

# COMPETITIVE ADVERTISING AND THE STRATEGIC ROLE IN THE GROWTH PHASE OF A PRODUCT LIFE CYCLE

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## ***Abstract***

*It has been submitted that the credibility of advertisements and indeed, the advertising industry in general, might be tarnished as a result of competitive advertising. Against this backdrop, the present study examined competitive advertising and its role, especially in the growth phase of a product. With specific reference to Juhel Pharmaceutical Company Limited, Enugu, the study investigated the role of competitive advertising as a promotional tool for improved product performance and differentiation between competing brands at growth stage. The study used a survey research method. The marketing department internal staff of Juhel constituted the population of the study. The simple random sampling technique was used to select 100 staff. Findings showed that competitive advertising has impact on the growth phase of product, it influences*

*demand for a specific product brand, promotion is more developed and active at this phase, and it differentiates product from the competitors' and increases or perfects sales volume at this phase. Some factors that facilitated the role of competitive advertising at growth phase of product included provision of new information to consumers. Based on the above findings, some key recommendations were made and conclusion drawn.*

## **Introduction**

The emergence of competitive advertising in the growth phase of product in the market has brought about several noticeable benefits/developments for the company's product. But, at the same time, it has brought about its attendant problems that discourage or make a member of advertisers to be reluctant in employing competitive advertising at the product growth phase because some long term consequences of competitive advertising may be seriously detrimental to the advertising firm(s).

Potentially negative effect of competitive advertising is the misidentification of sponsoring brands. Competitive advertising might increase salience of competing brands without improving consumer awareness of the brand sponsoring the message. An important possible negative impact of competitive advertising concerns credibility because an ad for one brand may not be viewed by consumer as a highly credible source of information about competing brands due to logical likelihood of manipulative intent. It has been observed that users of competitive brands usually counter-argue, thereby producing a boomerang effect. To this effect, the study sought to investigate the role of competitive advertising on product growth stage.

## **Research Purpose**

In order to better understand the problems necessitating this study, the study intends to empirically examine/assess competitive advertising and its role on the

growth stage of a product introduced in the market, with specific reference to Juhel Pharmaceutical Company Limited, Enugu.

The specific objectives were:

- i. To examine the impact of competitive advertising on the growth phase of a product,
- ii. To examine the influence of competitive advertising on demand for a specific brand.
- iii. To find out why promotion becomes less informative and appeals more to emotions during the growth phase.
- iv. To find out why competition is developed and active at the growth phase.
- v. To examine whether competitive advertising differentiates product from the competitors and increases or protects sales volume.
- vi. To determine the factors that facilitate the role of competitive advertising, especially at the growth phase of a company's product.
- vii. To make recommendations based on the findings as to how to enhance the role of competitive advertising during the growth phase of a product.

The following hypothesis were formulated to guide the study and were tested at the end of the investigation at 0.05 level of significance:

- Ho<sub>1</sub>: Competitive advertising does not influence the demand of a specific product brand.
- Ho<sub>2</sub>: There is no significant difference between sales volume at growth stage and sales volume at other stages of a product life cycle.

### **Theoretical Review**

All products and services have certain lifecycles. During this period, significant changes are made in the way the product is behaving in the market or its sales

performance in the market. Since an increase in profits is the major goal of any organization, the product's life cycle (PLC) management is very important (Romninos, 2011:3).

The life cycle refers to the period from the product's first launch into the market until its final withdrawal. The life cycle concept may apply to a brand or to a category of product. A PLC can be divided into several stages characterized by the revenue generated by the product. Product development is the incubation stage of the product life cycle. There are no sales and the firm prepares to introduce the product. As the product progresses through its life cycle, changes in the marketing mix usually are required in order to adjust to the evolving challenges and opportunities.

One of the strategies to be used is competitive advertising. According to Wang (1996), competitive advertising can be defined as the strategy used in competitive situations, where competitors attempt to increase their own market share at the expense of others. Competitive advertising, or put in another form, comparative advertising, can be defined as advertising that compares two or more specifically named or recognizably presented brands of the same generic product or service class, and makes such a comparison in terms of one or more specific product or service attributes (Wiikie and Farris 1975). According to the Federal Trade Commission (FTC) in the United States of America (USA), "Competitive advertising is defined as advertising that compares alternative brands on objectively measurable attributes or prices, and identifies the alternative brand by name, illustration or other distinctive information." In the European Union (EU), enactment of directive 97/55/EC concerning misleading and comparative advertising reads: "Comparative advertising means any advertising which explicitly or by implication identifies a competitor or goods and services offered by a competitor". Comparative advertising can be classified according to whether it is direct or indirect.

Competitive advertising is a commonly used type of advertising that communicates the unique benefits of a product, differentiating it from the

competition. It also points out features of a brand which may not be available in other brands, but does not directly name a competitor. Competitive advertising is pointing to demand increase for specific product of the company. Since the product is at its growth stage, competition is developed and active. Therefore, the goal of competitive advertising is to differentiate product from other competitors' and to increase or product/sales volume (Marketing Mimihi, 2007).

Competitive advertising increases the willingness to pay for the sponsoring brand and it may reduce the willingness to pay for the compared brand. It may also be seen as a complement if consumers derive benefits from consuming the advertising together with the product of the sponsoring brand. Competitive advertising can be considered content-based because it makes a "comparison or a superiority claim". In fact, implicitly or explicitly, in every competitive advertising, either the message "my product is better than ..." or "my product is as good as ..." is contained. Thus a competitive advertising is always potentially directly informative (Jigjid, 2009: 4).

Firms use competitive or brand advertising when a product enters the growth phase of its product life cycle. During this period, other companies begin to enter the market place instead of building demand for the product. The goal of competitive advertising is to influence demand for a specific product brand at this stage. Often, promotion becomes less informative and appeals more to emotions during this phase. Advertisements may begin to stress subtle differences between brands, with heavy emphasis on building recall of a brand name and creating a favourable attitude towards the brand.

Automobile advertising has long used very competitive messages, drawing distinction based on such factors as quality performance and image (Bowen & Chaffe, 1973). Special interest groups still appeal to endorse competitive advertising for several reasons. First, it is alleged that such advertisements provide consumers with information that was not previously available. Competitive advertising furnishes more and better information, thereby assisting consumers in their choice and evaluation of products and services. Second, it is held that competitive advertising compels manufacturers to strive

for product improvement, otherwise they run the risk of public embarrassment when their brands are positioned against superior brands in the market. Finally, it is argued that such advertisement is likely to be more effective for advertisers. Competitive advertising novelty has the potential for enhanced selective attention as a result of the mentioning of competing brands, and the likelihood of increased support by users of the sponsoring brand.

On the other hand, critics of competitive advertising have voiced several objectives of the practice. First, they charge that comparative advertisement is prone to overloading consumers with information. A more serious consequence of this type of advertisement is that it may influence consumer choice through misidentification of brands in the advertisement. Second, critics contend that users of competitive brands may counter-argue for their brands, thereby producing a "boomerang" effect. Finally, it was argued that consumers may be duped by unscrupulous advertisers who fail to present fair and truthful comparisons or claims. Thus, the credibility of advertisements and indeed, the advertising industry in general, might be tarnished as a result of competitive advertising (Stephen, et al., 1983: 1).

The present study examined competitive advertising and its role, especially in the growth phase of a product.

### **Research Method**

A survey research design was adopted for the study. Primary and secondary data were used. Primary data were gathered through structured questionnaires, oral interview and personal observation. The questionnaire contained structured questions to probe into the research problem. Secondary data consist of information from the internet, books, journals, among others.

The target population for the study comprised all 200 marketing staff of Juhel Pharmaceutical Company Limited, Enugu. Simple random sampling technique was adopted in selecting the sample size of 100 staff. A structured questionnaire was used in data collection. The questionnaire consist of two

sections: A and B. Section A was made up of personal data of respondents, while section B contained twenty three question items to generate answers to the research questions using a four-point likert type scale. In addition to the questionnaire, oral interviews were used to elicit responses which enriched work. Frequency and simple percentages were employed in analyzing the responses. Chi Square was used to test the hypothesis at 0.05 level of significance.

## Results and Discussion

### Hypothesis 1

**H<sub>01</sub>: Competitive advertising does not influence the demand for a specific product brand at growth phase.**

Table 1 shows the results for the test for influence of Competitive Advertising on demand of a product.

**Table 1: Influence of Competitive Advertising on demand of a product**

Options	X <sup>2</sup>	Sig (2-tailed)	Remark
Demand is high at growth stage	6.21	0.000	S
Demand is less at growth stage	1.28	0.065	N/S
Competitive advertising alters demand at growth stage	6.68	0.000	S
More products are demanded as a result of competitive advertising	9.34	0.000	S
Competitive advertising increases demand at growth stage	3.63	0.002	S
Overall	5.43	0.01	S

Table 1 shows a significant value of 0.000 and 0.002 for high demand at growth stage, competitive advertising alters demand at growth stage, more products are demanded as a result of competitive advertising, and competitive advertising

increases demand at growth stage respectively. Meanwhile, demand is less at growth stage has a non-significance value of 0.065

## Hypothesis 2

**Ho<sub>2</sub>:** There is no significant difference between sales volume at growth stage and sales volume at other stages of a product life cycle

Table 2 shows the result of the test for the difference between sales at growth stage and sales at other stages of a product life cycle.

**Table 2: Difference between sales at growth stage and sales at other stages of a product life cycle**

Options	X <sup>2</sup>	Sig (2-tailed)	Remark
More products are bought at growth phase	5.35	0.007	S
More sales are experienced at other phase	7.27	0.024	S
Sales remain the same at every phase	-0.13	0.896	N/S
Increased production of product at growth phase	6.89	0.000	S
Increased production at every phase	-1.87	0.062	N/S
Overall	3.50	0.198	N/S

Table 2 shows a significant value of 0.007, 0.024 and 0.000 for more products are bought at growth phase, more sales are experienced at growth phase, and increased production of product at growth phase respectively. It also shows a not significant value of .896 and .062 for sales remain the same at every phase and increased production at every phase. The results, therefore, show that there is a significant difference between sales volume at growth phase and sales volume at other phase of a product life cycle.

Data analysis indicated a strong positive relationship between competitive advertising and the growth phase of product, as evidenced from the

sides taken by the respondents. For instance, majority of respondents (80%) were of the opinion that competitive advertising have impact on the growth phase of product. Further, 70% supported that promotion is less informative and appeals more to emotions during the growth phase. Also, 80% of respondents supported the view that competitive advertising influences demands for a specific product brand.

A greater percentage of respondents were of the opinion that competition seemed to be more developed and active at this phase and that competitive advertising is capable of differentiating product from the competitors' and of increasing or protecting sales volumes. There were similar opinions on the impact of comparative advertising on the growth phase of product.

The findings agreed with earlier submissions that the definition of competitive advertising should not only focus on the product-based attributes. Price may also be included as a dimension in competitive advertising (Della Bitta, et al., 1981: 14; Sewall and Goldstem, 1979: 22). And, it is clear that other factors may also be used as bases for comparison. It, therefore, seemed appropriate to define competitive advertising as any advertisement that compares the sponsored brand against any other explicitly named competitive brands along any attribute relating to product, service, price, market standing, or even company factors, such as image and status. This will go a long way to melt down the critics' views against the use of competitive advertising at the product growth stage due to its negative impact which includes: its proneness to overloading consumers with information.

A more serious consequence is that these advertisements may influence consumer's choice through misidentification of brands named in the advertisement. Second, users of competitive brands may counter-argue for their brands, thereby producing a 'boomerang' effect. It was argued that consumers may be duped by unscrupulous advertisers or claims. Thus, the credibility of advertisers and indeed, the advertising industry in general, might be tarnished as a result of competitive advertising (Stephen, et al., 1985).

Finally, the tests of hypotheses at 0.05 level of significance showed that competitive advertising influences demand of a specific product at the growth phase, and there is a difference between sales volume at growth phase and sales volume at other phases of product life cycle. These findings were supported by Wang (1996), Feichtinger, et al., (1994), Seith (1977) and Feichtinger and Jorgensen (1983), who reported that firms use competitive advertising to promote the sales of their products and increase their market share at the expense of others.

The findings have implication that portends grave signals for the policy makers, marketers, advertising practitioners for the future of advertising practices and the advertising industry as well. There is the need for the advertising industry to come up with a policy regarding the use of competitive advertising by firms when their products are at the growth phase. The policy should be statutorily backed in order to make it more effective and enforceable whenever the rules of the games have been violated by those concerned. In this regard, it will be easy to determine its effects on the market outcomes.

Another way forward is to set up the practice standards or requirements and the conditions to be met before it is permitted. Such conditions may include the following:

- i. it should not be misleading.
- ii. It should not compare goods and services meeting the same needs or intended for the same purpose.
- iii. It objectively compares one or more material, relevant, verifiable and representatives features of these goods and services, which may include price.
- iv. It does not create confusion in the market place between the advertiser and a competitor or between the advertisers trade marks; trade names; other distinguishing marks or goods or services and those of a competitor.

- v. It does not discredit or denigrate the trade marks, trade names, other distinguishing marks, good, services, activities or circumstances of a competitor.
- vi. For products with designation of origin, it relates in each case to products with the same designation
- vii. It does not present goods and services as imitation or replica of goods or services bearing a protected trade mark or trade name.
- viii. It does not trade unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of the origin of a competing product.

## **Recommendations**

Subsequent to the aforementioned outcomes of this study and the discussions that followed the following recommendations are hereby made:

1. There is need to formulate or design a competition policy that is statutory backed in order to make it more effective and enforceable whenever the rules of engagement in the practice of competitive advertising are violated by those concerned. This will help to checkmate its perceived effects on the market outcomes.
2. There is also the need to establish practice standards or certain requirements that shall be met before the use of competitive advertising is permitted in the growth phase of product.
3. It is also recommended that the definition of competitive advertising should not only be restricted on product attributes, rather should include also price as a dimension in competitive advertising. It is clear that other factors may also be used as bases for comparison. It therefore seems appropriate to define competitive advertising as any advertisement that compares the sponsored brand against any other explicitly named competitive brand(s) along any attribute relating to product, service,

price, marketing standing, or even company factors such as image and status.

4. Competitive advertising should not only be used as the growth phase of product just to influence demand for a specific product brand, but should also be used in building for the product category. The essence to make promotion become more informative and not only appealing to emotions during this phase.
5. The use of very competitive messages drawing distinctions based on such factors as quality performance, and image is also recommended in the use of competitive advertising on the growth phase of product.
6. The use of competitive advertising should be targeted at establishing consumer preference and increase sales volume at this phase. The marketing team may modify their marketing mix as follows:
  - i. **Product:** New product features and packaging options, improvement of product quality.
  - ii. **Price:** Maintained at a high level of demand is high, or reduced to capture additional customers.
  - iii. **Distribution:** Distribution becomes more intensive. Trade discounts are minimal of resellers show a strong interest in the product.
  - iv. **Promotion:** They should increase advertising to build brand preference.
  - v. They must ensure that at this phase, the use of competitive advertising is not meant to mislead the market and must also ensure that it compares goods and services meeting the same needs or intended for the same purpose.
  - vi. They must ensure that competitive advertising at the growth phase of product does not create confusion in the market place between them and their competitors or between their trade marks, trade names,

other distinguishing marks, goods or services and those of their competitors.

## Conclusion

This research work reports the results of a study undertaken in Juhel Pharmaceutical Company Limited, Enugu, which examines the role of comparative advertising, especially at the growth phase of products. The results indicate that competitive advertising impacts on the product growth phase and provide evidence that competitive advertising influences demand for a specific product brand through the provision of new information to consumers. Regarding not including product related attributes to the definition of competitive advertising, the finding raised various objections to the practice. This could be substantiated by further research work.

Finally, in spite of the objection raised to the practice of competitive advertising in relation to its role on the growth phase of product, the study has relevant policy implications for the advertising firms and in assessing the role of competitive advertising on the growth phase of product. These formed the basis of recommendations.

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