Do Advertisement Expenditure Affect Performance of International Business? Evidence from Quoted Multinational Corporations in Nigeria

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Abstract: *The competitiveness of the international business environment is increasing daily. However, the ability to keep a multinational company going has been faced with challenges and competition traced to its effective marketing strategies and advertisement method. Advertising as a form of communication intended to convince an audience (viewers, readers or listeners) to purchase or take some action upon products, information, or services etc. while foreign or multinational organizations have been identified to bring fresh capital that boost the economy through their various activities. The objective of this study is to examine the effects of advertisement expenditures on the multinational businesses performance in Nigeria. The study thus undertakes an empirical analysis to examine the effect of advertisement costs on the performance of multinational companies in Nigeria from 2000 to 2010. Ordinary least square (OLS) multiple regression method was employed to examine how cost of advertisement had impacted on volume of sale and profitability of multinational firms in Nigeria. The result from the analysis showed that long-run relationship exists between sales volume, advertisement cost and profitability of multinational companies in Nigeria. Cost of advertisement was found to have a positive relationship with volume of sales and the level of profits made by multinational companies in Nigeria. Suggestive from the analysis therefore are that the multinational companies should hold fast to the marketing concept, which focuses on the identification of the needs and wants of target customers, and finding means to satisfy them so as to sustain their productive performance level.*

Keywords: *Advertisement, Business, Expenditures, Multinational Corporations, Performance*

1. Introduction

Multinational corporations have become major actors in the international economic arena. Their success, however, is contingent on securing access to the territory of more than one state. Developing countries have altered principles, norms, rules, and decision-making procedures related to direct foreign investment (Lake, 1991). Boone and Kuntz (1987) refer to multinational companies as companies that operate projects and marketing facilities on an international level and consider the whole world as their market. Multinational companies are business organizations that carryout business activities beyond the borders of one country. They usually have parent companies based in their country or countries of origin. From the home country the parent company extend its operations to other country of interest. Multinational companies are popularly referred to as transnational companies.

Multinationals contributed to diversification. If the corporation has an advantage over individual in diversification skills, then the total risk of the corporation for the given level of expected return may be lower than what investors could obtain independently for the expected return. This would be the case because the lower risk available only re-cast of investors who course their investment from among the company's project. For the multinational company in particular, it was argued that it's very likely that it can diversify more efficiently than individual company, since the multinational companies have access to large investment in countries whose capital markets could hardly be described as efficient. Also they gather a cheek mass of information about international opportunities in line of business that would be hard to duplicate by any financial investor. Right now multinational companies control enormous financial capital resources. They engage in shifting capital, technology and management skills across international borders (Kotler, 2005).

A good number of multinational companies are characterized by large and huge financial investment and assets. They are involved in varied and expensive types of businesses, which earned them the Name "Conglomerate". Thus, conglomerates are business organizations that spread their tentacles to all sorts of investments (both related and unrelated) to their Main business. Examples of these in Nigeria include, Paterson Zochonis (PZ) and Unilever. Although most multinational companies are conglomerates, they concentrate in one direction or line of businesses. They deal in single product mix, example of such companies are Nigeria Bottle Company and Paterson Zochonis (PZ).

Advertisement is a major component of integrated marketing communication and it is one of the most visible and expensive marketing activities. It is also considered to be among the greater traditional mix strategies which have been established by many multinational companies nowadays.(Mohammed 2009). Advertisement is any paid form of non-personal communication about an organization, product or idea by an identified sponsor (George & Michael, 2007). Advertisement plays important role in marketing communication and it is seen as an effective way of promotion, may it be in the service or product because consumers are bombarded with arrays of media such as television, newspapers, magazines, radio, internet, direct mail and other mass media in their daily. Thus, companies (MNC's) believe that advertisement is advantageous in the form of building awareness.

The use of advertisement is effective to boost Multinational Companies (MNC) Performance. This is evident from the usage of advertisement and the expenditure on advertisement which has been on advertisement which has been increasing along the years. Multinational Companies are spending money in advertising their company products or services brand and expect that consumers or those who read the advertisement will react positively toward their product or services brand and increase its profitability and the company value.

However, there is no certain measurement or evaluation of the effectiveness of advertisement whether it is able to boost the sale volume of the product or just simply to build brand awareness. In other words, with the amount of resources poured in for advertisement by Multination Companies, does it actually boost up the company's performance is what this work attempts to find out. According to Onabe (2008), advertisement is also part of the total cost of a firm, although it is different compared to production cost and selling cost. Nonetheless, advertisement cost is taken as part of selling and distribution expenses, which implies that it increases the cost of production of the company in modern business. In addition, if advertisement raises the production cost, why is Multinational Companies still indulging in this practice? For example, coca-cola is the largest producer and seller of soft drink in the world, its revenue in (fiscal year 2008) totaled over UUSS 18.6 billion. However, Coca-Cola's advertisement cost equaled to 12.4% of its revenue in 2008 which is approximate to USS12.4 billion and its investment on advertisement since year 2004 has increased by 11% to 13% annually. In reality, there are many Multinational Companies using advertisement as their promotion strategy. The main issue to be discussed is regarding the effectiveness of advertisement cost toward multinational performance.

According to conventional wisdom, advertisement increases the demand of the product and thus is helping the company. A casual link between advertisement and sales has been suggested by several studies. Roland (2008) states that in an ideal world, if a company invests an extra naira in advertisement, the company would be able to identify say, three naira of extra sales caused by this advertisement. Other studies suggest that advertisement campaigns have a significant inter-temporal effect on sales by influencing consumption habits (Mike, 1999). Furthermore, some scholars find that advertisement campaigns have positive effect on the market value of companies providing information to equity investors on the expectation of cash flows. This suggests that investors may watch adverts and have positive purchase intentions of the advertised product (Sani 2004). Chika (2000), is of the opinion that, a successful advertisement campaign is capable of increasing the company's performance in many aspects increased market share, increased sales volume which in turn generate higher profit, building brand image and so on.

Traditional hierarchy-of-effects models of advertising state that advertising exposure leads to cognitions, such as memory about the advertisement, the brand; which in turn leads to attitudes, i.e. Product liking and attitude toward purchase; which in the end leads to behaviors, like buying the advertised product (Mendelson & Bolls, 2002). As the market is surplus with several products or services, so many companies make similar functional claim; so, it has become extremely difficult for companies to differentiate their products or services based on functional attributes alone. Differentiations based on functional attributes, which are shown in advertisement, are never long lasting as the competitors could copy the same (Hussainy et al., 2008). Therefore, the marketers give the concept of brand image. Like by creating the character of the caring mother, the marketer injects emotion into the consumer's learning and process of advertisements (Jalees, 2006).

The competitiveness of the international business environment is increasing daily. However, the ability to keep a multinational company going has been faced with challenges and competition traced to its effective marketing strategies and advertisement method. Advertising as a form of communication intended to convince an audience (viewers, readers or listeners) to purchase or take some action upon products, information, or services etc. while foreign or multinational organizations have been identified to bring fresh capital that boost the economy through their various activities. There are some previous studies concentrated on measuring the impact of sales advertisement on company value. This study examines the effect of advertisement on the performance of multinational; companies in Nigeria and profit effects by advertisement expenditure (Abbah, 2004, Yere, 2007; Mantrala & Murahi 2006). Besides, some questions arise about whether advertisement adds value to Multinational Companies.

Prior studies such as (Mike, 1999),Chika (2000) (Mendelson & Bolls, 2002).(Sani 2004), Roland (2008) have so far presented mixed results as some studies found an improvement in advertisement cost impact on firm performance. However, this view is not fully supported by all academicians, marketing practitioners and business communities as their evidence in Nigeria. Therefore, this study attempts to examine the effects of advertisement expenditures on multinational business performance in Nigeria.
The broad objective of this study is to investigate the casual relationship between advertisement expenditures and multinational business performance in Nigeria. The specific objectives are to: examine whether there is a significant relationship between advertisement expenditures and sales volume of multinational business in Nigeria. Assess whether there is a positive and significant relationship between advertisement expenditures and profitability level of multinational business in Nigeria. Analyze whether long-run relationships exist between advertisement expenditures, sales volume, and profit levels of multinational business in Nigeria. On the bases of the above objectives, the study formulates the following null hypotheses:

$H0_1$**:** *Advertisement expenditures have not significantly affected sales volume of multinational business product.*

$H0_2$**:** *Advertisement expenditures have not significantly affected profit of multinational business.*

$H0_3$**:** *There is no long-run relationship between advertisement expenditures, sales volume, and profitability of multinational business in Nigeria.*

2. Literature Review

2.1 Empirical Literature on the effect of Advertisement Expenditures on International Business

Performance measures quantitatively tell us something important about our products, services, and the processes that produce them. They are a tool to help us understand, manage, and improve what our organizations do. As multiple concepts of business performance exist depending on the level of aggregation and difference in dimensionality. The appropriate measures of business performance are found in empirical literature. The appropriate measures of business performance depend on the performance concept selected. Performance measures are either financial or organization. Financial performance such as profit maximization, maximizing profit on assets, and maximizing shareholders benefits are the core firm's effectiveness. Organizational performance measures, such as growth in sales and growth in market share, provide a broad definition of performance as they focus on the factors that ultimately lead to financial performance (Hofffer & Sandberg, 1987).

As earlier mentioned, the measures of business performance are usually fashioned from financial statement or stock market. These measures are beyond management's control, such as the measurement problem by using profit efficiency as indicator of business performance. Profit efficiency evaluates how close a business is to earning the profit that a best-practice business or international would earn facing the same exogenous condition of advertisement expenditures. Summarily, a multinational corporation performance can be affected by advertisement expenditures choice and by the structure of advertisement expenses period. Advertisement expenditures affect a business performance options. So, investigating the impact of advertisement expenditures variables on a business performance will provide evidence of the effect of advertisement expenditures on business performance.

Advertisement and Business Performance

In one of the literature work which empirically studies the effects of advertisement expenditure in the United Kingdom, Shah and Stark (2004) investigated the value relevance of the advertisement expenditure of UK firms as captured by ACNielsen MEAL (Media Expenditure Analysis Limited) for the period of 1990 to 1998 by employing cross-sectional valuation model. The results of the study showed a positive influence of advertisement expenditure on the market value of firms. Shark and Stark (2004) also investigated the effect of firm size and sector by splitting their pooled sample into sub-sample of manufacturing and non-manufacturing firms and of small and large firms. They found advertisement expenditure to be valuation relevant for large and non-manufacturing firms.

In another study, Shah and Stark (2005) constructed major media advertisement expenditure data of balanced panel of 35 United Kingdom firms (who are persistent major media advertisers) from 1990 to 1998 by employing valuation models. Shah and Stark (2005) examined the valuation relevance of advertisement expenditure. They investigated whether advertisement expenditure help in forecasting future earning and are associated with market value; and they found that major media advertisement expenditure valuation relevant and useful in predicting future value of earnings.

Uche (2007) examined the effect of advertisement on sales revenues by employing ordinary least square (OLS) regression with a sample of firm from the food, automobile, tobacco, drugs and cosmetics industries in Nigeria from 1990 to 2006. He found a long-lived effect of advertisement on sales in the food and drugs industry and short- lived effects for the rest of the groups. According to his empirical analysis, he argues for different treatment of the advertisement industries. Levin (2000) carried out a study to investigate the relationship between advertisement expenditure and sales by using dynamic demand for cigarettes which uses a pooled data of 26 from 1995 to 2000 and ran an empirical analysis using panel data analysis and Hausman- Taylor estimators. He claims that negative relationship between advertisement and expenditure and sales and indicated insignificant low price elasticity. His findings were consistent with Hamilton (1972), that there is a negative relationship between advertisement expenditure and sales which was work out in the United States (US) cigarette industry.

Messah (2007) investigated the relationship between advertisement expenditure and the market value of firms in Ghana using data from 1998 to 2003 employing an OLS model, Messah (2007) concluded in his study that advertisement expenditure are significantly connected with the increases in market value, suggested that investment in advertisement should be capitalized and then amortized rather than treated as expense items. These findings have significant implications in the Ghana and other countries where investment such as R & D and advertisement for future standard setting a generally expensed as incurred, leading to downward bias in the values of assets, current earning and shareholders' equity.

Amindita, Prashant and Anantha (2008) researched on the relationship by seeking to measure the impact of advertisement spending by firms on firm profitability and value as employed the Q- ratio using the data from the period of 2000 to 2007 for India. They found that there is no significant relationship between advertisement intensity and firm value which interpreted by Tobin's Q- accounting for coverage and firm size. They indicated that the firm many not have impact on the value of the firm although with the increasing numbers of advertisement in relation to its sales. However, the preferable advertisement spending of entire term shows a significant impact. Their result is significant because the profitability and firm value provides weak influence through the indicators or advertisement expenditure.

Gupta's (2008) findings had reflected the effect of advertisement on the firm performance in three industries of different nature- automobile industry, textile industry and food industry in India, using 10 years data from 1997- 98 to 2006 – 2007, but for some companies it is less than 10 years and replaced by using unbalanced panel data due to the limitation of data collection. In the study Gupta (2008) used the

Least Squares Dummy Variable (LSDV) model to estimate fixed effects, and Error Component Model (ECM) or Random Effect Model (REM) to overcome too many dummy variable problem. Gupta (2008) noted that the results of advertisement certainly affect the firm depending on their nature. He claimed it is evident that advertisement has positive and significant effect on sales of firms while it has significant adverse effect on profitability. He convinced that advertisement affect the sales and profitability in the three industries through modeling industry wise. However, the effect of advertisement on profitability in food and textile industry seems to be negative and significant.

Udel and Mose (2008) conducted a study on the relationship between advertisement expenditure, intangible value and risk in stock returns of restaurant firms from the period 2000 to 2005 by employing hierarchical regression model to examine the relationship between advertisement expenditure and Tobin's Q and also applied ordinary least square (OLS) and weighted least square (WLS) regression. They noted that there is a significant positive effect of advertisement on the intangible value of firm in terms of profitability, financial coverage, firm size and franchising. They suggested that advertisement expenditure intangible benefit to restaurant firms. They also noted that advertisement may affect product introduction, positioning, and differentiation which lead to a restaurant firm's success. Udel and Mose (2008) also suggested that restaurant firms should consider advertisement as investment which view advertisement campaign positively, in turn result in a higher intangible value of the firm.

Prior studies have so far presented mixed results as some studies found an improvement in advertisement cost impact on firm performance. However, this view has not been fully supported by all academicians, marketing practitioners and business communities as their evidence in Nigeria. Therefore, the study attempts to examine the effects of advertisement expenditures on multinational business performance in Nigeria.

2.2 Theoretical Framework

The study adopts Resource-advantage-theory(R-A). The proponents of Resources-Advantage-theory believe on evolutionary, disequilibrium-provoking process theory of competition in which innovation and organisational learning is endogenous, multinational companies and consumers have imperfect information, and entrepreneurship, institution and public policy affect economic performance of MNC. At its Core, R-A theory combines heterogeneous demand theory with the resource-based theory of the companies. Therefore it views products as bundle of attributes, different market offering or bondless required for different market segments within the same industry. Contrasted with the view that the company is a production function that combines homogeneous, perfectly mobile factors of production, the resource-based view hold that the firm is combining heterogeneous, imperfectly mobile entities that are regarded as resource of the firm. The major limitation of this study is that it varies from country to country due to cultural, political and economic differences. The study also, focused on only marketing perspectives in Nigeria because they are subject to particular marketing practice that can influence financial performance in a different manner.

3. Methodology

The objective of this study is to investigate the casual relationship between advertisement cost and multinational companies' performance in Nigeria. This study adopted survey research design in an attempt to find out the variables in connection with the specific problem observed, to be able to conceptualize the existing phenomenon.

The population of this study consists of all the multinational companies operating in Nigeria especially those quoted/ listed in the Nigeria stock exchange. A total of sixteen (16) multinational companies are listed and operate in Nigeria (CBN Billion, 2009) out of this only six representing 37.5% percent are in the beverages production which are of interest to the study. Samples of three (3) multinational companies which are into beverage production were carefully selected representing 50% of the six multinational companies which are into beverages production. In arriving at this sample, a non-probability sampling method was used. Convenience sampling method was adopted which assisted the study in collecting data from the three multinational companies conveniently available to provide the needed information for the study.

The Ordinary Least Square (OLS) method or the classical linear regression model is the econometric technique adopted in this study which covers an annual period of (2000– 2009). The preference of the use of the ordinary least square (OLS) estimation method is because the computational procedure is simple compared to other econometric techniques

3.1 Model Specification

In the light of the methodological knowledge gathered and empirical literature in our previous paragraphs, the models are specified for this study thus;

Model One:

$$VOS = \beta + \beta EOA + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad 01$$

Where:

VOS = Volume of sales

EOA = Expenditure of advertisement

U= Error term

Model Two:

$$PR = \beta + \beta EOA + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad 02$$

Where:

PR = profitability

EOA = Expenditure of advertisement

U_i= error term

4. Results and Discussion

4.1 Analysis of Data

Table 1.1 shows the results of descriptive statistics of variables, where the minimum, maximum, mean, standard deviation and jarque-bera of the data are presented.

Table I.I: Summary Descriptive Statistics

Tools	EOA	VOS	PR
Mean	2.44E+08	1.52E+09	2.18E+09
Median	2.31E+08	1.48E+09	2.15E+09
Maximum	3.76E+08	2.35E+09	3.15E+09
Minimum	1.89E+08	8.92E+08	9.83E+08
Std. Dev.	50207676	4.20E+08	5.75E+08
Skewness	0.960441	0.294062	-0.150386
Kurtosis	3.110932	2.148041	2.067988
Jarque-Bera	4.627616	1.339655	1.198889
Probability	0.038884	0.011797	0.049117
Sum	7.33E+09	4.55E+10	6.54E+10
Sum Sq. Dev.	7.31E+16	5.10E+18	9.58E+18
Observations	30	30	30

Source: *Field Survey, 2014 (Eview-7.0)*

The summary statistics for the variables: EOA, VOS and PF are as shown in Table I . The mean for EOA, VOS and PF are all different. This indicates that the variables exhibit significant variation in terms of magnitude, suggesting that estimation in levels will not introduce some bias in the results. The Jarque-Bera statistic for all the variables is significant; hence we reject the null hypothesis and conclude that the series are normally distributed (or have a normal distribution). The results in table 1 above also provide some insight into the nature of the depended variables. It shows the mean (average), standard deviation (degree of dispersion), the maximum, minimum and Jarque-Bera (JB) statistics (normality test) for each of the variable.

Table II: Regression Results For Model I: Advertisement Expenditures on Volumes of Sales

Dependent Variable: VOS
Method: Least Squares
Date: 07/28/14 Time: 13:20
Sample: 2000 2029
Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.12E+08	1.29E+08	3.192984	0.0035
EOA	7.894131	0.517864	15.24363	0.0000

R-squared	0.892460	Mean dependent var	1.52E+09
Adjusted R-squared	0.888619	S.D. dependent var	4.20E+08
S.E. of regression	1.40E+08	Akaike info criterion	40.41679
Sum squared resid	5.49E+17	Schwarz criterion	40.51020
Log likelihood	-604.2518	Hannan-Quinn criter.	40.44667
F-statistic	232.3683	Durbin-Watson stat	2.650456
Prob(F-statistic)	0.000000		

$$VOS = 4.12 + 7.89COA - - - - - - - - - - - - - - - - 3$$
$SEE = 1.29 \quad 0.51$
$t^* = \quad 3.19 \quad 15.24$
$F^* =$ 232; Prob (F-statistic)=0.0000
$R^2 = 0.89$;. $Adj\, R^2$ =0.88
$DW = 2.60$

From the regression result in above table, the calculated t-value for EOA (for volume of sales model) is 15.24 and the tabulated value is ±1.96 it therefore falls in the rejection region hence, we reject the null hypothesis. The conclusion is that the sales volume recorded by multinational companies in Nigeria is significantly influenced by the cost incurred in advertisement of their product.

The F-statistics is used to examine the overall significance of a regression model. Therefore, by examining the overall fit and significance of the model, it can be observed that the model has better fit, as indicated by a higher value of the *F*-statistic, 232 and it is significant at the 5.0 per cent level. That is, the F-statistic value of 0.000 is less than 0.05.

The R^2 (R-square) value of 0.89 shows that the model has a good fit. It shows that proper variables capturing the activities of the multinational was utilized. It indicates that about 89 per cent of the variation in volume of sales (VO S) is explained by expenditures of advertisement (EOA), while the remaining 11percent is captured by the error term.

Durbin Watson statistics is used to test for the presence of autocorrelation. The model also indicates that there is no autocorrelation a mong the variables as indicated by Durbin Watson (DW) statistic of 2.60. This shows that the estimates are unbiased and can be relied upon for policy decisions.

Table III: Regression Model II: Advertisement Expenditures on Profitability

Dependent Variable: PF
Method: Least Squares
Date: 07/28/14 Time: 13:20
Sample: 2000 2029
Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.10E+08	3.83E+08	0.548669	0.5876
EOA	8.065178	1.535862	5.251239	0.0000

R-squared	0.596181	Mean dependent var	2.18E+09
Adjusted R-squared	0.578187	S.D. dependent var	5.75E+08
S.E. of regression	4.15E+08	Akaike info criterion	42.59105
Sum squared resid	4.83E+18	Schwarz criterion	42.68447
Log likelihood	-636.8658	Hannan-Quinn criter.	42.62094
F-statistic	27.57551	Durbin-Watson stat	0.624200
Prob(F-statistic)	0.000014		

$$PF = 2.10 + 8.06COA - - - - - - - - - - - - - - - - 4$$

$SEE =$ 3.83 1.53

$t^* =$ 0.54 5.25

$F^* =$ 25.57; Prob(F-statistic)=0.0000

$R^2 = 0.59;.0.57 = Adj\ R^2$

$DW = 2.64$

The calculated t-value for EOA is 5.25(for profitability model) and the tabulated value is ±1.96 under 95% confidence levels. Since the calculated EOA value is greater than the tabulated value (5.25> 1.96), we therefore, reject the null hypothesis ($H0_2$). We conclude that the profit earned by multinational companies operating in Nigeria is significantly influenced by the amount of money spent on advertisement of their product.

Also, by examining the overall fit and significance of the profitability (PF) model, it can be observed that the model has better fit, as indicated by the relatively high value of the *F*-statistic, 25.57 and it is significant at the 5.0 per cent level. That is, the F-statistic value of 0.000 is less than 0.05.

More so, the R^2 (R-square) value of 0.59 shows that the model has a good fit too. It shows that proper variables capturing the profitability activities of the multinational were equally utilized. It indicates that about 59 per cent of the variation in Profits (PF) is explained by cost of advertisement (EOA), while the remaining 41percent is captured by the error term

Durbin Watson (DW) statistics which is also used to test for the presence of autocorrelation indicates that there is no autocorrelation among the variables as captured by (DW) statistic of 2.60. This shows that the estimates are unbiased and can be relied upon for policy decisions.

Long-Run Analysis Test (Co-integration Test): Sales volume, Advertisement expenditures and Profitability.

It is important to test whether there is a linear combination among the variables used in the model. Variables are cointegrated if they have a long term or equilibrium relationship between them (Dimitrious & Stephen, 2007). It is a pretest to avoid spurious regression situations. This phenomenon is referred to as the test for cointegration. The evidence of cointegration implies that there is a long run relationship among the variables.

Table IV: Results of Johansen Multivariate Cointegration Test: Sales volume, Advertisement expenditures, and Profitability.

Date: 07/28/14 Time: 13:22
Sample (adjusted): 2002 2029
Included observations: 28 after adjustments
Trend assumption: Linear deterministic trend
Series: CA VS PF
Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None	0.348767	24.68003	29.79707	0.1732
At most 1	30.223115	12.67117	15.49471	0.0274
At most 2 *	21.181334	5.602201	3.841466	0.0179

Trace test indicates 2cointegration at the 0.05 level
** denotes rejection of the hypothesis at the 0.05 level*
***MacKinnon-Haug-Michelis (1999) p-values*

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None	0.348767	12.00886	21.13162	0.5468
At most 1	20.223115	7.068972	14.26460	0.0010
At most 2 *	16.181334	5.602201	3.841466	0.0179

Max-eigenvalue test indicates 2cointegration at the 0.05 level
** denotes rejection of the hypothesis at the 0.05 level*
***MacKinnon-Haug-Michelis (1999) p-values*

Table IV: shows the results of the cointegration test, using the Johansen methodology. The results show that trace statistics test rejected the null hypothesis of no co-integration among the variables at the 5 percent level of significance. The trace statistics indicates 2 cointegrating equations at the 5% level of significance. The cointegration test results are therefore uninformative about the number of cointegrating relations among the variables. Max-eigen test indicates 2 cointegration equations at the 5 percent level cointegrating equation.

The co-integration result thus confirms that there is a long-run relationship between sales volume, advertisement expenditures and profitability of multinational companies in Nigeria. The results in table IV: also showed that trace statistics test rejected the null hypothesis of no co-integration among the variables at the 5 percent level of significance. The trace statistics indicates 2 cointegrating equations at the 5% level of significance. The cointegration test results are therefore uninformative about the number of cointegrating relations among the variables. We therefore reject $\mathbf{H0_3}$, and state that there is a long-run relationship between sales volume, advertisement expenditures and profitability of multinational companies in Nigeria.

4.3 Discussion of Findings

The regression result as shown in Table II and Table III revealed that all variables are statistically significant at 5% level of significance. Starting with the VOS model, it can be observed that cost of advertisement had positive relationship with volume of sales made by multinational business in Nigeria. It shows that the higher the expenditures of advertisement made on newly produced products as well as the promotion of existing products people are not aware of, the more sales they make out it. This result is in conformity with the works of Hassan (2004); Zhao (2000) as well as Shah and Stark (2004). These studies showed that there is a positive relationship between advertisement expenditure and the long run market value sales of firms. The high value of the coefficient of determination (R^2; which is about 89%) further showed that there is a strong positive impact between cost of advertisement and sales volume of multinational business in Nigeria. the function therefore in summary showed that 1percent change in the cost of advertisement increases the volume of sales by 7.89percent.

A close examination into the result of the profitability equation shows that expenditures of advertisement variable are also positively correlated with the level of profit made by multinational business in Nigeria. This finding here collaborates with the result of volume of sales also. It shows that, higher expenditures made on creating awareness of newly launched products, drives the profit margins upwards. This is in line with the findings of Merino, Srinivasan and Srivastava (2006) who studied the relationship between advertisement cost and R & D expenditure on variability of cash flow and profits of firms using the data from 1994 to 2001 in the United States. Their result showed that direct relationship exists between advertisement cost and profits of firms. Furthermore, the R^2 value (of about 59%) from the profit model supports this direct relationship. It showed that there exist strong positive impact between expenditures of advertisement and the profits made by multinational business in Nigeria.

5.1 Conclusion and Recommendations

5. Conclusion

In this study, attempt was made to examine the effects of advertisement expenditure on multinational business performance in Nigeria. The objective of this study is to investigate the casual relationship between advertisement expenditures and multinational business' performance in Nigeria between 2000 and 2010. The major limitation of this study is the issue of discrepancies in data by different agencies of government such as the Nigerian Stock Exchange, Securities and Exchange Commission, and National Bureau of Statistics.

It was concluded that advertisement expenditures have positive effects on the performance of multinational companies in Nigeria and has the highest effect on both sales growth and profitability. This study showed that there is a positive relationship between advertisement expenditure and the long run market value sales of firms. Therefore, it can be concluded that advertisement expenditure have impact on the performance of international businesses in Nigeria. The results deep integration of national economies is growing so fast from the activities of multinational firms. Thus, there is the need to sustain the growth and investment of these firms.

5.2 Recommendations

Based on the findings of the study, the following recommendations are made:

1. The multinational business should hold fast to the marketing concept, which focuses on the identification of the needs and wants of target customers, and finding means to satisfy it, in order to generate more sales volume sand high profit.

2. The multinational companies should concentrate on the production of particular product items that would be specific to various cultural settings. This will lead to an improvement in sales volumes and profitability of international business positively in Nigeria

3. Their promotion programmes should be culture bound to the targeted indigenous people and their interest in order to improve their performance (sales growth and profitability).

5.3 Suggestions for Further Studies

The contribution of advertisement expenditures towards the progress of international business has been examined. The empirical investigation found that advertisement expenditure has played an important role in stimulating the performance of the international business in Nigeria. In addition, the results show that an increase in advertisement expenditures leads to an improvement in sales volumes and profitability of international business positively in Nigeria. As a whole, since advertisement expenditure have become increasingly important not only in profitability and sales volumes, there is need to replicate this kind of study by looking at the effects of advertisement expenditure on the operational performance of international business in Nigeria.

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