

## Impact of Advertising and Sales Promotion on Sales: A Case Study of Lovely Autos, Jalandhar city

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### *Abstract*

Lovely Group is one of the biggest business houses in Jalandhar city since 1990. After then, Lovely group is growing consistently. So there is a need to find out the reasons of its development. To fulfill this purpose current research paper is going to study the reasons for its growth. For this purpose, data has been collected through secondary sources from Market Research Division, Lovely Group for the period of 1991-2012. Regression Analysis has been applied on the collected data by taking amount spent on advertising and sales promotion as independent variable and amount of sales as dependent variable. Results depicted that amount spent on advertising and sales promotion are the major variables affecting the sales of Lovely autos. Beside it, certain suggestions have also been presented in the current study for Lovely autos to improve its sales graph.

### *Keywords:*

Lovely Group, Advertising, Sales Promotion, Sales

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### *Introduction*

Advertising or advertizing is a form of communication for marketing and used to encourage, persuade, or manipulate an audience (viewers, readers or listeners; sometimes a specific group) to continue or take some new action. Most commonly, the desired result is to drive consumer behaviour with respect to a commercial offering, although political and ideological advertising is also common ([www.wikipedia.com](http://www.wikipedia.com)).

In Latin, ad vertere means “to turn toward. The purpose of advertising may also be to reassure employees or shareholders that a company is viable or successful”. Advertising messages are usually paid for by sponsors and viewed via various traditional media; including mass media such as newspaper, magazines, television commercial, radio advertisement, outdoor advertising or direct mail; or new media such as blogs, websites or text messages. Modern advertising was created with the innovative techniques introduced with tobacco advertising in the year 1920, most significantly with the campaigns of Edward Bernays, which is often considered the founder of modern marketing (Kazmi, 2005).

Advertising is a tool of marketing for communicating ideas and information about goods and services to an identified group, which employs paid space or time in the media or uses another communication vehicle to carry its message. It openly identifies the advertiser and his relationship to the sales effort (Wanoff, 1997).

Advertising can also be defined as any paid form of non-personal

communication about an organization, product, service or idea by an identified sponsor (Bennet, 2006).

Advertising is any paid message presented through various media, such as television, radio, magazines, newspaper or billboards by an identified source. Advertising is a non-personal communication paid for by an identified sponsor who is relayed through various media with the aim of influencing people's behavior towards the advertiser's products and services at the lowest possible cost.

Frank (2005) defined advertising as the aim to persuade people to buy. Advertising can be defined as the dissemination of information concerning an idea, service or product to compel action in accordance with the intent of the advertiser. Advertising is a controlled identifiable information and persuasion by means of mass communication media (Borden, 2007).

Advertising is a message paid for by an identified sponsor and delivered through some medium of mass communication. It is not neutral; it is not unbiased (Rusell et al., 2006).

Going by the various definitions considered above, advertising is an indicator of the growth, betterment and perfection of the business environment. Not only does advertising mirror the business environment, it also affects and gets affected by our style of life. It is not at all surprising that advertising is one of the most closely scrutinized of all business institutions. In today's environment, advertisers are closely examined by the target audience for whom the advertisement is meant for in the society (Kazmi, 2005).

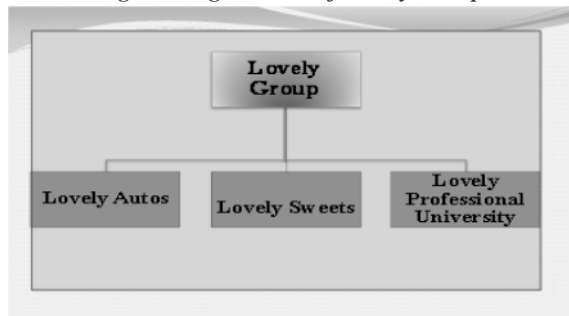
#### **Sales promotion concept:**

Every business aims at maximization of profits in the long run or short run. Sales promotion is a tool to do it. Sales Promotion includes all those activities other than advertising, personal selling, public relations, publicity etc. that are intended to stimulate customers demand and improve the marketing performance of sellers (Kotler, 2005).

#### **Introduction to Lovely Group:**

The lovely group was set up by Sh. Baldev Raj Mittal during nineties. The work force comprised of only few people. The firm has not only pioneered in the field of automobiles but also set a benchmark for quality of sweets and education. After its establishment Lovely Group is growing year by year. Lovely Group is a group of Lovely Autos, Lovely Sweets and Lovely Professional University as shown in fig. no.1.

**Fig.1: Categorization of Lovely Group**



**Lovely Autos:** First of all, Lovely Group entered the automobile trading by becoming a dealer of Bajaj auto Ltd. on 19<sup>th</sup> Feb. 1991 at Jalandhar. Its quest for excellence in automobiles was not confined to just 2 wheelers rather extended to 4 wheelers by the way of attaining dealership of Maruti Udyog. Ltd. in 1996 at Jalandhar city, keeping in mind popularity gained out of expectations of customers, it went for opening of another dealership of Bajaj Auto Ltd. in Phagwara on 1<sup>st</sup> April 1995. The firm has build up a large network of relationship, performing high on sales, performance front and also on after sales service thereby setting new standards. Today, the name of Lovely autos installs a sense of confidence and reliability in the mind of people.

**Mission:** To provide long term commitment to their customers working in close cooperation, ensuring total quality through continuous product development.

#### **Objectives of Lovely Autos**

- Develop market research strategies for sales of 2 wheelers and 4wheelers in nearby areas and district.
- Manage dealership with 2 dealers and 20 sub dealers.
- Responsible for sales and marketing activities of dealer, network-positioning, advertising, marketing research, marketing plan, development, pricing policies, sales, constructs and technical services.
- Recruit new sub dealers after evaluating their net worth and credibility.
- Initiate business plan, establish responsibility and lead a team of 7managers.
- Manage stock and inventory at all level of supply chain.
- Formulate company policies with all other partners of the company.
- Develop and launch sales promotional schemes for dealership.
- Responsible for brand awareness and advertisement.
- Develop strategic tie ups with banking and insurance companies
- Liaison with other companies
- Develop schemes for customers satisfaction and build strategies for customers relations
- Fulfill social responsibilities.

**Area of operation:** The location of Lovely autos is also an asset as it has centrally located showrooms as well as workshop in the heart of city, which is a unique feature, thus making it easily accessible for people from each and every corner of the city. Firm's corporate offices are set in Nawashehar, Phagwara, and Ludhiana.

#### **Achievements**

- Awarded the best company in North India for customer satisfaction in the year 2005.
- Awarded the best company for maximizing rural marketing in the year 2005.

- Strategic tie ups with cooperative banks in rural areas.
- Successful implementation of 'True Value' selling schemes sales of pre owned cars.
- Acquired another Maruti dealership branch in Nawashehar.
- Introduced pre sales and post sales follow up like after sales service, sale service satisfaction index.
- Increase profitability of service workshops by 40% and sales by 4%.

**Other achievements**

• **Maruti Suzuki:**

- Ranked No. 1 achieving highest sale in ZEN in India.
- The customer satisfaction index of their workshops was ranked among top 15 workshops in India by Messar's Gallup India.
- No. 1 dealer in Punjab from 1999 onwards.
- Secured no. 1 position in Maruti 800 TK in single outlet outside NCR.
- The overall CSI of workshops was 83% in a survey conducted by Messer's Gallup India.
- All India best selling skilling award.
- Awarded ISO-9002 certification in the very 1<sup>st</sup> year of its inception.
- Awarded no. 1 dealer in Punjab.

• **Bajaj Auto Ltd.**

- Ranked 4<sup>th</sup> throughout India in 2 wheelers segment.
- Adjudged no. 1 dealer in sunny sales in India
- Crowned as star dealer.
- Awarded gold medal on Suuny Sales promotion.
- Rewarded high volume and quality service award.

**Lovely Sweets:** Lovely group also deals with manufacturing and trading of different type of sweets. These sweets are famous all over the country. They try to preserve their purity while making it. There is great demand for sweets made by this group.

**Mission:** To provide people with sweets which are rich in purity and quality.

**Objective**

- To develop research for increasing the quality of sweets.
- Manage distribution of the sweets all over the country.
- Provide satisfaction to the customers
- Maintain the quality of sweets as social responsibility.
- To stabilize the prices of the sweets.

**Lovely University**

Now Lovely Group got deemed university status. They have

established first professional university in the state of Punjab by the approval of Punjab Legislative Assembly.

**Aim:** to provide better education and all around development of students.

**Facilities**

- Hostel facility is provided to the students in the campus.
- Transportation facility is provided to the near and far areas.
- Various types of opportunities are provided for all round development of the students.
- Guidelines are provided to the students for their bright future.
- The placement of students is also done in various companies.
- Seminars on various topics are held to aware the students.
- Scholarships are also given to the intelligent and needy students.
- Youth festival is held to polish the students.

**Advertisement and Sales Promotion in Lovely Group**

It will not be an exaggeration to say that firm has excelled in media planning and fixing of promotional policies. It has been taking care of all possible way of advertising and sales promotion. The process of advertising adopted by Lovely autos is as follows:

- a) **Objective:** At this stage the objectives of the advertisement are determined like what will be the target audience?
- b) **Creative belief:** After setting the objectives, strategies about advertisement are decided.
- c) **Concepts:** Ideas or concepts are roughly drafted which are latter on are developed into a better story.
- d) **Clearance:** After the rough draft campaign is outlined. Then it is presented to the marketing manager or other regulatory authorities for its approval. If ideas are suited to the company then it is further adopted.
- e) **Testing:** After the approval, final advertisements are tested in a particular geographic.
- f) **Roll Out:** After its successful testing, advertisement is rolled out throughout the country.
- g) **Tracking:** The campaign is tracked to see how it is effective? How it is motivating people to buy a product.

**Ways of advertisement by Lovely Group**

- Trade Journal or Magazines
- Advertisement in Newspaper
- Direct Advertisement
- Trade shows or Exhibitions
- Samples

- Yellow Pages
- Seminars and Conferences
- Television
- Radio
- Posters
- Painted Display
- Counter Display
- Show Rooms
- Exhibitions
- Demonstrations
- Coupons
- Gifts
- Sales Promotion Letter
- After Sales service
- Exchange offers
- Rewards Plan
- Warranties

#### *Ways of Sales Promotion by Lovely Group*

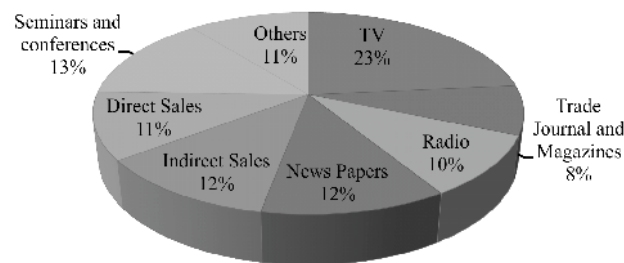
- Catalogues

Table no. 1 and fig. no. 2 shows the media used by Lovely autos for its advertisement and sales promotion programme.

**Table 1: Media Used by Lovely Autos:**

Item	%age
TV	24
Trade Journal and Magazines	8
Radio	10
News Papers	12
Indirect Sales	12
Direct Sales	11
Seminars and conferences	14
Others	11

**Fig. 2: Media Used by Lovely Autos for Advertising**



**Review of Literature:** Empirical evidence on the relationship between advertising and sales is mixed. The pioneering study by Comanor and Wilson (1967) found a positive and statistically significant relationship between advertising and profits, as did an early study by Shephard (1972). These results were challenged by Bloch (1974), Ayanian (1975) and Demsetz (1979) because they treated advertising as an expense rather than an investment, overstating the true rates of return to advertising. More recently, Martin (1979), Ravenscraft (1983), Salinger (1984), Bothwell et

al., (1984) and Domowitz et al., (1986) have found positive and statistically significant relationships between advertising and profits in US manufacturing. Imel and Helmberger (1971), Grabowski and Mueller (1978), Porter (1979) and Nagle (1981) failed to find a statistically significant effect. As is well known, however, the causal relation between advertising and profit is uncertain, and some of the early studies regressing profit rates on advertising fail to account for the possible endogeneity of advertising.

**Need of the study**

More so, advertising as a promotional tool also tends to remind, reassure and influence the decisions of the consumers because an advertisement itself enlightens, educates, and persuades consumers on their acceptability of the product offering. In a growing economy, it is often very difficult to have a regular and consistent increase in the sales volume of a product because of the political and socio-economic instability in the country which directly affect the standard of living and the purchasing power of the consumers.

Current research paper is based on the drive to know the effect of advertising on the sales volume of a product in a company and how this sales volume can keep the company going in business. Marketing problems often have far reaching effects on any company and if neglected can cause a great threat to the continued existence of the company, especially in the area of advertising as an aspect of corporate communication (Giles 1997). The market is such that consumer tastes are increasingly differentiated and maintenance of high service quality in the face of rising cost of essential factors is needed. In the light of the above statement, examining the impact of advertising on the sales volume is therefore a significant undertaking.

**Database and Research Methodology:**

**Objectives of the study-** Main objective of the present study is to examine the impact of advertising and sales promotion of sales of Lovely autos by taking Sales as dependent variable and amount spent on advertising and sales promotion as independent variables.

**Econometric Framework and Data Source:**

Data for the present study has been taken for the period 1991-2012. Time-series data for advertising & sales promotion and sales has been obtained from the Market Research Division, of Lovely Autos. All the variables were transformed by the use of natural logarithms. A regression model aims at testing the relationship between the variables. Regression procedure was employed because it provides the most accurate interpretation of the independent variables. The independent variables in the form of regression equation can be expressed as follow:

$$Y_i = \beta_0 + B_1 X_1 + B_2 X_2 + \dots + B_n X_n$$

Where,

$Y_i$  = Dependent Variable

$\beta_0$  = Constant (coefficient of intercept)

$X_1, X_2$  = Independent Variables

$B_1, B_2$  = Regression coefficient

**Hypothesis taken in the study:** The various hypotheses to be tested for achieving the above mentioned objective of the study are as follows:

$H_0$ : The advertising programme of the company has no impact on the sales volume of Lovely autos.

$H_{0ii}$ : The sales promotion programme of the company has no impact on the sales volume of Lovely autos.

**Analysis and Interpretation**

In order to clarify the relationship between the dependent variable and independent variables and to know the effectiveness of the advertising & sales promotion, Linear Regression was applied. To apply Linear Regression, amount of sales has been taken as dependent variable; whereas amount spent on advertising & sales promotion have been taken as independent variables. The variables included in the study have been expressed as linear regression in the following manner:

$$Y_i = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Where,

$Y_i$  = Amount of sales

$X_1$  = Amount spent on advertising

$X_2$  = Amount spent on sales promotion

$\alpha$  = Intercept and  $e$  = Error term

**Results of Assumptions**

The first step in the analysis is to verify the stationarity of the data series. The unit root property of the data series is crucial in case of time series data. Variables that are non-stationary can be made stationary by differencing the number of differencing (**d**) required to make the series stationary identifies the order of integration **1(d)**. If the time series data of each variable is found to be non-stationary at level, then there may exist a long run relationship between these variables.

To test for the existence of unit roots and to determine the degree of differences in order to obtain the stationary of Sales and Amount spent on advertising & Sales promotion series, Augmented Dickey-Fuller (ADF) test was used at various levels, the null hypothesis of unit root for all variables was accepted at levels. When the series were first differentiated, all the series were found to be stationary and integrated at the order of one **1(1)**. Results of ADF test for dependent and independent variables have been reported in Table no 2. The computed ADF test-statistic for dependent and independent variables is smaller than the critical values at 1%, 5% and 10% level of significance, therefore  $H_0$  can be rejected. It means the Sales and Amount spent on advertising & Sales promotion series don't have a unit root problem and these are stationary series at 1%, 5% and 10% level of significance.

**Table 2: Result of Augmented Dickey-Fuller test statistic**

		Sales	Advertising	Sales Promotion
	t-Statistic	-4.080397	-5.725065	-3.222258
Test critical values	1% level	-3.808546	-3.708556	-3.208546
	5% level	-3.020686	-3.476377	-3.077577
	10% level	-2.650413	-2.550414	-2.467547

Variable	Coefficient		
Durbin-Watson stat	2.193683	1.818983	1.725633
R-squared	0.480514	0.737348	0.365816
Adjusted R-squared	0.451654	0.706447	0.330584
F-statistic	16.64964	0.000012	10.38295
Probability	0.0056*	0.0002*	0.0336*

Source: Calculated through E-views; (\*) Indicates significance at 5% level

Further, this result is also reliable because the Durbin-Watson statistics is good in case of dependent as well as independent variables that means the Sales and Amount spent on advertising & Sales promotion series may have not autocorrelation problem. Beside it, p value is less than 0.05 for dependent and independent variables so null hypothesis can be rejected i.e. it means all time series are stationary series.

After examining the stationarity of the data, normality of the time series has been verified. For the present study, Kolmogorov-Smirnov test confirmed data as normal. In order to test the

Multicollinearity, Variance Inflation Factor (VIF) has been observed, which depicted that there is not significant collinearity, it means that independent variables do not affect each other.

#### Linear Regression Analysis

Before applying Linear Regression, Pearson Correlation was applied to check the relationships between the dependent and independent variables. In the present study, all the independent variables are highly correlated with dependent variable as shown in the table no. 3.

Table 3: Correlation between Dependent and Independent Variables

Dependent Variable	Sales
Advertising	0.732
Sales Promotion	0.708

Source: Calculated through SPSS

Hence, it can be concluded that there is significant and positive associations between dependent and independent variables. This means that independent variables have been chosen in fairly good

manner. Further, Linear Regression analysis has been carried out to show the relationship between the dependent variable and independent variables.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.736	.541	.465	.03445	1.782

Source: Calculated through SPSS

Table no. 4 reports the summary of fitness of model. To predict the goodness-of-fit of regression model, Correlation Coefficient (R), Coefficient of Determination ( $R^2$ ) and Adjusted R square were examined. First of all, the R of independent variables (two factors,  $X_1$  and  $X_2$ ) on the dependent variable (i.e. Sales i.e.  $Y_i$ ) came to 0.736 which shows a high and positive relationship between the dependent and independent variables. Secondly,  $R^2$  accounted for 0.541 in the present study, which recommended that 54% of the variation of Sales was explained by the selected two independent variables. Thirdly, Adjusted R square value which is the most useful measure of the success of a model shows of 0.465 i.e. which accounted for 46% of the variance in the criterion variable. The adjusted R square shows a significant relationship exists between dependent variable and independent variables. Apart from it,

Durbin-Watson test has been applied in order to prove that there is no correlation between the residuals. In the present study the value of Durbin-Watson statistics is close to 2, which shows that there is no autocorrelation (Gujrati et al., 2012). Thus, the regression model achieved a satisfactory level of goodness-of-fit in predicting the variance of tourism growth in relation to the independent variables, as measured by the above mentioned  $R$ ,  $R^2$ , and adjusted R square.

Besides it, results of ANOVA (Analysis of variance) shown in the table no. 5 can be use to check fitness of the model. The significance value of the F statistic is smaller than .005 which means independent variables do a good job in explaining the variation in the dependent variable.

**Table 5: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.025	4	.006	7.078	.002*
	Residual	.021	18	.001		
	Total	.047	22			
a. Predictors: (Constant), Advertising & Sales promotion						
b. Dependent Variable: Sales						

Source: Calculated through SPSS; (\*) Indicates significance at 5% level

After checking for the model fit, examining the relative importance of independent variables in predicting dependent variable is necessary. Beta coefficients have been shown to explain the relative significance of the independent variables in contributing to the variance in Sales (dependent variable). Out of three independent variables, advertising has the highest standardized beta coefficient (1.939), which depicted that one unit increase in advertising would lead to 1.939 unit increase in Sales provided that other variables being held constant. It is followed by Sales promotion (1.169), that is one unit increase in Sales promotion would lead to 1.69 unit increase in Sales provided that

other variables remain constant.

Table no. 6 also confirm that the null hypothesis i.e. 'There is no relationship between advertising & Sales promotion and Sales volume of Lovely Autos' is rejected at 5% level of significance meaning thereby advertising caused increase in Sales. Thus, effective advertising is necessary to raise amount of sales. Similarly the null hypothesis i.e. 'There is no relationship between advertising & sales promotion and sales of volume of Lovely autos' is also rejected at 5% level of significance. It shows that sales promotion is basis to amplify sales.

**Table 6: Coefficient Table**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.005	.007		.731	.474
Adverting	.539	.158	1.939	3.415	.000*
Sales Promotion	.431	.113	1.169	3.827	.001*

Source: Calculated through SPSS; Note: Dependent Variable: Sales; (\*) Indicates significance at 5% level

Hence, promoting product of Lovely Autos by via developing a long-term strategic plan will contribute to increase in sales. In other words, advertising and sales promotion acts as an engine and an important determinant of overall long run growth of Lovely autos.

**Conclusion**

Thus, Lovely autos is gaining popularity on the basis of its highly effective advertising and sales promotional activities. It is providing better services to the customers. Lovely autos also believes in spending for advertisement and sales promotional activities. The sales executive of Lovely autos admit this fact that due to the advertisement and sales promotional activities, there is increase in sales and overall profits of the firm. The root of firm's progress is chiefly advertisement as well as sales promotional activities.

From the analysis and the findings, it is crystal clear that there is improvement in the sales of the company as a result of advertising & sales promotion. There is no doubt that as the product is sold; the overall organization's performance also increases. The current study has therefore confirmed the contribution of renowned authors who defines advertising as the aim to persuade people to

buy.

Thus, Lovely group has adopted various advertising and sales promotional activities. Moreover, the firm has good financial position to spend on advertisement and sales promotion activities. Apart from it, due to amount spent on advertisement and sales promotional activities there is huge increase in sales. It is also helpful in achieving future target sale as well creating new customers.

**Limitations of the Study**

This research study was constrained by inadequate data & information and release of information.

**Recommendations:**

Top management should be involved in the continuous evaluation and monitoring of advertising to ensure that the goals and objectives set are achieved and appropriate corrective actions are taken in the event of deficiencies. The company should harmonize all departments so as to realize the goals and objectives of advertising. Moreover, certain suggestions and recommendations which might be useful are as under:

- Investment in advertisement and sales promotional should be made carefully so as to avoid the problem of overbudgeting.
- The firm should use effective medium of advertising.
- The firm should try to gain attention of customers by lowering the price of product and awaking them through advertisement.
- The pre planning of advertisement should be made so that effective implementation could be possible.

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