ADVERTISING STRATEGY AND ITS EFFECTIVENESS IN MARKET EXPANSION: THE CASE OF VIETNAMESE SMALL & MEDIUM ENTERPRISES?

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Abtract:

Advertising application has been seen as one of the greatest problems faced by small- and medium-sized enterprises (SMEs), but simultaneously one of the most important activities for their growth and survival. Therefore, the purpose of this paper is to determine the importance and role of advertising strategy applied in SMEs. Using a data set of SMEs in Vietnam from 2004 to 2012, we find that firms using advertisement can promote their market expansion although spending more on advertising has no significant effect. Advertising through street posters, door-to-door materials and internet are evidenced to be effective channel but those through radio, tivi, newspapers and trade fair are not. That combining more means of advertising together cannot help to increase market sales and even it lessen the impact of these good advertising tools above.

1. Introduction

Globalization creates more and more opportunities as well as challenges for small and medium sized enterprises (SMEs). This trend is calling for the increase of marketing efforts to expand the market in both large and small firms. Indeed, marketing plays a vital roles in the success of multinational companies, and it is more crucial for SMEs. Marketing is considered as one of the biggest issues faced by SMEs in their operations as well as one of the most significant and fundamental company activity for SMEs development and survival (Reijonen and Laukkanen, 2010).

In small firms, marketing is used for the needs of the moment and only little attention is paid to plans, strategies and analysis. This is in contrast of marketing in large firms, which is seen as formal, planned and well structured. Firms with higher advertising expenditures earn excess returns in subsequent years (Chan et al. ,2001). SMEs are less likely to develop a consistent, planned advertising campaign and often design each advert in isolation (UK Advertising&

Associate, 2013). Dutta et al (2009) and Vorhies and Morgan (2005) point out that marketing capability influenced organizational performance and then financial performance. In addition, according to Kochhar and David (1996), investors make decisions by basing on its performance, marketing strategies and marketing capabilities.

Whether advertising strategies are effective for SMEs' performance in a developing country like Vietnam? Following to this question, our paper uses the augmented Cobb-Douglas production function to find out how advertisement impact on SMEs' market expansion, which is measured by sales growth. We also go further to investigate separated advertising channels and the use of multiple instruments. A panel data set of Vietnamese SMEs is made coming from enterprise surveys in every two years from 2004 to 2012, except the year 2010 as we still confront the problem of firm code in this year.

In Vietnam, according to Hung, et al (2014) SMEs accounted for 97,6% the total number of enterprises in the country and contribute to 40% GDP. Tax and other fees' payment to the State increased 18.4 times just after 10 years. This sector creates more than half million of new jobs; use more than 51% of the labor force (Hung, 2014). The growth of competition, connected mainly to globalization, create many difficulties for SMEs to adapt with market change and compete to big enterprise.

While the empirical previous researches apply statistical methodology from self-report survey using Likert scale with options of "strongly disagree", "disagree", "undecided", "agree" and "strongly agree". This research is the first empirical studies using real quantitative data from SMEs for the case of Vietnam. The reliability and accuracy of former research methodology based on self-report survey has been criticized because of difference in entrepreneurs' conception of marketing, subjective interpretation of questionnaires, etc. The later quantitative methods used in our study hopes to shed some light on the field of marketing strategy and SMEs' expansion in emerging economies in order to compare the effectiveness of SMEs' marketing strategy in developed countries and to suggest applicable marketing strategy to SMEs doing business in less developed countries.

Our study figures out that firms using advertising strategies can promote market expansion. As compared to SMEs without advertisement, those apply channels of street posters, door-to-door materials and internet have sales growth. However, diversifying means of advertising lesson the effectiveness of these channels. For SMEs who have advertisement decision, advertising cost has no role in market expansion. In addition, no tool is proven to be better than the others.

In this study, we will provide literature review in the next session. Then data and methodology is described. Finally, we analyze empirical results and produce some conclusions.

2. Literature review

Philip Kotler (2010) defined advertising as all mass communication and promotion of goods, services, or ideas which are paid by an identified firm. Advertising affect positively on building a good brand image has been confirmed by many practitioners and researchers such as Martin (1989), Aaker (1991) and (1996). In addition, Low and Mohr argued that advertising can help a firm to sell products at higher prices and then push the profits up. While Keller (2002) argued advertising encourage the growth of brand equity that can create financial value by improving cash flow feature to customer loyalty, better market efficiency, brand extension and higher margin. According to Armitage and Conner (2001), enterprises invest in advertising so as to persuade customers to buy products by affecting consumers attitude, social norm, perceived behavior control and buying intention. For instances, Coca-Cola investment in advertising expenditure was USD 2.9 billion on around the world (The Coca-Cola Company 2011) to be the best valuable brand in 2011.

According to Tellis and Fornell 1988, when advertising expenditure is seen as unobservable service quality, major retailers, who can retrieve their advertising spending from expected sales, should suffer bigger advertising expenditure fundamentally. Moreover, the resource-base view (RBV) recommends that market-based assets, which are produced by a corporate integrated marketing communication, can reinforce a corporate's market and financial performance – see Barney (1991), Hall, (1992), Boulding and Staelin (1995), Erickson and Jacobson (1992). Srivastava, Shervani, and Fahey (1998) continued to develop market-based asset studies pinpoint corporate reputation, as an intangible asset that positively affects a corporate's performance.

With reference to researches of integrated impacts in marketing communication, multiple media have been studied integrated impacts causing by the application of various media in an advertising strategy. Edel and Keller (1989) studied media interaction between TV and Radio in advertising campaign to find out how advertising can be cooperated in multiple media. It is found that when a consumers view a TV ads and then expose the radio ads, the audio ads works as a retrieval cue for the TV ads and related reaction which is reminded to consumers from Television commerce als exposure. In addition, Confer (1992), Confer, McGlathery (1991) and Bhargava and Donthu (1999) found that print advertising can increase the successfulness of TVC when the print and TV channels are well cooperated. Tavassoli (1998) and Tavassoli and Lee (2003) suggest that advertising in multiple media will enhance the impact of advertising on consumers' memory based judgments. Furthermore, Chang and Thorson (2004) found that the advertising on Television and Web resulted in higher attention, higher trust in perceived message and customers will have more positive thought than the effect of repetition in the use of single medium.

The relationship between advertising and sales/ market expansion

Many researchers such as Asumus et.al.(1984), Leone and Shultz (1990), Lodish et al., (1995), Sethuraman and Tellis (1991), McDonald (1992) and Parker and Gatignon (1996) use economic approaches to examine the relationship between advertising expenditure and sales. Nevertheless, there are still not agreement in the relationship between advertising and sales in these studies. For instance, some researchers studied advertising as current- period impact on sales, which is the current impact, and a long-term impact which is the long term or carry over effect. According to Assmus, Farley and Lehmann (1984), there is three to fifteen month carry effect on sales while Leone (1995) suggested that advertising impact on sales decease within six to nine months.

On the other hand, despite the decrease of the long term advertising effect, short term advertising effect grow up during the same period (Winer, 1979). Or advertising impact on sales did not decrease within a year (Dekimpe and Hanssens, 1995) or advertising affect sales in different ways if the brands are different. Moreover, George E. Belch (2003) found that small advertising expenditure do not affect sales which may be created by other advertising such as worth of mouth and higher advertising expenditure does not create better sales.

Deloitte (2013) documented that high-growth SMEs are more likely to advertise. Some 61% of high-growth SMEs are knowledgeable about marketing – they advertise, consult marketing advisers, or have their own marketing experts. Only 43% of SMEs not experiencing growth do any of these things. Among SMEs which advertise, the strongest results are achieved when businesses use multiple advertising channels and develop a structured campaign, rather than relying on an occasional advert or just using one channel. The 64% of all SMEs that believe their advertising has been a success rises to 83% for those who have a structured multi-channel campaign.

Indeed, consistent conclusions on the relationship between advertising and sales have been not found but researchers have contributed many valuable studies in these interested topics.

3. Data and methodology

3.1.Data Source:

Data used in this study come from the SME surveys which are funded by the Danish International Development Agency (DANIDA). These surveys are conducted every two years under the collaboration of the University of Copenhagen, Vietnamese Institute of Labor Science and Social Affairs (ILSSA) and Central Institute for Economic Management (CIEM). SMEs are selected from 10 provinces (Ha Noi, Phu Tho, Ha Tay, Hai Phong, Nghe An, Quang Nam, Khanh Hoa, Lam Dong, Ho Chi Minh City, and Long An) in order to ensure the representativeness at provincial level.

Given a wide range of questionnaires covering many modules from firm general background to those information of history, production, employment, investment and business in details, these surveys provide some questions relating to whether respondents advertise products, advertising expenditure, and means of advertisement. Using the above information, we establish a firm level data which consists of 10,487 observations of 4,463 enterprises in four years 2004, 2006, 2008 and 2012.

3.2. Data description:

In the selected sample, there are 770 firms in 1,130 observations applying advertising strategy which occupy 11 percent of the whole sample. However, size of firms with advertising is from five to ten times larger than firms without advertising in terms of capital, sales and labor.

Stokes (2000) states that in contrast of large firms, small firms use marketing for the needs of growth and profit at the moment without planned and structured in advance. Therefore, financing constraint is believed to be the main barrier for SMEs to advertise. As can be seen from table 1, SMEs advertising costs per year for an instrument are rather low ranging from VND 16.480 mil to VND 95.632 mil. This implies SMEs in Vietnam have not pay attention on advertising yet. Compare to SMEs in Europe where 30% of SMEs spend on advertising (Deloitte LLP, 2013), there is only 11% of Vietnamese SMEs using advertising.

Table 1: SMEs preference in advertising channel application

	No of obs.	**Percentage**	**Sales_Mean (VND bill.)**	**Capital_Mean (VND bill.)**	**Labor_Mean**	**AdCost_Mean (VND mill.)**
No Advertisement	9357	89%	1.8	2.0	13.6	0
AdMean1 Posters	330	3%	12.3	10.1	58.7	42.661
AdMean2 D2D information	217	2%	28.2	17.5	64.6	95.632
AdMean3 Newspapers/ Yellow pages	490	5%	16.5	16.2	77.4	38.857
AdMean4 Radio	75	1%	28.9	19.9	125.3	88.368
AdMean5 TV	166	2%	23.7	19.1	117.4	71.068
AdMean6 Internet	458	4%	15.5	15.8	80.1	16.480
AdMean7 Trade Fair	383	4%	19.7	19.1	101.9	57.778

Concerning the preference of using means of advertisement, large SMEs (Capital_Mean> 19 billion VN dongs and Labor_Mean>100) apply radio, tivi, and trade fair. Advertising though newspapers/yellow pages, internet and trade fair are of SMEs' preferable choices. Among 7 types, advertising via internet costs at lowest with approximately 16.5 million VND per year.

Table 2 shows the SMEs' preference of combining advertising types. Majority of SMEs choose to use only one type. Fifty percent of the sample combine two or more than two types. For those SMEs who uses advertising strategy in their business, larger ones in terms of capital, labor and sales tend to combine more strategies and spend more costs for advertisement. Mono-type SMEs can spend 13 million VND averagely but the seven-type ones have to spend 20 times higher.

Table 2: SMEs preference in combining multiple advertising means

Ad. No.	No of obs.	Percentage	Sales_Mean (VND bill.)	Capital_Mean (VND bill.)	Labor_Mean	AdCost_Mean (VND mill.)
1	557	50%	6.4	6.1	38.8	12.901
2	265	24%	13.9	11.6	61.3	31.184
3	171	15%	16.9	19.3	85.4	44.066
4	66	6%	16.3	20.4	94.8	62.621
5	33	3%	37.1	22.9	74.8	99.006
6	19	2%	35.1	28.1	150	142.876
7	7	1%	28.2	26.9	469	240.989

4.3 Research model

The study utilizes the augmented three-factor Cobb-Douglas production function.

Firstly, the following equation is used in order to investigate the effectiveness of applying advertising strategies in SMEs.

(Eq. 1)

$$\boldsymbol{lnSale_{it}} = \beta_0 + \beta_1 \ln K_{it} + \beta_2 \ln L_{it} + \beta_3 \ln M_{it} + \beta_4\ No\_Cus_{it} + \beta_5\ \boldsymbol{If\_Ad_{it}} + \alpha_i + \mu_t + e_r + u_o + \varepsilon_{irot}$$

We then use the second equation to point out the effectiveness of each advertising type and its combination with others in comparison between those SMEs with and without advertisement.

(Eq.2)

$$\boldsymbol{lnSale_{it}} = \beta_0 + \beta_1 \ln K_{it} + \beta_2 \ln L_{it} + \beta_3 \ln M_{it} + \beta_4\ No\_Cus_{it} + \beta_5\ \boldsymbol{Ad\_No_{it}} + \beta_6\ \boldsymbol{Ad\_Mean_{it}} + \beta_7\ \boldsymbol{Ad\_Mean_{it}} * \boldsymbol{Ad\_No_{it}} + \alpha_i + \mu_t + e_r + u_o + \varepsilon_{irot}$$

Finally, among SMEs with advertisement, we examine the impact of advertising cost and means of advertisement on market expansion.

(Eq.3)

$$\boldsymbol{lnSale_{it}} = \beta_0 + \beta_1 \ln K_{it} + \beta_2 \ln L_{it} + \beta_3 \ln M_{it} + \beta_4\ No\_Cus_{it} + \beta_5\ \boldsymbol{lnAdCost_{it}} + \beta_6\ \boldsymbol{Ad\_No_{ijt}} + \beta_7\ \boldsymbol{Ad\_Mean_{it}} + \beta_8\ \boldsymbol{Ad\_Mean_{it}} * \boldsymbol{Ad\_No_{it}} + \alpha_i + \mu_t + e_r + u_o + \varepsilon_{irot}$$

Variable description is given in the table below:

$lnSale_{it}$	Independent variable Log of sales of firm i in year t as a proxy of firm expansion
$ln\ K_{it}$	Capital/ Log of fixed asset of firm i in year t
$ln\ L_{it}$	Number of employees of firm i in year t
$ln\ M_{it}$	Raw materials of firm i in year t
No_Cus_{it}	Number of customers, ranging from 1 through 5 in response with five levels: *Exclusively one customer (1), 2-5 customers (2), 6-10 customers (3), 11-20 customers (4), Over 20 customers (5)*
If_Ad_{it}	Equals 1 if firm with advertising and 0 otherwise
$lnAdCost_{it}$	Log of advertising expense of firm i in year t
Ad_Mean_{it}	Type of advertising used by firm i in year t. There are 7 types: (1) on street posters, (2) door-to-door information material, (3) in

	newspapers/yellow pages, (4) in the radio, (5) In TV, (6) On the Internet, and (7) through trade fair
Ad_No_{it}	Number of advertising means used by firm i in year t, ranging from 1 through 7
$Ad\_Mean_{it} * Ad\_No_{it}$	Interaction terms
α_i, μ_t, e_r, u_o, ε_{irot}	Idiosyncratic error terms of firm fixed effect, time, region, firm ownership, and general residual

The within fixed effects estimations controlling time, region, and ownership dummies will be used.

In accordance with SMEs' expansion, market-share, sales, sales growth and profit growth have been infrequently used as the proxy measuring enlargement level of SMEs. Because for any business, promoting sales and penetrating market are the most important goals which lead firms to continuously develop their products' quality as well as innovation. And marketing strategy is considered as the essential tool in gaining sales from existing customers (Barness, Coutlton, Dickson, Dransfield S., Saunders, & Shaw, 2000). In this paper, we use sales growth to assess extension of SMEs thanks to the availability of the data, which is the dependent variable in our model.

As mentioned in the above, our main explanatory variable is SMEs' marketing strategy which is measured by 3 categories including advertising cost, number of advertising channels used of SMEs and type of advertising channels used. The other independent variables used in this studies are based on previous empirical researches.

4. Empirical results

Table 3 shows the regression results of the equation 1 which aims to investigate whether applying advertisement can help promote market expansion. The first through the sixth columns report within or firm fixed effect estimations controlling heterogeneity of time, region and type of SMEs.

Among those explanatory variables, SMEs' capital size is believed to be the significant factor that positively effects SMEs' performance together with sales. This is by the reason of business with large amount of money invested will advance in acquiring modern equipment, technology and skilled labor which in turn, will strengthen sales growth. Consequently, capital size has a positive impact on SMEs' expansion. This supplementary relationship is endorsed in the study of Olugbenga and Ekiti (2012) investigating the impact of financing on SMEs, performance in Nigeria. Capital size in our model is calibrated by total asset (or fixed asset) by year of SMEs.

Besides capital size, Cobb-Douglas production function considers labor as a vital components of SMEs' growth. Regarding labor in SMEs, both number of employees and skilled labors need to be counted. However, by cause of data limitation, we can use only number of employees as a proxy for SMEs' labor.

Table 3: The Role of Advertisement for SMEs across regions and ownership

	(1)	(2)	(3)	(4)	(5)	(6)
	ALL FIRMS	North Vietnam	Central Vietnam	South Vietnam	Household	Others
VARIABLES	Log of sales					
lnK	0.0541***	0.0683**	0.0566***	0.0285	0.0432***	0.0503
	(0.0170)	(0.0276)	(0.0190)	(0.0308)	(0.0122)	(0.0572)
lnL	0.310***	0.307***	0.341***	0.225***	0.294***	0.306***
	(0.0381)	(0.0623)	(0.0616)	(0.0672)	(0.0306)	(0.0821)
lnM	0.561***	0.604***	0.555***	0.530***	0.508***	0.670***
	(0.0360)	(0.0561)	(0.0882)	(0.0550)	(0.0428)	(0.0656)
No_Cus	0.00990	-0.0223	0.00771	0.0612*	-0.00111	0.0594
	(0.0164)	(0.0248)	(0.0183)	(0.0325)	(0.0120)	(0.0496)
If_Ad	0.0929*	0.227**	0.0726	0.00230	0.105*	0.0687

	(0.0532)	(0.0932)	(0.143)	(0.0638)	(0.0592)	(0.0737)
_Iyear_2006	0.124***	0.128***	0.103*	0.164***	0.122***	0.120***
	(0.0197)	(0.0260)	(0.0565)	(0.0443)	(0.0221)	(0.0412)
_Iyear_2008	-2.911***	-2.418***	-2.979***	-3.378***	-3.399***	-2.079***
	(0.254)	(0.389)	(0.586)	(0.391)	(0.286)	(0.510)
_Iyear_2012	0.196***	0.181**	0.341***	0.0206	0.350***	-0.0235
	(0.0546)	(0.0754)	(0.127)	(0.114)	(0.0608)	(0.106)
Constant	4.952***	4.060***	4.608***	5.607***	5.484***	3.250***
	(0.402)	(0.568)	(0.813)	(0.665)	(0.398)	(0.899)
Observations	10,474	4,560	2,822	3,092	6,977	3,505
R-squared	0.959	0.959	0.977	0.942	0.979	0.926
Number of id	4,463	1,955	1,115	1,395	2,954	1,808

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

As If_Ad has positive impact on log of sales, the advertisement strategy is shown to be an effective way for SMEs to promote sales. Averagely, a firm with advertisement has 9.3% of sales higher than a firm without advertisement. The positive impact is also found for SMEs in the North but not for those in the Central and the South Vietnam. Interestingly, number of customers is an important indicator in sales increase for SMEs in the South. When considering the difference by firm ownership, advertising strategy is good for only household SMEs which accounted over a half of the sample.

Relating the effectiveness of advertising types, table 4 applies estimations for equation 2 for every type. We also use fixed effect/within estimations taking into account time, region and ownership fixed type of SMEs. The goal of these regressions is to check which advertising mean is efficient to pushing market expansion and how it is when combining with other means.

Accordingly, number of customers and diversification of advertising means are found insignificant. SMEs those use street posters (AdMean1), door-to-door information material (AdMean2), and internet (AdMean6) can have higher sales increase than those not using these instruments. Marketing through internet bring the highest impact when an enterprise using this type can increase 0.42% in sales than the others. Assumed that the AdMean1 and AdMean 6 are much cheaper than the others. This finding seems to be in line with Deloitte (2013) on the point that many high-growth SMEs have had success with low-cost and local advertising. The other means for using newspapers/yellow pages (AdMean3), radio (AdMean4), tivi (AdMean5) and through trade fair (AdMean7) are not shown effective in pushing market expansion.

Table 4: The effectiveness of advertising types and the role of instrument combination (INCLUDING SMEs without Advertisement)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	AdMean1	AdMean2	AdMean3	AdMean4	AdMean5	AdMean6	AdMean7
VARIABLES	Log of sales						
No_Cus	0.0102	0.0106	0.0106	0.0106	0.0105	0.00991	0.0108
	(0.0163)	(0.0164)	(0.0164)	(0.0164)	(0.0164)	(0.0163)	(0.0163)
Ad_No	0.0209	0.0105	0.0258	0.0152	0.0262	0.0343	0.0504
	(0.0212)	(0.0342)	(0.0445)	(0.0275)	(0.0222)	(0.0364)	(0.0319)
AdMean1	0.293*						
	(0.161)						
Ad_No * AdMean1	-0.103*						
	(0.0600)						
AdMean2		0.308**					
		(0.146)					
Ad_No * AdMean2		-0.0891					
		(0.0616)					
AdMean3			-0.0565				
			(0.0841)				
Ad_No * AdMean3			-0.0118				
			(0.0502)				
AdMean4				0.373			
				(0.235)			
Ad_No * AdMean4				-0.0985			
				(0.0627)			
AdMean5					0.202		
					(0.137)		
Ad_No * AdMean5					-0.0851		
					(0.0528)		

AdMean6						0.422**	
						(0.181)	
Ad_No * AdMean6						-0.156**	
						(0.0647)	
AdMean7							0.128
							(0.118)
Ad_No * AdMean7							-0.0950*
							(0.0547)
Constant	4.961***	4.948***	4.937***	4.953***	4.954***	4.958***	4.953***
	(0.399)	(0.400)	(0.402)	(0.400)	(0.399)	(0.397)	(0.400)
Observations	10,474	10,474	10,474	10,474	10,474	10,474	10,474
R-squared	0.959	0.959	0.959	0.959	0.959	0.959	0.959
Number of id	4,463	4,463	4,463	4,463	4,463	4,463	4,463

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

One firm can apply one instrument or combining with the others. Number of advertising means can range from one to seven. From the estimations in columns 1, 2, 6 and 7, the more use of multiple instruments can lessen the impact of every type. It is different from Deloitte (2013) that the highest perceived success rate came from SMEs which used planned campaigns across multiple channels.

Table 5: The effectiveness of advertising costs, types, and the role of instrument combination (ONLY SMEs with Advertisement)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	AdCost	AdMean1	AdMean2	AdMean3	AdMean4	AdMean5	AdMean6	AdMean2
VARIABLES	Log of sales							
No_Cus	0.0764	0.0744	0.0761	0.0731	0.0756	0.0759	0.0700	0.0735
	(0.0575)	(0.0557)	(0.0580)	(0.0586)	(0.0576)	(0.0572)	(0.0541)	(0.0562)
Ad_No		-0.0174	-0.0186	-0.0417	-0.0140	-0.0127	0.0247	-0.00892
		(0.0287)	(0.0237)	(0.0412)	(0.0252)	(0.0304)	(0.0330)	(0.0411)
lnAd_Cost	-0.0186							
	(0.0141)							

AdMean1		0.181						
		(0.162)						
Ad_No * AdMean1		-0.0251						
		(0.0371)						
AdMean2			0.0657					
			(0.122)					
Ad_No * AdMean2			-0.00730					
			(0.0355)					
AdMean3				-0.168**				
				(0.0747)				
Ad_No * AdMean3				0.0503				
				(0.0390)				
AdMean4					0.0355			
					(0.191)			
Ad_No * AdMean4					-0.00944			
					(0.0531)			
AdMean5						-0.0232		
						(0.149)		
Ad_No * AdMean5						4.18e-05		
						(0.0408)		
AdMean6							0.287	
							(0.187)	
Ad_No * AdMean6							-0.0845	
							(0.0585)	
AdMean7								-0.143
								(0.133)
Ad_No * AdMean7								0.0167
								(0.0505)
Constant	0.910	0.780	0.787	0.911	0.797	0.784	0.788	0.796
	(0.596)	(0.637)	(0.625)	(0.673)	(0.616)	(0.631)	(0.604)	(0.634)
Observations	1,128	1,128	1,128	1,128	1,128	1,128	1,128	1,128
R-squared	0.979	0.979	0.979	0.979	0.979	0.979	0.979	0.979
Number of id	768	768	768	768	768	768	768	768

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Given a SME has chosen a strategy to use, an increase in advertising cost do not influence sales expansion as can be shown in column 1 of table 5. In contrast, Deloitte (2013) considers advertising can play in unlocking the growth potential of the country's SMEs and the wider economy. They show that spending an additional £1 on advertising would benefit an SME nearly eight times as much relative to its size as an equivalent £1 spent by a larger business.

From column 2 to column 8, we in turns examine the effectiveness of every advertisement instrument for SMEs in comparison with those who apply the remaining tools. Advertising through newspapers/yellow pages (AdMean3) are found to be less effective than using the others (Column 4). As all other AdMeans are not significant, no instrument is evidenced to be the best choice once a firm has decided to use advertising strategy.

5. Conclusion

The accountability of advertising expense or efforts has been concerned so far. Many previous researches have concentrated on market expansion to appraise the effectiveness of advertising strategies. In this study we apply the three factor Cobb Doughlas production function focusing on measuring the impact of advertisement. An unbalanced panel data set for Vietnamese SMEs in 4 years 2004, 2006, 2008 and 2012 deriving from DANIDA project's enterprise survey are solved with suitable estimations. These quantitative method take into account the firm heterogeneity across region and ownership and time effects.

Accordingly, advertising strategy is found a good strategy to increase sales growth of SMEs. This positive effect are associated with SMEs in the North Vietnam and especially if SMEs are households. However, once a firm use advertisement, increasing more spending on advertising has no significant effect on SMEs expansion. In addition, among many channels, those effective ones are on street posters, door-to-door information material, and internet advertising which can affect SMEs sales positively in single use while the effect will decrease if it is applied with other medium. Comparing to other advertising channels, internet advertising has higher positive impact than others. Nevertheless, SMEs in Vietnam applied ineffectively advertising on newspaper, yellow pages, radio, television, and trade fair. Vietnamese SMEs should not apply multiple instruments.

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