Identifying and prioritizing different factors influencing the success of advertisement during the economic depression

Aram Rashidi[a*] and Meisam Jafari Eskandari[b]

[a]Department of Progress, Iran University of Science and Technology, Narmak, Iran
[b]Faculty Member of Industrial Engineering Department, Payamnoor, University, Tehran Branch, Tehran, Iran

CHRONICLE	ABSTRACT
	During the financial crisis of 2007, many businesses and banks faced unexpected circumstances and declared bankruptcy. Market mortgage crisis and the collapse of the economic system in United States created a substantial amount of damage in world economy. Within a few years, the economic downturn was transferred to developing countries such as Iran. The recession has created conditions for Iranian companies that have led them to focus more on the subject of advertising since this is the primary tool of communication and business customers business. Success and failure of many organizations and companies depend on their advertisement planning. In this study, the factors contributing to the success and effectiveness of advertising during the recession time are identified. This survey has been accomplished on investigating an Iranian dairy firm named "Kalle". Using a questionnaire in Likert scale, the study determines the effects of various factors of advertisement on sales improvement in this firm using Pearson correlation ratio and rank them based on Freedman test. Cronbach alpha has been calculated as 0.93. According to the results, factors that contribute to the success of advertising during a recession include: Responsiveness to customers' needs, advertising tools, content factors, the amount of money spent and availability.

1. Introduction

During the past few years, the world has faced a financial crisis with serious impact on the world economy. After a decade or more of economic stability, the global economy has faced a period of increasing inflation and falling economic growth (Bahiti et al., 2011; Mansoor & Jalal, 2011). Part of the reason for economic downturn is that developed countries are passing through the most prolonged period of financial turmoil that most of us can remember (Sufian & Habibullah, 2010). Obviously, it influenced on financial markets particularly in Europe much more than others, including emerging economies, which are usually considered more vulnerable. Most crises reduce economic growth and

thereby influence the economies of developing countries (Olaniyi & Olabisi, 2011). The recent financial crisis in the U.S.A, according to many experts, has created one of the greatest crises in the economy after the 1930 crisis and it has been gradually expanded to European countries and the rest of the world (Kohn, 2009). Indeed, the financial crisis, happened in United States and other developed countries, has reduced US exports including raw materials, oil and other natural resources. The pressure on the current account and balance of payments reduced growth rates as well as foreign investment, which, in turn, has increased unemployment (Choudhry et al., 2010), reduced government revenues and eventually falling stock markets in developing countries (Alfaro, 2010).

Despite all the problems created by the US crisis, in fact, a plan to combat the economic downturn may be the best strategy. Some people believe that when we are in a recession economy; there still tremendous opportunities to earn money. As the owner of a small business when we observe market is slack, we may use different opportunities to acquire new customers or to discover the untapped markets of the past (Abu, 2010).

2. Literature review

Depression is not a new phenomenon and the world's economies are stagnating several times and have been out of recession. During the deep recession and the economic downturn of 1930, for many years, most European countries as well as US economy were suffered from the consequences of the recession. However, the economic downturn in 2008 has led to fewer losses, for several reasons, including the availability of reliable data and economic statistics and government and private sector information (Berger & Bouwman, 2013). During the financial crisis of 2007, many of the businesses and banks were bankrupted. Market mortgage crisis and the collapse of the economic system in US economy have created a fluctuation wave (Ripple effect) on the other industrialized economies around the world. The psychological effect of the global economic collapse of the world has also influenced other economies as well (Erkens et al., 2012). However, the economic downturn has also changed the market of adequate iodine intake (Sufian & Habibullah, 2010). The organizations can use more dynamic and effective advertising in recessions to achieve their silent and thoughtful innovative ideas. Unfortunately, most managers do not know that advertising in depression period may create tremendous opportunities for their companies (Goldfrey & Dillon, 2007). Table 1 shows the changes in macro level variables such as growth domestic products (GDP) and unemployment rate in members of Organization for Economic Cooperation and Development (OECD) (Gros & Alcidi, 2010).

Table 1
Change in macro Variable in OECD countries

Year	2004	2005	2006	2007	2008	2009
Percent change in GDP	3.2	2.7	3.1	2.7	0.6	-3.5
Percent change in internal demand	3.3	2.9	3	2.4	0.2	-3.7
Unemployment rate(percent)	6.8	6.6	6	5.6	5.9	8.2

The crisis transfer to worldwide, because of two main reasons: The sudden rise in risk aversion and financial market instability were transmitted very quickly (Goldberg & Dillon, 2007). Moreover, the sudden drop in demand, especially for capital-intensive goods was transmitted into global market. Within Europe, the integration of financial markets and supply chains are even stronger (Abdelbaki, 2010). One of the most important tools of communication and business customers business is advertising. Success and failure of many organizations and companies depend on in the quality of their advertising campaigns (Durra, 2001). Thus, we can conclude that the advertise opens a way to client and sends a message to various types of audiences. If these movements are combined with customers' psychology, art, and taste, with appropriate content and other conditions, it becomes more effective (Larous, 2005). Today, in the world, advertising has become a major industry and business.

The advertising industry is a tool used by many people. Four challenges could be identified in association with the impact of the recession on consumers' purchasing behavior (Laros & Steenkamp, 2005; Aliqah et al., 2010), which are decrease disposable income of people, increase prices, reduction in the ability of people to save money and investments and instability and lack of job security. On the other hand, during the recession, companies try to use possible ways to reduce their costs and they are quite reasonable. During this period, all feel that they must maintain their cash rather than spend it (Nistorescu & Puiu, 2009).

3. The proposed study

The proposed study of this paper considers the following hypotheses,

Hypothesis 1: Advertising tools significantly influence on the success of firm's advertisement during the recession.

Hypothesis 2: Visual and structural style significantly influence on the success of firm's advertisement during the recession.

Hypothesis 3: The amount of money spent influences on the success of firm's advertisement during the recession.

Hypothesis 4: Availability influences on the success firm's advertisement during the recession.

Hypothesis 5: Content factors significantly influence on the success of firm's advertisement during the recession.

Hypothesis 6: Responsiveness to the needs of the audience influences on the success firm's advertisement during the recession.

The proposed study of this paper has designed a questionnaire in Likert scale and distributed it among some experts who worked for a dairy producer named Kalle in Iran. There were 185 employees for the unit and the proposed study is determined as follows,

$$n = \frac{N \times z_{\alpha/2}^2 \times p \times q}{\varepsilon^2 \times (N-1) + z_{\alpha/2}^2 \times p \times q}, \tag{1}$$

where N is the population size, $p = 1 - q$ represents the yes/no categories, $z_{\alpha/2}$ is CDF of normal distribution and finally ε is the error term. Since we have $p = 0.5, z_{\alpha/2} = 1.96$ and N=185, the number of sample size is calculated as n=105. Cronbach alpha has been calculated as 0.93, which is well above the minimum acceptable level. Fig. 1 demonstrates the summary of personal characteristics of the participants.
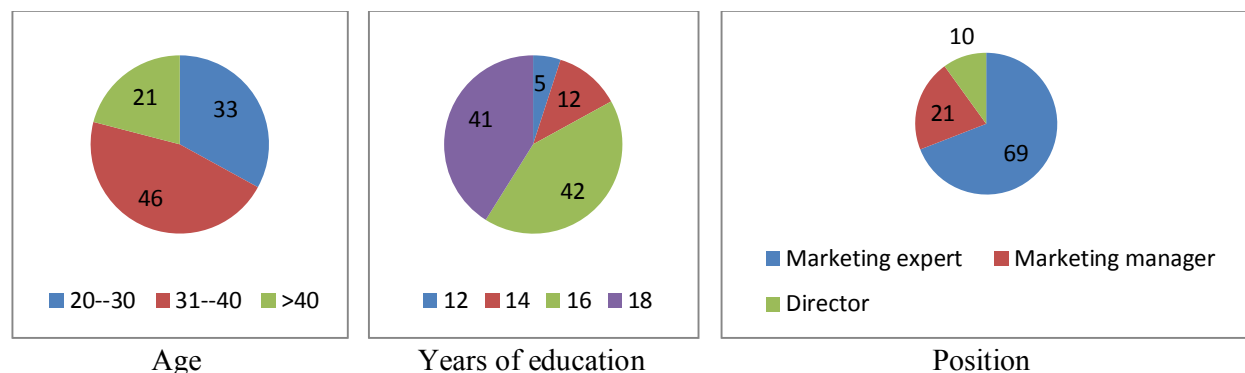

Fig. 1. Personal characteristics of the participants

In our survey, 78% of the participants were male and 22% of them were female. In terms of age, most people who took part in our survey were middle age and maintained some university education. Table 2 demonstrates details of the questions of the survey along with Cronbach alpha for each component.

Table 2
Questions into the questionnaire

Variable	Dimension	No of Questions	Cronbach alphas
Advertising tools	1. Television 2. Radio 3. Board 4. Postcard 5. others	9	0.85
Visual and structural style	1. Animation 2. Use of kids & women images 3. differentiation	5	0.71
The amount of money spent	1. Design cost 2. Show cost 3. Promotional cost	6	0.84
Availability	1. Time 2. Place 3. Tools 4. Price	9	0.91
Content factors	1. Advantage 2. Enough information 3. Address 4. Price 5. Place	10	0.81
Responsiveness to the needs of customer	1. customer identification	3	0.95

We have used Kolmogorov-Smirnov test to verify whether the data are normally distributed or not and the results have confirmed that the data indeed follow normal distribution. Therefore, we use Pearson correlation test to examine various hypotheses of the survey. In order to test all hypotheses of the survey, we consider the following,

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

4. The results

We now present details of our finding on testing various hypotheses of the survey. Table 3 summarizes the results of different factors on advertisement during the recession.

Table 3
Results of hypothesis testing

Hypothesis	Variable	Pearson correlation	(t-value)	Result
1	Advertising tools	0.64	5.18	Confirmed
2	Visual and structural style	0.45	1.25	Rejected
3	The amount of money spent	0.46	6.21	Confirmed
4	Availability	0.42	5.15	Confirmed
5	content factors	0.51	6.32	Confirmed
6	responsiveness to the needs of customer	0.62	7.12	Confirmed

As we can observe from the results of Table 3, except one case, the second hypothesis, all other hypotheses have been confirmed and we can conclude that advertising tools, the amount of money spent on advertisement, availability, content factors and responsiveness to the customers' needs influence positively on the effectiveness of advertisement during the recession time. However, we do not have enough evidence to believe that visual items could have any meaningful impact on advertisement. Next, we use Freedman test to prioritize the effects of various factors shown in Table 4 as follows,

Table 4
The results of ranking different factors based on Freedman test

Rank	Factor	Mean rank
1	Responsiveness to the needs of customer	16.01
2	Advertising tools	15.33
3	Content factors	14.06
4	Amount of money spent	13.85
5	Availability	13.52

As we can observe from the results of Table 4, meeting customers' needs is the first priority during the recession followed by using appropriate advertising tools, content factors, the amount of money spent on advertisement and availability.

5. Conclusions

In this paper, we have presented an empirical investigation to study the effects of advertisement on sales improvement during the recession time. Using a Likert based questionnaire, the study has chosen some employees who worked for a dairy producer in Iran and performed the survey. The results have indicated that it is important to determine customers' necessary requirement before taking any advertisement actions. In addition, firms need to choose appropriate methods for advertisement to penetrate the market, carefully. Nevertheless, sales figures could be improved by spending necessary funds in order to attract more people.

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