractive to distributors or final customers by providing them with some additional benefit or inducement (incentive) or the expectations of such a benefit, whether in cash, in kind (nature) and/or services, whether immediately or at a later time, whether freely or conditionally”<sup>22</sup>.

A research conduct on the issue of sales promotion depicts that sales promotions have noteworthy impact on the sales and profit of the organization. Moreover sales promotion have greater impact on organizational performance as it stimulate and encourage the consumer to purchase a product in large quantity,

provides and opportunity to organization to generate trials of the product by non users, motivate the retailers to stock greater number of items, motivate the buyers to make buying in off seasons and establishing the brand loyalty. They further add that if the sales promotions are effectively implemented, it can give new life to failing product and enhance its sales. Sales promotion benefits the organization at all stages of life cycle of a product and in particular at initial and growth stage. Their study further concludes that there is positive relationship between the effective implementation of sales promotion and organizational sales which leads to increase in profitability<sup>23</sup>.

Another research study conducted on the same issue describes the impacts of sales promotion of two companies from diverse industries of Pakistan on organizational profitability in short and long run. They conducted survey research on 200 consumers from Beverage and foam manufacturing industries. The findings of the study reveal that companies use sales promotion for short or long term profitability. Effective sales promotion helps generating more sales and hence more profit for the company. Quality is one of the critical factors influencing the relationship between sales promotion and profitability. Only effective sales promotion can reinforce the consumer for repeat purchases<sup>24</sup>.

**Personal selling:** A study describe that personal selling is one of the key and mostly used marketing communication tools which is used by seller to inform the target audience by demonstration of the product, persuade and establish a long lasting relationship for enhancing the organizational sales. This process requires face to face contact, followed by interaction for the usage of the product, between the customer and seller. Personal selling may be made on any of the following mode; retail selling, professional selling, business to business selling and direct selling<sup>25</sup>.

Personal selling is an important element in today's cutthroat competition for satisfying the customers, making them brand loyal and generating profitable sales volume which eventually leads to organizational success<sup>26</sup>.

Personal selling is used to ensure the satisfaction of the customer after purchasing the firm's product and provide guidance to taking corrective measure<sup>27</sup>, as the seller can see the favorable or unfavorable reaction of the customer and modify the message accordingly<sup>28</sup> and thus it helps seller in establishing long term profitable relationship with customer based on mutual confidence, understanding and trust<sup>27</sup>.

**Public relations:** Public relations is defined as "the management function which evaluates public attitudes, identifies the policies and procedures of an individual or organization with the public interest, and executes a program of action to earn public understanding and acceptance"<sup>28</sup>.

If the virtues of the company and value offered by Public relations efforts meet the expectations of the consumer, it can leads to establishing long term relationship and strengthening of

the consumer loyalty<sup>29,30</sup>. Those corporations which commence cause- oriented marketing campaigns distinguish themselves in cut throat competition and get better their image which results in improved sales<sup>31</sup>.

A study found that perceived public relations effect the consumer loyalty. Establishing PR with customers along with managing the brand image can create consumer loyalty. They further state that PR activities help the organization to create favorable image of the product and create trust among consumers and thus influence the attitude and perception. Moreover the brand image influences the positive relationship between perceived public relations and customer loyalty<sup>30</sup>. Customers believe in that a company with favorable brand will honestly handle the feedback, observations and queries of the customer and thus they advise the company to their family members and friends, and this word of mouth of the satisfied customers attract them towards the company's products and thus total sales is increased<sup>32</sup>.

## Result and Discussion

Table-1

Year	Promotional expenses (in billion \$) X	Sales (in billion \$) Y
2008	84.3	77.7
2009	74.5	75.3
2010	84.8	77.6
2011	92.1	81.1
2012	93.4	83.7

Table-2

Year	X	Y	X <sup>2</sup>	Y <sup>2</sup>	XY
2008	84.3	77.7	7106.49	6037.29	6550.11
2009	74.5	75.3	5550.25	5670.09	5609.85
2010	84.8	77.6	7191.04	6021.76	6580.48
2011	92.1	81.1	8482.41	6577.21	7469.31
2012	93.4	83.7	8723.56	7005.69	7817.58
00	∑x= 429.1	∑y= 395.4	∑x <sup>2</sup> = 37053.75	∑y <sup>2</sup> = 31312.04	∑xy= 34027.33

Correlation coefficient= r

$$r = \frac{n \sum xy - \sum x - \sum y}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}$$

$$= \frac{5(34027.3) - (429.1)(395.4)}{\sqrt{[5(37053.75) - (429.1)^2][5(31312.04) - (395.4)^2]}}$$

$$= \frac{170136.65 - 169666.14}{\sqrt{[5(37053.75) - (18416.81)][5(31312.04) - (156341.16)]}}$$

$$= \frac{470.51}{\sqrt{(1141.94)(219.04)}} = \frac{470.51}{\sqrt{250130.54}} = \frac{470.51}{500.13}$$

$$= 0.94$$

It is concluded from the above statistical analysis that there is positive relationship between the promotional expenses and sales of P&G Company and correlation coefficient is 0.94.

**Hypothesis:** Ho:  $r = 0$ , Hi:  $r = 0$

**Two tailed test is performed in order to look for any change in the parameter**

$$t = r \sqrt{\frac{n-2}{1-r^2}}$$

Where  $r = 0.94$

$$\begin{aligned} t &= 0.94 \sqrt{\frac{5-2}{1-(0.94)^2}} \\ &= 0.94 \sqrt{\frac{3}{1-0.8836}} \\ &= 0.94(5.077) \\ &= 4.77 \end{aligned}$$

Two tailed test of 0.05 is used

The degree of freedom =  $n-2$  (where  $n=5$  representing the number of variables)

$$= 5-2=3$$

The value of 3 is checked under  $0.05 = 3.182$

Based on the above analysis, the null hypothesis  $H_0$  is rejected and the alternative hypothesis  $H_1$  is accepted as it explains the positive relationship between promotional expenses and sales of P&G Company.

## Conclusion

The main objective of this study is to evaluate the effect of marketing communication on sale performance of Procter and Gamble Company in global perspective. From the literature and analysis of this study it is concluded that there is a significant relationship between the marketing communication and sales performance of the Procter and Gamble company.

Firm uses different marketing communication tools, keeping in view the attributes of the product and temperament of the target audience. These marketing or promotional tools help firm in reaching its target current and potential customers and persuading them for the purchase of product. The promotional tools if effectively employed can add value to the company's products and increase the total sales.

Marketing communication helps the firm to establish good relationship with the customer and ensure its survival and attain long term objectives. Marketers use these promotional tools for

creating the brand image by creating interest of the customers, arousing their desires and stimulate them time and again for buying the company's offering through advertising, sales promotions, personal selling and public relations.

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