Advertisements Cause Sales or Sales Cause Advertisements: A Case of Manufacturing Companies
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Abstract
Advertising is an important tool of marketing, as it helps the business in achieving the competitive advantage by selling its products and overcoming the rivals. Companies spend money on the advertisements in order to make sure that the masses are aware of their products, features and advantages over those of the competitors. The present study analyses the linkages between spending on advertisement and sales in the case of thirty nine manufacturing companies selected from the Fortune 500 companies. The data used in the study is the secondary data taken from the annual reports of the companies. The study uses statistical tools including mean, median, standard deviation, regression, kurtosis, skewness and various econometric models. Taking six years data of thirty-nine manufacturing companies, we present their descriptive statistics, regression, unit root test, vector auto regressive, and variance decomposition. Except for vector auto regressive model, rest of the tools used clearly shows that there is a significant relationship between advertisement expenditure and sales.