ADVERTISING AND PERFORMANCE OF PUBLIC SECTOR ORGANIZATIONS IN RWANDA

A Case Study of Rwanda Social Security Board

UWAMWISE ETHIRA

MBA/3805/13

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NOVEMBER 2015
DECLARATION

This research study is my original work and has not been presented to any other Institution. No part of this research should be reproduced without the author’s consent or that of Mount Kenya University.

Student Name: Uwamwise Ethira

Sign ---------------------------- Date ------------------------------

Declaration by the supervisor

This research has been submitted with my approval as the Mount Kenya University Supervisor.

Name: Onsoti Nyabera

Sign ---------------------------- Date ------------------------------
DEDICATION

I dedicate my work to my God who provides us with power and strength to perform all good works. In addition, to my wonderful son Igor Ndongozi for his smile which gives me so much strength to fight for the future. A special feeling of gratitude to my family, who words of encouragement and push for tenacity ring in my ears. I also dedicate this thesis to my many friend and church family who have supported me throughout the process. I will always appreciate all they have done, especially Apostle François Nkurunziza and Bishop Thérèse Umugiraneza for their spiritual support.
ACKNOWLEDGEMENT

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I would also like to acknowledge with much appreciation the crucial role of the Management of RSSB, who gave the permission to use all books required machinery, and the necessary material to complete my work. Special thanks go to my sister, Tabitha Benegusenga for her full effort in guiding me to achieve the goal as well as her encouragement to maintain our progress. My Special regards goes also to my friends and my colleagues at work and everybody who has directly or indirectly contributed to the success of this work; you have been very supportive and encouraging. May good Lord bless you all abundantly.
ABSTRACT

There is increasing awareness over the need to measure the impact of marketing activities on firm performance. Nearly everyone in the modern world is influenced to some degree by advertising and other forms of promotion. Organizations in both private and public sectors have learned that the ability to communicate effectively and efficiently with their target audiences is critical to their success. Findings of this research have underlined the effect of advertising on the organization performance and added new information to the existing literature in this matter which will be helpful to the other researchers as it will be reference literature review in order to prepare related research work. This research project examined the effect of advertising on the performance of public institutions in Rwanda with a case study on Rwanda Social Security Board (RSSB). The specific objectives of this study included determining advertising mix effect on the organizational performance of RSSB; to find out the effect of advertising budget on the organizational performance of RSSB and to investigate the effect of advertising on customer growth at RSSB. The analysis covered a period of 3 years, from 2011 to 2014 with focus on the influence of advertising to the financial and non-financial performance of RSSB. Relying primarily on the descriptive research design, the study used staff employed in departments that were closely related to the area of research such as Pension and Occupation hazard department, Medical insurance department, Finance department, investments department and Public Relations Units. This gives a target population of 315 employees. From this population, a sample size of 32 respondents was selected by simple random sampling. In addition, the study used a questionnaire that was administered to RSSB staff. Both primary and secondary data were applied to help analyze the data. Data was analysed by use of descriptive statistics including frequencies and percentages and presented using tables and charts. The study concluded that the performance of public institutions in terms of revenue, operating profits, returns on investment and customer growth in Rwanda has largely been influenced by advertising. The study recommended that the public institutions should consider importance of advertising to improve their performance. Their action plan and budget should be prepared in consideration of this importance that is to say by increasing the budget accorded to advertising this allows to increase in other hand to increase the number of members and their contribution.
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# LIST OF ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>COGS</td>
<td>Cost of Goods Sold</td>
</tr>
<tr>
<td>DV</td>
<td>Dependent variable</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IV</td>
<td>Independent variable</td>
</tr>
<tr>
<td>KLSE</td>
<td>Kuala Lumpur Stock Exchange</td>
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<tr>
<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
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<tr>
<td>OLS</td>
<td>Ordinary Least Squares</td>
</tr>
<tr>
<td>OP</td>
<td>Operating Profit</td>
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<tr>
<td>OR</td>
<td>Operating Revenue</td>
</tr>
<tr>
<td>POP</td>
<td>Point of Purchase Display</td>
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<tr>
<td>ROI</td>
<td>Return on Investment</td>
</tr>
<tr>
<td>RSSB</td>
<td>Rwanda Social Security Board</td>
</tr>
<tr>
<td>TV</td>
<td>Television</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
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OPERATIONAL DEFINITION OF KEY TERMS

**Advertising:** This involves any paid form of no-personal presentation and promotion of ideas, goods or services by an identified sponsor. As advertising is paid for it is a commercial transaction. Advertising is at the front of delivering the proper message to customers and prospective customers. The purpose of advertising is to convince customers that a company’s services or products are the best, enhance the image of the company, point out create a need for products or services, demonstrate new uses for established products, announce new products and programs, reinforce the salespeople’s individual messages, draw customers to the business, and to hold existing customers.

**Performance:** Performance is the result of activities (of an organization) over a given period of time.
CHAPTER ONE : INTRODUCTION TO THE STUDY

1.0 Introduction

This chapter presented the background to the study, research problem, the research objectives and questions. This chapter also defines significance of the study, as well as limitations and scope of the study.

1.1 Background of the Study

Advertising has been existed for many decades. It is one means of promotional mix which has its ultimate function to set up channels of information and persuasion to sell goods and services or promote an idea (Belch & Belch, 1998; Aaker, 1991). Advertising is considered to be one of the marketing communication tools. Communication is the process of giving or an exchange of information and the science of transmitting information as well (Smith, 1993). In the world’s complicated society, advertising has developed into a significant communication system which connects both consumers and businesses (Belch & Belch, 1998).

Advertising become big business in 20th century, offering many different jobs in advertising agencies and the marketing section. The use of the media, like newspapers, television, direct mail, radio, magazines, outdoor signs and of course the internet made this growth possible.

It is a form of transporting information to the consumer, but which does not only have positive sides. Advertising has been international, since producers and companies try to sell their products on a globalized market in almost every corner of the world.

After decades of downplaying the role of the state in development in Africa, there is now a shift in paradigm and a rediscovery of the importance of the state in the development process
and the need for a more capable public sector. The renewed sense of urgency for creating an effective public sector in African countries can be observed both at the continental level and at the national level in many countries, including Rwanda. For instance, the 4th Pan-African Conference of Ministers of Public Service, held within the framework of the New Partnership for Africa’s Development (NEPAD) in March 2003 in South Africa, agreed to a Pan-African Governance and Public Administration capacity development program to strengthen the public institutions and systems of African states (Owusu, 2003).

Public sector reform has also become a high priority for the government of Rwanda. However, such policies have not been forthcoming (Mutahaba & Kiragu, 2002). Several reasons have been advanced for the apparent failure of these policies. But more importantly, the mixed record of the reform efforts has compelled African governments and the international community to critically re-evaluate the policies. The result has been a sober realization that improving the performance of public organizations is a difficult and multifaceted task that must include strategies to fundamentally change the “rules of the game” (Stevens & Teggemann, 2004).

Public organizations’ importance cannot be challenged because they have strong links with civil society, in order to meet social needs, with the government in order to get its attention, budgets or different contracts, but also with the private sector to supply goods and services or to attract additional funds. To maintain these links, it is important that public institutions to become generally known because of distinct skills, favorable image and services adapted to customer needs. These objectives can be achieved by implementing marketing within public activities (Caruana et al, 2003). Differences between public and private sectors, including market monopolies, less personalized relations between customers and public service
providers, lack of consumer segmentation and ignorance of their needs, and non-profit organizations with limited resources and seemingly free benefits have led to the identification of particularities of public service marketing (Grigorescu, 2006).

There is increasing awareness over the need to measure the impact of marketing activities on firm performance. Practitioners are increasingly under pressure to report their contribution to the overall firm performance. The inherent complexity in quantifying the marketing activities has often become a barrier in developing metrics for marketing measurement. O’Sullivan and Abela (2007) report that the ability to measure the internal marketing performance causes a significant impact on firm performance, profitability; stock return and marketing’s stature within the firm.

Nearly everyone in the modern world is influenced to same degree by advertising and other forms of promotion. Organizations in both the private and public sectors have learned that the ability to communicate effectively and efficiently with their target audiences is critical to their success. However, in today’s world there are a myriad of media outlets, print, radio, cable and satellite TV, and the internet, competing for consumers’ attention. Marketers looking beyond the traditional media to find new and better ways to communicate with their customers because they no longer accept on faith the value of conventional advertising placed in traditional media (George & Michael 2009).

Advertising activity is a branch of marketing activity because advertising is one of the functions of marketing. Advertising plays an important role in the marketing process and aims at achieving the marketing objectives. Therefore, marketing objective cannot be established without considering the organizational objectives of the business, i.e.,
maximization of profits. These two important objectives should be achieved side by side. Advertising activity focuses on the analysis, planning, control and decision making activities of the core institution (i.e. advertiser) in achieving the marketing and organizational objectives. For this purpose, the advertiser directs and supports the development of advertising and media space and time. Many other institutions are also involved in the process such as, facilitating and control institutions-agency, research suppliers, the media, Government and the competition. The management controls and directs all these activities relating to advertising (Gummesson, 2001).

Advertising" (including the terms "advertisement" and "advertise") includes the attempt directly or indirectly through publication, dissemination, solicitation, endorsement or circulation, display, including solicitation or dissemination by mail, telephone or door-to-door contacts, or in any other way, to induce a person to enter or not enter into an obligation or acquire title or any other interest in any merchandise or to increase the consumption of it or to make a loan (Gummesson, 2001).

The success of any organization is the acceptability of its output by the consumers. Manufacturing or production is incomplete until the product gets to the final consumers buyers.

Theoretically, advertising can have a direct influence on firm performance through its impact on market value or generating high returns for the advertising firms.

Similarly, advertising can have a direct influence on firm performance by virtue of its ability to influence sales and profitability of a firm (Srinivasan and Hanssens 2009, Joshi and Hanssens, 2010).
American Marketing Association (1995) defines advertising as “the placement of announcements and persuasive message in time or space purchased in any of the mass media by business firms, non-profit organizations, government agencies, and individuals who seek to inform and/or persuade members of a particular target market or audience about their product, services, organizations or idea. Ewuola (2004), says “moderns advertising operation started during the American Colonial Days. It was at time the colonial newspapers were accepting advertisement directly from people and institutions that needed their services.” Some local post offices were also assisting in this respect by acting as agents for these newspapers. According to Clow and Baack (2004), Advertising is a component of integrated marketing communications. Advertising has impact on the performance of organization whether private or public.

Organization performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard et al (2009), organization performance involves the recurring activities to establish organization goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently.

Public sector is the part of the economy concerned with providing basic government services. The composition of the public sector varies by countries, but in most countries the public sector includes such services as the police, military, public roads, public transit, primary education and healthcare for the poor. The public sector might provide services that non-payer cannot be excluded from services which benefit all of society rather than just the individual who uses the service such as public education, social security and services that encourage equal opportunity.
Rwanda Social Security Board (RSSB) is a public Institution established in 2011 to manage the Social Security regime and Medical insurance put in place by the Law 45 of 14/12/2010. It is under the state guarantee and the tutelage is ensured by the Ministry of Finance and Economic Planning. Rwanda Social Security Board is governed by Law No of 14/12/2010 concerning organization and functioning of Social Security and medical insurance. The purpose of the Board is to provide social protection to people living in Rwanda from effects based on lack or reduction of input due to the following reasons: old age, death, disability, occupational hazards, sick leave, maternity leave and medical insurance. RSSB was created by the Government of Rwanda and is financed by employers and employees contributions (RSSB, 2014). Lately, RSSB has undertaken advertising activities aimed at informing the public on the need to subscribe to their services.

1.2 Statement of the Problem

RSSB introduced a door to door campaign in creating awareness and sensitizing the population about the medical services and their benefits so as to bring in new members. This change in strategy as opposed to seminars has been a major focus targeting the informal sector. To this end, the institution has also embarked on paid up ads in mass media in a bid to extending the performance indicators targeted including extending excellent service delivery, increasing the membership status of both formal and informal sector, access to online medical services, increase in partnerships with the medical service providers and establishment of a state of art multi-specialty clinic and biomedical laboratory. Inspite of this high level advertisement, the institution has not been able to meet its targets for the year ending 2012/2013 (RSSB report, 2013). In addition, it has not been possible to evaluate the contribution of advertisement to the overall performance of the institution. It is for this reason
that this study sought to determine the contribution of advertising campaign on the performance of RSSB.

1.3 Objectives of the Study

1.3.1 General Objective

The overall objective of this study was to analyze the effects of advertising on performance of public institutions in Rwanda.

1.3.2 Specific Objectives

To help achieve this main objective, the following specific objectives were identified:

i. To determine advertising mix effect on the organizational performance of RSSB

ii. To examine the effect of advertising budget on the organizational performance of RSSB

iii. To investigate the effect of advertising on customer growth at RSSB

1.4 Research Questions

The main research questions for this study were as follows:

i. Does advertising mix have an effect on performance of RSSB?

ii. In which ways does advertising budget affect the performance of RSSB?

iii. How does advertising affect customer growth at RSSB?

1.5 Significance of the Study

The effect of advertising continues to be a problem in the organization and, in a world of tighter budgets and the requirement to justify costs, this has contributed in no small part to the relative decline in the importance of advertising. The difficulty of measuring effectiveness
has not, however stopped the organization from developing means by which to gauge advertising’s contribution and using these as evidence of advertising impact on performance. It is in this regard that this research examined the linkage between advertising and organization performance.

Specifically, this research will be of importance to:

**Policy makers:**

This study will be of importance to policy makers since they will be able to come up with relevant policies to guide advertising in the public sector

**RSSB:**

This study will help RSSB and other public institutions to measure the contribution of advertising to their performance.

**Academics:**

The research findings act as a reference to the academicians who would wish to research in the same field. Research finding may be available at Mount Kenya University’s Library as one among documents used by for every students and other who will need to consult it as it will be indicating the realities on the ground

In addition, findings of this research will underline the effect of advertising on the organization performance and add new information to the existing literature in this matter which will be helpful to the other researchers as it will be reference literature review in order to prepare related research work.
1.6 Limitation of the Study

This study was limited to employees from the Pension and Occupation hazard department, Medical insurance department, Finance department, investments department and Public Relations Units at RSSB. Other relevant variables that determine performance of public institutions were not covered in this research and would form the basis for another research. Given that the study covered RSSB as a public institution, the researcher was not able to reach all public sector institutions in Rwanda. The results got may not reflect the same circumstances in other institutions with different conditions.

In addition, as the study might prove, placing cause and effect of advertising on the performance of on organization is very difficult because it is not always easy to control the various factors that are regarded as contributors in an advertising environment. The study thus focused only on the recognizable issues that were attributed to advertising and were of clear relevance in the performance of the organization

1.7 The Scope of the Study

This research has been conducted to examine the effects of advertising on organization performance and Rwanda Social Security Board was the case study. Rwanda Social Security Board is one of biggest public institutions in Rwanda that sells public services. Currently, RSSB has 572,182 beneficiaries in medical insurance schemes and 360,284 beneficiaries in pension schemes and occupation hazards scheme (RSSB annual performance report July 2012- July 2014. The analysis covered a period of 3 years, from 2011 to 2014 with focus on the influence of advertising to the financial and non financial performance of RSSB.
1.8 Organization of the Study

Chapter one introduces the research topic and explains the research problem. The objectives of the study and the guiding questions that form the basis of the questionnaires and interviews have also been expounded. The chapter introduces the topic of and why there was need to research it. The chapter also presented the significance of the research and the limitations expected during the research and how these were overcome as well as the scope.

Chapter two contains a discussion of the literature specific to the research topic and research objectives and questions. The literature from the developed world, Africa and Rwanda has been reviewed.

Chapter three is a detailed discussion of the methodology of the research. It discussed how the research was carried out and the methods used to collect, analyze and record the data. The chapter also looks at how the respondents were selected and the specific type of research instrument used on a particular respondent. The justification for the methodology used was also presented in the chapter.

Chapter four contained the findings of the study. Data was analyzed using descriptive statistics and presented using tables and charts. Interpretation of data was also done.

Chapter five contained the summary of findings, conclusions and recommendations of the study.
CHAPTER TWO : LITERATURE REVIEW

2.0 Introduction

This chapter has considered any relevant theory that can enable us to identify the effects of advertising on the organization performance. It has considered the past researches conducted by different researchers on advertising and firm performance.

2.1 Review of Theoretical Literature

2.1.1 Public Sector Performance

All public sector agencies exist to fulfil a particular mission – a mission inherently determined by society at large, though articulated and managed by a combination of elected officials and their executive support teams. Their authorisation to conduct “their business” (and to use public funds to do so) comes directly from the ballot box, or is delegated by a body whose standing is enshrined constitutionally. “Competition” is a factor for some agencies which provide services in competition with private sector organisations, but for many public sector agencies, the concept of competition does not exist – indeed, for many agencies, the private sector is specifically barred from offering competitive services. Competition is therefore rarely a driving force for change, for performance improvement (Bevan & Hood, 2006).

The “critical success factor” for a public sector organisation is therefore the degree to which it fulfils its mission. In fulfilling the mission, it is, however, expected to address a number of other success factors – in terms of being efficient (and accountable for public funds), and in terms of offering satisfaction to customers/clients covered by the specific mission (Atkinson
& Maxwell, 2007). Some of these success factors are formally monitored by other
government agencies (inspectors, auditors, etc.) and some are “monitored” by the public who
receive the services (and who may exercise “control” via the ballot box).

Some of these factors look superficially like the success factors for private sector
organisations, although in practice there are sufficient environmental (and cultural)
differences, to make significant distinctions. “Customer satisfaction” for example is part of
the agenda for both sectors – but is addressed quite differently in each since the supplier-
customer relationship itself is fundamentally different.

Increasingly, in recent times, public sector organisations have been encouraged – even
“forced” – into adopting private sector (or pseudo private sector) performance improvement
methodologies to demonstrate their accountability (Chang, 2006).

2.1.2 History of Advertising
Advertising has been always a very important tool of connecting people who wants to sell
something with the ones who have the means to use those products. It can be traced back to
the Babylonian, Greek and Roman civilizations. Egyptians used papyrus to make messages
and wall posters. Commercial messages and political campaign displays have been found in
the ruins of Pompeii and ancient Arabia. Lost and found advertising on papyrus was common
Ancient Greece and Ancient Rome (Egan, 2007). Wall or work painting for commercial
advertising is another manifestation of ancient advertising form, which is present to this day
in many parts of Asia, Africa, and South America. Out –of –home advertising and billboards
are the oldest forms of advertising.
The development of media and high availability of media channels boosted advertising. From 1704, when the first newspaper ad appeared till now, advertising messages have constantly evolved into various interesting, original and even controversial forms (Scutaru, 2010). In the past, advertising was relatively simple process as most companies relied primarily on ads run in the mass media to deliver their marketing messages to large numbers of consumers who watched television, listened to radio, and read magazines and newspapers (Belch & Belch, 2009).

Currently, any medium can be used for advertising. Commercial advertising media can include wall paintings, billboards, streets furniture components, printed flyers and rack cards, cinema and television adverts, web banners, mobile telephone screens, shopping carts, web popups, skywriting, bus stop benches, human billboard advertising, magazines, newspapers, town criers, sides of buses, banners attached to or sides of airplanes (logojets), in flight advertisements on seatback tray tables or overhead storage bins, taxicab doors, roof mounts and passenger screens, shopping cart handles (grabertising), the opening section of streaming audio, posters, and the backs of event tickets and supermarkets, receipts. Any place an “identified” sponsor pays to deliver their message through a medium is advertising (Scutaru, 2010).

The diversification of advertising means impacts the level of budget affected to the advertising functions. Since organizations are investing a massive amount of money in marketing communication including advertizing every year. Therefore, it is important to examine and analyze the literature that explains the link between the level of the budget affected to the advertising and the change that this level brings to the performance of the organization.
2.1.3 Theoretical Framework

2.1.3.1 Information Asymmetry Theory

Asymmetric information refers to the fact that one party, such as the issuing firm, has better information about the value of the firm than potential consumers do (Levy and Lazarovich-Porat 1995). Akerlof’s (1970) study on asymmetric information describes the basics of information problems arising between market participants and implies that quality and uncertainty are important. Firms identified as more uncertain to consumers are more difficult to value because of asymmetric information, and therefore will likely have greater underpricing (Lowry, Officer & Schwert, 2010). Marketing can ease information asymmetry by providing future forecasts of the firm’s potential success. Marketing helps alleviate the information gap by providing information that improves stakeholder decision making (Ngobo, Casta, & Ramond, 2011).

Some firms voluntarily disclose information about advertising as a strategic move to minimize information gaps, which increases firm value (Liao, 2009). Managers must decide how much information to release and simultaneously take into consideration the transaction costs of providing the information. Providing information also means that competitors can use the information, which implies that a delicate balance must be maintained between what, and how much, information firms should provide (Liao, 2009).

2.1.3.2 Signaling Theory

The need to resolve information asymmetry problems is the basis for signaling theory. Signaling theory suggests that information asymmetry is present in the market between consumers and the firm (Erdem & Swait, 1998). Information asymmetry is the imbalance of
information between two parties. When there is an imbalance of information and uncertainty, consumers must evaluate the signals to decide amongst the available options.

Spence (1973) created a clever model of this situation. In Spence’s representation, managers are obligated to make difficult hiring decisions under conditions of uncertainty when selecting a new employee from a group of applicants. The applicants can use signals such as résumés, their interview skills, education, and attire to send the managers a message. Signals are defined, according to the model, as “observable characteristics attached to the individual that are subject to manipulation by man” (Spence, 1973). Applicants in the example also have “indices,” or unalterable characteristics, such as race or gender. Just as job applicants cannot do much about their indices; firms have their own indices, including their company’s founders or the age of the firm. However, in situations involving consumers and the firm, firms can use signals to promote the alterable characteristics. Signals do come at a cost, which must be weighed against potential benefits.

Information imbalance is present in public companies because managers know more about the firm than do potential consumers. The presence of uncertainty in markets stems from the asymmetric and imperfect information shared between the two parties (Erdem & Swait, 1998). To counteract this, increasing marketing spending may be a signal used to reduce information asymmetry between the two parties. Firms send signals to potential consumers through marketing spending about the growth and value of the firm (Daily et al, 2003). Managers can utilize signals to influence consumers and analysts when making strategic decisions. Marketing spending may indicate to consumers that the firm is less risky, while companies that cut marketing spending may be sending negative signals to potential consumers. Allen and Faulhaber (1989) suggested that firms use indicators, such as marketing
spending, to signal to consumers that their firm is “better” than firms that are not spending money on marketing.

Marketing researchers have investigated the effects of different types of signals to consumers, including changing company names, branding, announcing of new ad campaigns, advertising and announcing of new products (Sorescu & Spanjol, 2008). Many of these studies utilized event study analysis to test the signals’ impact on firm value (Joshi & Hanssens, 2010). However, short run and long run analysis can give a more accurate representation of the accumulated effect of marketing spending. Firm-specific and time-sensitive information, such as a creative marketing campaign, can provide a competitive advantage to the company, causing firms to keep this weapon in their back pocket until the campaign is launched (Conchar, 1999).

2.1.3.3 Market-Based Assets Theory

Market-based assets theory states that marketing efforts increase shareholder value of the firm by creating intangible market-based assets (Srivastava et al, 1998). Intangible assets, such as investments in R&D, are surrounded by asymmetric information, which causes greater uncertainty (Barth, Maureen & Mc Nichols, 2001).

Valuing firm assets is a challenge because most intangibles go unreported by the firm’s balance sheet. Market-based assets theory suggests that intangible assets, particularly those created through marketing spending, may not be valued like the tangible assets of the firm. Tangible assets tend to benefit firms in the short-run, while intangible assets are not completely valued until one looks at the firm’s long run performance (Srivastava et al, 1998)
Therefore, intangible assets are more appropriately valued over an extended period of time rather than immediately (Sougiannis, 1994). Intangible assets, commonly not reported, may be a better prediction of firm performance than those measures that financial statements must disclose (Joshi & Hanssens, 2010). Market-based assets are unique to the firm and enhance the value of the firm (Srivastava et al, 1998). Intangible assets, such as marketing spending, are often the first expenditures cut to inflate earnings in the current period (Mizik, 2010). Therefore, managers need to have a long-term perspective on the negative effects of cutting intangible assets.

In conclusion, these theories were the basis for investigating marketing expenditures’ role in creating firm value, both in the current period and in the future.

2.2 Empirical Literature

Siong (2010) conducted a study on effects of advertising on firm performance in the Malaysian consumer products sector. The main aim of this study was to determine whether there were significant relationship between advertising expenditure and firm performance among 46 consumer products firms listed on the main board of the Kuala Lumpur Stock Exchange (KLSE) from the period of 2004-2008. Advertising effects on firm performance is measured using two constructs which are firm profitability and firm value by adopting Ordinary Least Squares (OLS) regression analysis. The results of linear regression showed that there was a positive relationship between advertising variable and it is statically significant with both variables of firm performance which are firm profitability and firm value whereas sales variables was found only to be significant with firm profitability but were found to be insignificant on firm value (Siong, 2010).
A research on effects of advertising on small and Medium Enterprises in Kenya has been carried out by Gitau (2012) focusing on the role of advertising on financially constrained SMEs found that advertising was an expensive venture for any SME and its repetitive nature makes it more and more inconsistent to adopt.

Dolatabadi, Davood and Zolfaghari (2011) conducted a research to analyze the impact of brand value and advertising costs on financial performance of companies listed in Tehran Stock exchange from the viewpoint of shareholders. Results of the study indicated that advertising costs and brand value had an impact on financial performance. In respect of the impact of brand and advertising costs on financial performance of companies, the study didn’t observe any significant difference between the views of shareholders with regard to social class and education level of them.

Motivated by the increase of the advertising expenditure in India, Gupta (2008) conducted a research with the primary aim to find out the impact of advertising on the firm ‘performance in three different industries-automobile industry, textiles industry and food industry in India. He noted that in India in 2008, the advertising expenditure was expected to increase from 0.50% of the Gross Domestic Product (GDP) to 0.53 % over the next three years (Gupta, 2008). The research used three industries of different nature and compared the effect of advertising on them pooling the entire data and separately as well it is evident from the results that advertising certainly affects the firms depending on their nature.

When the entire data was taken, it was evident that advertising had a positive and significant effect on sales of firms while it had significant adverse effect on profitability. Doing the modeling industry-wise, it’s clear that there are huge differences in the way advertising
affects the sales and profitability in these 3 industries. Automobile industry showed positive impact of advertisement on sales as well as profitability. However, the effect of advertising on profitability in food and textiles industry seemed to be negative and significant.

Syed and Wasim (2012) in their research on advertising effects and firm performance realized that a number of studies examined the effects of advertising on firm performance using different models and methodologies. They noted that empirical evidence on advertising influence on sales, profit and more recently on market value or returns, however, were inconclusive. Similarly, most of the evidence on advertising effects on firm performance came from developed economies with little evidence from developing countries. Using a sample of listed firms in consumer’s goods sector in Pakistan, their study provided some initial evidence of a positive and statistically significant influence of advertising on sales, profits, and market value of the sample firms.

Wang et al (2005) carried out a study on the nature and degree of advertising effect on firm intangible values by using the data from Compustat database for companies with eleven years (1996-2006) in United States. They employed time series analysis approach to model the advertising-intangible value relationship. Their findings indicated that advertising effects on firm's intangible assets are sustainable and accumulative, and support the asset or investment like characteristic of advertising expenditure. They suggested firm's varying effectiveness in creating brand equity through advertising.

2.3 Critical Review and Gap Analysis

A signaling theoretical approach to marketing, incorporating different routes to signal reliability and sources of salience due to receiver psychology, can further equip existing
efforts to understand marketing opportunities. Insights from signaling theory can help marketers understand how to overcome the skepticism of potential consumers about their product claims and also understand how those very same customers could use the marketed products in their own signaling efforts.

As most signals in advertising contexts are unlikely to be “handicaps” in the evolutionary sense, given the prohibitive costs entailed and the likely reserve of stockholders to stand idly by when their profits are placed at risk, marketers may do best to consider alternate routes to signal reliability and the importance of receiver psychology. At minimum, an advertising message must be detectable, discriminable, and memorable in order to be effective.

Biological signaling theory has been used to understanding why firms spend so much money on advertising without a substantial informative content. In this perspective, the function of expensive advertising is to convince the public that the firm is sufficiently successful to bear the costs of the signal, thus conveying that the business entity will not attempt to sell sub-standard merchandise, as doing so would carry too great of a reputational penalty. Alternately, such expenditures may simply serve to increase the appeal and memorability of the product without serving as a testament to the product’s quality, as there is no intrinsic link between the product quality and advertising expenditures. The increase in viewer perception of quality with increased advertising expenditures, while certainly relevant from the standpoint of receiver psychology, does not lead to a sufficient survival risk for the business as the result of viewer backlash due to product dissatisfaction.

Marketing is in the complex position of signaling to multiple audiences simultaneously, some of which may be at cross-purposes with each other. It may be useful to look at signaling in
marketing across nested levels. Advertisements themselves serve as communication from suppliers to varied audiences, including consumers, stockholders, and their own employees. The purchased items themselves equip individuals to signal qualities to prospective mates, associates, and rivals. The primary audience of an advertisement is the potential consumer, but shareholders, competitors, and company staff also receive the signal. The salient information for the consumer concerns the product’s specific value, defined in a myriad of factors related to quality, cost, preference-matching, and its own capacity to signal to others. The salient information for shareholders, competitors, and company staff, in contrast, is the brand. In pursuit of these aims, companies may spend excessively on advertisements simply to signal their ability to withstand the costs of such wastefulness.

From the above critique, there is greater need to understand the contribution of marketing efforts to organizational performance in an area surrounded with various theoretical interpretations. It was for this reason that the current study has sought to determine the effect of advertising on performance of public institutions in Rwanda specifically at RSSB.

2.4 Theoretical framework

Marketing communication is an essential factor in process of creating a trust among the customers for an organization. It can be seen as the exchange of processes to create an overtime contextual effect on relationship between the organization and its customers (Frankelius, 1997). Advertising, mass media advertising to be more precise, has played a major role in business to consumer marketing, and enabled companies to meet communication and other marketing objective (Minh Hou Poh & Adam, 2007).
According to Gibson et al., (2010), organization performance is the final achievement of an organization which is measured either in financial and non financial indicators, and contains a few things, such as the existence of certain targets are achieved, has a period of time in achieving the targets and the realization of efficiency and effectiveness.

On the other hand, organization performance refers to ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results and survival at pre-determined time using relevant strategy for action (Koontz and Donnell, 2003). Organization performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprise in the same industry. Consequently, it is a reflection of productivity of members of enterprise measured in terms of revenue, profit, growth, development and expansion of the organization.

There is relationship between advertising and organization performance. Conchar, Crask and Zinkhan (2005) initiated a study on the effects of advertising expenditure on performance by its firm market value in United States from 1985 to 2004. They examined the relationship between advertising expenditure on firm market value. Their results indicated that there is a positive relationship between advertising and firm market value which is marketing activities are generally expected to generate future cash flows and boost the shareholder wealth.

2.5 Conceptual Framework

Three advertising key elements and contents which represent the performance of the firm was selected for examination. In this research three independent variables of advertising were examined and their effects on dependent variable which was firm performance. Three independent variables of advertising Practices selected include; target audience (publics
institutions, informal sector and private institutions), advertising mix (the advertising mix includes the types of advertising to be used to market RSSB services, including television, radio, print advertising (Newspapers, Magazines) and Events and Advertising budget (Determine how much you will spend in a year on your advertising budget. Likewise, the dependent variable is performance in terms of performance which includes revenue, return on investment, operating profits and non-financial performance such as customers’ growth. This is represented graphically by Figure 2.1

**Figure 2.1 Conceptual Framework**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advertising</strong></td>
<td></td>
</tr>
<tr>
<td>• Advertising mix:</td>
<td></td>
</tr>
<tr>
<td>Advertising radio</td>
<td></td>
</tr>
<tr>
<td>Advertising television</td>
<td></td>
</tr>
<tr>
<td>Print advertising-</td>
<td></td>
</tr>
<tr>
<td>Newspapers and</td>
<td></td>
</tr>
<tr>
<td>magazines</td>
<td></td>
</tr>
<tr>
<td>Events</td>
<td></td>
</tr>
<tr>
<td>• Advertising budget</td>
<td></td>
</tr>
<tr>
<td>Sufficient</td>
<td></td>
</tr>
<tr>
<td>Timely Release</td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td></td>
</tr>
</tbody>
</table>

| Performance          |                  |
| • Financial performance: |               |
|   Revenue            |                  |
|   Return on investment |             |
|   Operating profit   |                  |
|   Customer           |                  |
|   Growth             |                  |

<table>
<thead>
<tr>
<th>Moderating Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Management Factors</td>
</tr>
<tr>
<td>• Government policies</td>
</tr>
<tr>
<td>• External Factors (PESTEL) that is political, economic, social, technological, environmental and legal factors</td>
</tr>
</tbody>
</table>

**Source:** Researcher, 2014
2.5.1 Advertising Mix (Independent Variable)

2.5.1.1 Print advertising-Newspapers, Magazines, Brochures, Fliers:

Print media has always been a popular advertising option. Advertising products via newspapers or magazines is a common practice, in addition to this; the print media also offers options like promotional brochures and fliers for advertising purposes. Often, newspapers and magazines sell the advertising space according to the area occupied by the ad, its position in the publication (front page/middle page, above/below the fold), as well as the readership of the publication (Naga, 2009).

2.5.1.2 Events

In today’s world the market becomes more competitive; an increased number of companies are competing in order to gain market shares. As the result, it has become crucial for companies to find a better way to cut through the competition and reach the target audience. Companies need to make themselves heard; to stand out from the competition is crucial, and events are increasingly proving to be a way of doing so. According to Behrer and Larsson (1998) the event is an activity that gathers the target group in time and space; it is “a meeting in which an experience is created and a message communicated”.

It is marketing through events, where marketing is seen as central and the events are considered to be the marketing tools. It is focusing on a target audience and involves high contact intensity. It turns a message into an event that can be experienced by the audience. By using event marketing the media clutter can be penetrated, and through the meeting a relationship can be established between the product or brand and its target audience. Thus, the return of event marketing is the personal meeting. During an event the company has exclusive
access to the customer for at least a few hours, with the media clutter eliminated. (Karlsson & Palmer, 2007).

2.5.1.3 Radio advertising:
Radio advertising is one of the oldest forms of advertising. In the early 20\textsuperscript{th} century, as radio began to take center stage in a lot of American homes, businesses realized that they could use this medium to reach a huge audience for their products, and not merely rely on print media such as newspapers and pamphlets (Naga, 2009). Advertising can buy airtime from a radio station to air their ads, and prices depend upon the duration, time of the day, and the programs during which the ads are aired. According to market research firm Arbitron, over 240 million people in the United States tune in to the radio at least once a week. Radio has been given a much-needed boost as a medium of communication, and therefore of advertising, with the advent of online radio broadcasts

2.5.1.4 Television Advertising:
The holy grail of advertising for more than 50 years, television advertising remains the most sought - after mode of advertising even in the 21\textsuperscript{st} century. It reaches the maximum number of target customers, and has a variety of programming schedules which can be effectively used for the insertion of ad content. This is an expensive type of advertising, as reflected by the high price for ad spots during sporting events such as the super Bowl. There is also a trend of placing banners in the background while a program is playing, to increase the visibility of ads. Computer- based graphics are also used to generate ads, which run in the backdrop of high-profile events such as sporting events and movie premiers. Television jungles for popular products such as “Here comes the King” (Budweiser) and “I am stuck on band-Aid (band-Aid), are already of legendary status” (Naga, 2009).
2.5.2 Advertising Budget

Advertising Budget is the amount of money which can be or has to be spent on advertising of the product to promote it, reach the target consumers and make the sales chart go on the upper side and give reasonable profits to the company. Before finalizing the advertising budget of an organization or a company, one has to take a look on the favorable and un-favorable market conditions which will have an impact on the advertising budget (Ailawadi, Farris & Parry, 2004).

An important subtext to the planning, allocation, and measurement process is potentially a reorientation towards budgets and who owns them, or who influences them. As high impact touch points are identified and prioritized, there needs to be more of a “budget-line neutral” approach as funding is placed against the activities that are most likely to drive results. This may require simply a mind-set shift as to where dollars sit, but it also may require an organizational shuffle to ensure that budget ownership and/or influence is linked to the people in the organization who know what needs to happen in the marketplace and have the ability to make it happen (Doyle, 2008).

The breadth of what now needs to be addressed in order to effectively reach customers, communicate, and deliver on a brand experience may also require very different capabilities than may have typically resided in marketing. Marketers need to understand what drives the financial aspects of the business – how profits are made/lost and how marketing activities impact that. Think about the contrast between marketing’s interest in new product development – to drive top-line growth with some “new” news – and the operations group’s analysis of the operational inefficiencies which may result from plant downtime, line
switching, etc. to accommodate production of multiple products or line extensions (Farris & Buzzell, 2009).

2.5.3 Performance (Dependent Variable)

Performance is one of the words which definition is very flexible as everyone places the concept that suits best, and letting the context take care of the definition. However, Stefan (2011) defines in general terms performance as the result of activities (e.g. of an organization) over a given period of time.

Measuring performance of a company is not an easy task. Different things are advocated to measure performance in a better way. It is said that what many firms need is a performance indicator system that focuses externally on the business environment and its changing demands, on market/customers and competitors, and internally on key non-financial indicators (such as market penetration, customer satisfaction, quality, delivery, flexibility, and value) as well as more typical financial measures such as sales growth, profits, return on investment, and cash flows (Gupta, 2008).

Traditionally, most businesses relied on organizational performance data based almost solely on financial or accounting based factory productivity considerations, such as return on investments, earnings per share, direct labor efficiency and machine utilization. Unfortunately, many of these indicators are inaccurate and stress on quantity over quality. Today, however, quality drives key decisions, which requires a much broader set of performance measures that are aligned to an organization’s strategy (Evans & Lindsay, 2008).
2.5.3.1 Return on Investment

Return on Investment or ROI has been defined in many ways, but it has generally been known to encompass the quantification of the past, present, and potential future performance of an organization or business. More specifically, the return on investment in assets is a measure of performance that is determined by the percentage relationship of earnings to assets. Many companies and organizations view ROI both as a goal as well as a measure of profit and asset performance. In its most generic form, it is characterized by the following equation:

\[
\text{Percentage ROI} = \frac{\text{Earnings}}{\text{Investments}}
\]

In this equation, earnings, or the net operating income of an organization or business is the difference between revenue and expenses. Investment can also carry a wide connotation, but in a general case, the amount of investment is determined by an examination of an organization’s original capital and its assets, both financial and physical. Thus, a higher return, or percentage ROI, indicates a more efficient and effective use of those assets and capital.

2.5.3.2 Revenue

The amount of money that a company actually receives during a specific period, including discounts and deductions for returned merchandise. It is the "top line" or "gross income" figure from which costs are subtracted to determine net income. Revenue is calculated by multiplying the price at which goods or services are sold by the number of units or amount sold.
2.5.3.3 Operating Profit

This is the profit earned from a firm's normal core business operations. This value does not include any profit earned from the firm's investments (such as earnings from firms in which the company has partial interest) and the effects of interest and taxes. It is also known as "earnings before interest and tax" (EBIT) or "operating income" and calculated as:

Operating Profit = Operating Revenue - COGS - Operating Expenses - Depreciation & Amortization

2.5.3.4 Customer Growth

This is the amount of increase that customers have increased within a specific period and context. For investors, this typically represents the compounded annualized rate of growth of an organization's customer base. Expected forward-looking or trailing growth rates are two common kinds of customer growth rates used for analysis.

2.6 Summary

The existing theoretical literature on the advertising and performance and empirical literature have been reviewed. From the literature it is evident that advertising contributes to a firm’s performance. However, majority of the studies reviewed show a bias towards private firms as compared to public institutions. This study seeks to address this shortcoming by examining the impact of advertising on the performance of public institutions in Rwanda.
CHAPTER THREE : RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the methods and techniques to be used in collecting data and in the analysis of data collected. It dealt with the study design, target population, sample design, data collection procedures, finally the researcher will look at data analysis methods.

3.2 Research Design

For the purpose of this study, descriptive research used to obtain a picture of advertising in RSSB and its impacts on RSSB performance. Descriptive research methods are pretty much as they sound-they describe situations. They do not make accurate predictions, and they do not determine cause and effect.

Parahoo (1997) describes a research design as a plan that describes how, when and where data are to be collected and analysed. Polit et al (2001) define a research design as “the researcher’s overall for answering the research question or testing the research hypothesis”. This study used descriptive research design. According to Burns and Grove (2003), descriptive research “is designed to provide a picture of a situation as it naturally happens”. It may be used to justify current practice and make judgement and also to develop theories.

3.3 Population

The eligible population was RSSB’s staff. The study targeted the staff employed in departments that were closely related to the area of research such as Pension and Occupation hazard department, Medical insurance department, Finance department, investments department and Public Relations Units. This gives a target population of 315 employees.
3.4 Sample Design

3.4.1 Sample Size

A sample is a smaller group or sub-group obtained from the accessible population (Mugenda and Mugenda, 1999).

The Sample size was 10% of the population, as per Mugenda & Mugenda (2003) who argues that a sample size of 10-30% is adequate and representative enough. This gave a sample size of 32 respondents.

**Table 3.1 Sample Size as a Proportion of Population**

<table>
<thead>
<tr>
<th>Department/ unit</th>
<th>Number of staff</th>
<th>Percentage</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>49</td>
<td>10%</td>
<td>5</td>
</tr>
<tr>
<td>Investment</td>
<td>24</td>
<td>10%</td>
<td>2</td>
</tr>
<tr>
<td>Medical insurance</td>
<td>172</td>
<td>10%</td>
<td>17</td>
</tr>
<tr>
<td>Pension and occupation hazard</td>
<td>63</td>
<td>10%</td>
<td>6</td>
</tr>
<tr>
<td>Public relations</td>
<td>7</td>
<td>10%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>31,5</strong></td>
<td><strong>10%</strong></td>
<td><strong>31,5 ~ 32</strong></td>
</tr>
</tbody>
</table>

*Source: Researcher, 2015*

3.4.2 Sampling Technique

The respondents were selected by simple random sampling, meaning that each member of the population has equal and independent chance of being selected. Considering that each division comprising the target population should be represented, respondents were selected as follows:
3.5 Data Collection Methods

3.5.1 Data Collection Instruments

Information for this study was obtained through primary and secondary sources of data. In this study, primary data was collected through questionnaires to gather information on the effect of advertising on RSSB performance. The questionnaires were distributed to the selected sample in order to obtain the responses related to the research.

A questionnaire is a set of systematically structured questions used by researcher to get needed information from respondents. It helped the researcher to get the level of knowledge, attitude, and perceptions of respondent on the research topic. (Brown, 2001).

Secondary data is information used in research that has already been collected for another purpose, rather than directly by the researcher. The researcher selected a list of certain sources such as RSSB reports (financial statements, planning report) textbooks and website.

3.5.2 Data Collection Procedure

After the questionnaire was finalized, permission was sought to gain access to RSSB so the data collection could begin and the data collection times finalized. Data collection was conducted across different days of the week and varying time periods to reach a higher variety of management. Drop and pick method was applied so as to generate as high response as possible.

3.5.3 Validity and Reliability of Instruments

Cronbach’s alpha a coefficient of reliability that gives an unbiased estimate of data generalizability was used to test reliability of the answered questionnaires. According to Zinbarg, Revelle, Yovel, and Li (2005). Cronbach’s alpha is a coefficient of reliability that
gives an unbiased estimate of data generalizability. An alpha coefficient higher than 0.75 indicates that the gathered data has a relatively high internal consistency and could be generalized to reflect opinions of all respondents in the target population. After obtaining an alpha coefficient of higher than 0.75, questionnaires were issued to the respondents. In addition, Validation was achieved through giving the questionnaire to the supervisor and marketing experts to advise on validity of the questions.

According to Sekeran (2003) a pilot test is necessary for testing the reliability of data collection instruments. Pilot study is thus conducted to test weaknesses in design and instrumentation to provide proxy data for selection of a sample. Reliability refers to the consistency of a measure. A test is considered reliable if the same result is obtained repeatedly (Cooper & Schindler, 2003). The pilot study was done by selecting two respondents from each stratum and issuing them with the questionnaire. The data obtained was evaluated to ensure that questions were properly answered.

The feedback from the pilot enabled the researcher to make the necessary adjustments on the items in the research instrument. The variables of the study were found to be sufficient because all the constructs and composite reliability based on Cronbach’s Alpha were above 0.654 set as the acceptable minimum by Nunnaly, (1978) as shown below in table 4.2
Table 3.2 Reliability Results

<table>
<thead>
<tr>
<th>Constructs</th>
<th>No. of Items</th>
<th>Cronbach Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising mix:</td>
<td>6</td>
<td>0.821</td>
</tr>
<tr>
<td>Advertising Budget</td>
<td>7</td>
<td>0.765</td>
</tr>
<tr>
<td>Performance</td>
<td>4</td>
<td>0.812</td>
</tr>
</tbody>
</table>

Source: Research Data

3.6 Data Analysis Procedure

Once the data was collected using different means including the two main sources of data which were primary data and secondary data, it was analysed by use of descriptive statistics including frequencies and percentages and presented using tables and charts. Regarding the analysis of secondary data, different ratios and trends were computed using figures from RSSB financial statement for different years.

3.7 Ethical Considerations

This research protected all the participants involved as it did not cause indirect or direct harm to the participants or researcher. The participation was voluntary and consent was required. All the information was anonymous, which protected the participant’s confidentiality. Participants came from a range of cultural backgrounds and had the right to decide their own actions.

The core role of participation was to provide equal opportunities for all the people to be involved in the research process. The participant’s role in this instance was to complete a questionnaire. In this research, management was used at different times of date so there was
equal chance of different people being picked in the sample. Participants were not be asked to approve data or otherwise do anything beyond the questionnaire completion.

Partnership represents a shared decision making process. In this research the participants had the decision to voluntarily participate and withdraw at any time. To maintain the partnership, participants were able to contact the researcher at any time via email or mobile phone to ask questions. The researcher at all times respected the individual participant and ensured all inquiries were answered to the best of their knowledge.

The study was anonymous and confidential, there was no privacy issue. There was no obligation for a participant to complete the research, or if after reading the questionnaire they did not wish to participate, that was accepted. Lastly, no personal questions or details were asked of the participants. This research also sought the approval from Mount Kenya University before being commenced.
CHAPTER FOUR : DATA ANALYSIS, INTERPRETATION AND FINDINGS

4.1 Introduction

This chapter discussed interpreted and presented findings. The study sought to understand the effect of advertising on performance of public institutions. This was achieved by using primary data collected from RSSB employees and secondary data from RSSB reports. This chapter focuses on data analysis, interpretation and presentation.

4.2 Background Information

4.2.1 Gender of the respondents

![Gender of the respondents](image)

Figure 4.1 Gender of the respondents
Source: Researcher, 2015

The number of the male respondents was 54.5% and the number of the female respondents was 40.9% as shown in Figure 4.1. Based on the figure, the dominating gender among the respondents was male. This shows that there were mostly male who had interest in participating in research.
4.2.2 Age of the respondents

Figure 4.2 Age of the respondents
Source: Researcher, 2015

Figure 4.2 shows the age range of respondents. From the findings, most (40.9%) of the respondents were 31-40 years old, 22.7% of the respondents were between 21-30 years and 41-50 years lastly 9.1% of respondents were over 50 years. This shows that most of them were already as young adult. The apparent diversity of the maturity of the respondents shows that their level of perception is high.

4.2.3 Department

Figure 4.3 Distribution according to Departments
Source: Researcher, 2015

Rwanda Social Security Board was constituted of 4 departments. The respondents were selected from each department and unit in charge of advertising. From the findings, most (36.4%) of respondents represented medical insurance department, 22.7% represented finance and investment department 13.6% represented pension & occupation hazard and 4.5% of respondents represented Public Relation Unit. This indicates that the respondents were knowledgeable with organization of institution especially in term of advertising and were in position to give reliable information sought by the researcher. In addition, the findings showed that the targeted departments were all represented.

4.2.4 Job experience of the respondents

![Figure 4.4 Distribution according to Experience of the respondents](source)

The figure above shows the distribution of the respondents in terms of their length of stay in the organization. From the results, half (50%) of the respondents had stayed in the organization for less than 5 years, 27.7% had worked for the company for 5-10 years, and 13.6% had worked for 11-15 years and 16-20 years. The results indicated that the respondents were knowledgeable enough to the organization, specifically in terms of its advertising.
4.2.5 Level of education of the respondents

![Pie chart showing level of education distribution]

**Figure 4.5 Distributions according to Level of Education**

*Source: Researcher, 2015*

From the findings, the respondents were asked for their educational attainment and the report showed that most respondents (45.5%) had a bachelor degree, 36.4% had masters’ degree and 18.2% had a high school certificate. This data illustrated that majority of respondents had the necessary education to understand the questionnaire.

4.3 Relevant Findings

4.3.1 Using Advertising mix in RSSB

<table>
<thead>
<tr>
<th></th>
<th>No extent</th>
<th>Little extent</th>
<th>Moderate extent</th>
<th>Great extent</th>
<th>Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Event</td>
<td>9.1</td>
<td>18.2</td>
<td>27.3</td>
<td>27.3</td>
<td>18.2</td>
</tr>
<tr>
<td>Billboards</td>
<td>22.7</td>
<td>9.1</td>
<td>36.4</td>
<td>27.3</td>
<td>4.5</td>
</tr>
<tr>
<td>Print media</td>
<td>9.1</td>
<td>45.5</td>
<td>-</td>
<td>31.8</td>
<td>13.6</td>
</tr>
<tr>
<td>TV</td>
<td>9.1</td>
<td>9.1</td>
<td>18.2</td>
<td>45.5</td>
<td>18.2</td>
</tr>
<tr>
<td>Radio</td>
<td>9.1</td>
<td>-</td>
<td>18.2</td>
<td>36.4</td>
<td>36.4</td>
</tr>
</tbody>
</table>

*Source: Researcher, 2015*
The table above shows the extent to which advertising influences the performance of RSSB. There are many types of advertising mix; our research was limited only to event, billboards, print media, advertising radio and TV. According to the table above, 27.3% of respondents agreed to a great extent that the events organized by RSSB are used as advertising in RSSB, 31.8% of respondents agreed to a great extent that the messages published in newspapers as advertising are used in context of advertising. Concerning advertising TV and Radio, 45.5% and 36.4% agreed respectively to great extent and very great extent that advertising Radio and TV are used in RSSB. From the findings, generally all forms of advertising mix were being used at RSSB.

4.3.2 Effect of advertising mix on performance at RSSB

![Figure 4.6 Effect of advertising mix on performance at RSSB](image)

**Source:** Researcher, 2015

The figure above shows that most (45.5%) of respondents agreed to great extent that advertising mix affected performance of RSSB, 27.3% agreed to a moderate extent that performance of RSSB was affected by its advertising mix, 13.6% of respondents agreed to a very great extent and little extent that performance of RSSB was affected by its advertising. This shows that advertising mix had a great effect on performance at RSSB. This might be due to huge budgetary allocations on advertising in particular and marketing in general.
4.3.3 Statement on effect of advertising budgeting on performance in RSSB

Table 4.2 Effect of advertising budgeting on performance in RSSB

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising budget is in charge of marketing</td>
<td>-</td>
<td>9.1</td>
<td>-</td>
<td>72.7</td>
<td>18.2</td>
</tr>
<tr>
<td>Marketing and Public Relations are represented in organizational budget</td>
<td>-</td>
<td>4.5</td>
<td>4.5</td>
<td>45.5</td>
<td>45.5</td>
</tr>
<tr>
<td>Advertising budget provided for is sufficient</td>
<td>-</td>
<td>4.5</td>
<td>31.8</td>
<td>50</td>
<td>13.6</td>
</tr>
<tr>
<td>Advertising budgetary allocation is released on time</td>
<td>-</td>
<td>-</td>
<td>31.8</td>
<td>40.9</td>
<td>27.7</td>
</tr>
</tbody>
</table>

Source: Researcher, 2015

The researcher sought to identify how advertising budget affected performance at RSSB.

From the findings, majority (72.7%) of respondents agreed that RSSB sets aside an advertising budget, 45.5% of respondents agreed strongly that marketing and public relations were represented in organizational budget, 50% agreed that advertising budget provided for was sufficient, lastly 40.9% of respondents agreed that advertising budgetary allocation was released on time. Only 4.5% and 9.1% disagreed on these statements, there was nobody who strongly disagreed on the statements about advertising budget. From these findings, it was clear that advertising budget was critical for the performance of the organization as a result of successful advertising.
4.3.4 Extent to which advertising affected RSSB performance

Figure 4.7 Extent to which advertising affected RSSB performance

Source: Researcher, 2015

The figure above provides the distribution of the perception of respondents regarding the effect of advertising on RSSB performance. In this regard, majority (54.5%) of respondents said that they agreed that advertising affected RSSB performance, 22.7% strongly agreed that advertising affected RSSB performance, 13.6% and 9.1% neutrally and strongly disagreed on this statement, respectively. This shows that advertising had a great effect on the performance of RSSB.

4.3.5 Extent to which advertising budget affected the performance of RSSB

Figure 4.8 Extent to which advertising budget affected the performance of RSSB

Source: Researcher, 2015
The respondents were requested to indicate the extent to which advertising budget affected performance of RSSB. Majority of the respondents at 45.5% agreed to a great extent that advertising budget affected the performance of RSSB. In addition, 31.8% said it was to a moderate extent that advertising budget affect RSSB performance, 9.1%. 9.1% and 4.5% agreed respectively that the effect was to a little extent, very great extent and no extent that advertising affect performance of RSSB. This finding showed that majority of respondents believed that advertising budget was critical for the performance of RSSB.

4.3.6 RSSB Advertising budget from 2010-2014.

Table 4.3 RSSB Advertising budget from 2010-2014

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Advertising budget (Rwf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>183,240,000</td>
</tr>
<tr>
<td>2011-2012</td>
<td>193,000,000</td>
</tr>
<tr>
<td>2012-2013</td>
<td>208,000,000</td>
</tr>
<tr>
<td>2013-2014</td>
<td>403,960,000</td>
</tr>
</tbody>
</table>

Source: Researcher, 2015

The table above demonstrated the evolution of RSSB budget attributed to the advertising from financial year of 2010 to 2014. From this secondary data, it was clear that advertising budget had increased steadily through the years. This finding collaborates with primary data that showed that advertising budget had an effect on RSSB performance.
4.3.7 Effect of advertising on operating profit at RSSB

Figure 4.9 Effect of advertising on operating profit at RSSB

Source: Researcher, 2015

The figure above shows that 68.2% of respondents agreed to a great extent that RSSB advertising affected its operating profit, 18.2% of respondents agreed to a moderate extent that advertising of RSSB affected its operating profit, 9.1% and 4.5% agreed respectively to a little extent and a very great extent that advertising affected operating profit of RSSB. These findings reveal that advertising had a direct and positive relationship with operating profit at RSSB.

Table 4.4 RSSB Revenues

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Medical Scheme (Rwf)</th>
<th>Pension scheme (Rwf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>22,024,169,997</td>
<td>35,635,509,716</td>
</tr>
<tr>
<td>2011-2012</td>
<td>27,607,121,723</td>
<td>42,890,412,771</td>
</tr>
<tr>
<td>2012-2013</td>
<td>31,521,165,997</td>
<td>53,123,305,058</td>
</tr>
<tr>
<td>2013-2014</td>
<td>34,414,296,535</td>
<td>55,473,600,562</td>
</tr>
</tbody>
</table>

Source: Researcher, 2015

RSSB revenues from 2010 to 2014 confirm the perception of respondents about the effect of advertising on RSSB performance especially in term of revenue.
4.3.8 Effect of advertising on Return on investment

![Bar chart showing effect of advertising on return on investment](image)

**Figure 4.10 Effect of advertising on Return on investment**

**Source:** Researcher, 2015

The figure above shows that half (50%) of respondents agreed to a great extent that advertising in RSSB affected its return on investment, 36.4% of respondents agreed moderately that advertising influenced return on investment at RSSB, 4.5% and 9.1% agreed respectively to a little extent and very great extent that advertising in RSSB affect its return on investment. These findings show that majority of respondents could positively link advertisement at RSSB with return on investments at the organization.

**Table 4.5 RSSB investment returns**

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Medical Scheme (Rwf)</th>
<th>Pension scheme (Rwf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>4,190,302,036</td>
<td>10,483,663,327</td>
</tr>
<tr>
<td>2011-2012</td>
<td>5,181,403,301</td>
<td>10,591,944,530</td>
</tr>
<tr>
<td>2012-2013</td>
<td>5,400,009,476</td>
<td>15,874,630,981</td>
</tr>
<tr>
<td>2013-2014</td>
<td>7,243,259,000</td>
<td>23,044,434,130</td>
</tr>
</tbody>
</table>

**Source:** Researcher, 2015

According to the RSSB financial reports, the return on investments from 2010 to 2014 has evolved from 4,190,302,036 to 7,243,259,000 in medical scheme and from 10,483,663,327 to
23, 044,434,130 in pension scheme. This could be partly attributed to advertising efforts at the organization.

### 4.3.9 Effect of advertising on customer growth

![Figure 4.11 Effect of advertising on customer growth](image)

**Figure 4.11 Effect of advertising on customer growth**

**Source: Researcher, 2015**

Figure 4.11 indicated that majority, (45.5%) of respondents agreed to a great extent that advertising affected customer growth at RSSB, 31.8% agreed moderately that customer growth of RSSB is affected by its advertising, 13.6% agreed to a little extent that advertising at RSSB has effect on its customer growth, Lastly 9.1% agreed to a very great that advertising affect customer growth at RSSB. From these findings, most respondents believed advertising led to customer growth at RSSB.

### Table 4.6 RSSB customer growth from financial year 2010-2014

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Medical Scheme (customer)</th>
<th>Pension and occupation hazard scheme (customer)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>315,962</td>
<td>298,376</td>
</tr>
<tr>
<td>2011-2012</td>
<td>366,426</td>
<td>332,888</td>
</tr>
<tr>
<td>2012-2013</td>
<td>528,373</td>
<td>352,085</td>
</tr>
<tr>
<td>2013-2014</td>
<td>572,182</td>
<td>360,284</td>
</tr>
</tbody>
</table>

**Source: Researcher, 2015**
From these secondary data, RSSB financial report showed that RSSB had 315,962 customers in medical scheme and 298,376 in pension scheme in financial year 2010-2011. However, since 2011-2012, RSSB customers increased to 50,464 in medical scheme and 34,512 in pension scheme, 2012-2013, RSSB customers increased to 161,947 in medical scheme and 19,197 in pension scheme, lastly RSSB customers increased to 43,809 in medical scheme and 8,199 in pension &occupation hazard scheme. This indicates that every RSSB financial year, the budget reserved to advertising is increased. This shows that its impact on RSSB performance was remarkable.
CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents a summary of the results of the study on the advertising and performance of public sector organizations in Rwanda. Based on findings in chapter four, the study gave recommendations on what various public sectors could improve advertising in Rwanda. The suggestion for further research was also presented.

5.2 Summary of Major Findings
The main objective of this study was to analyze the effects of advertising on performance of public institutions in Rwanda. The study found that the performance of public sector organizations in Rwanda had affected by its advertising. The study established the influence of advertising mix and its budget on the performance of public sector in Rwanda. It established also the effect of advertising on customers’ growth.

5.2.1 Objective One: To determine advertising mix effect on the organizational performance of RSSB
The findings of study indicated that advertising mix frequently used in public sector in Rwanda is Radio, Television, print media and events. The findings of study demonstrated that 45.5% of respondents agreed to great extent that advertising mix affect organization’s performance. The study shows that the performance of public institutions in terms of their customers’ growth and revenue depends of the level of exploitation of its advertising mix. The revenue of public institutions especially insurance institutions is increased by its customer growth such as by contribution from members (customers). Advertising mix allow
to the people to understand the objectives of the institutions, vision, mission and activities. Therefore, in the other hand they manifest the interest to be members by giving their contribution.

5.2.2 Objective Two: To find out the effect of advertising budget on the organizational performance of RSSB

The findings of this study demonstrated also that the budget accorded to advertising is essential to attract so many people to be members or to become customers of institution because the revenue, profits and return on investments of public institutions increased though they customer growth. The findings of study demonstrated that from 2010-2014 the budget attributed to advertising has been increased from 183,240,000 to 403,960,000. Therefore, the revenue of the institution is also increased from 22,024,169,997 to 34,414,296,535 in medical scheme and from 35,635,509,716 to 55,473,600,562 in pension and occupation hazard scheme. This proves that advertising budget affect performance of the public institutions in Rwanda in term of its revenue.

5.2.3 Objective Three: To investigate the effect of advertising on customer growth at RSSB

The findings of this study shows that from 2010-2014 RSSB customers are increased from 315,962 to 572,182 in medical scheme and from 298,376 to 360,284 in pension and occupation hazard scheme. This confirms the perception of respondents who affirm on 45.5% to great extent that adverting affect customer growth at RSSB.
5.3 Conclusion

The study concludes that the performance of public institutions in terms of revenue, operating profits, returns on investment and customer growth in Rwanda has largely been influenced by advertising. The revenue, profits, returns on investment and customer growth increase according to the level of advertising in institution. Generally, the public institutions do not give importance to advertising, this affects negatively their performance.

From the study, advertising mix had a great effect on performance at RSSB. However, the study showed that events, billboards, TV and Radio emerged as the major advertising mix that RSSB used in advertising. Billboards and print media were not applicable to a great extent. The researcher concludes that effective implementation of advertising mix led to increase in services sales volume and invariably higher organizational performance. The effectiveness of advertising mix can sustain the life of a declining service sufficiently to enable it recover from its decline. Advertising is important at all level of service products life cycle but it is more important at the introductory and growth stage. Lastly, the effects of advertising mix on organizational performance have been positive and have resulted in increased organizational performance in terms of purchase of larger size of services by consumers which will in turn lead to higher profitability and customer growth.

The study recommended that advertising budget had a great effect on the performance of RSSB. Setting an advertising objective is easy, but achieving the objective requires a well-thought out strategy. One key factor affecting the strategy used to achieve advertising objectives is how much money an organization has to spend. The funds designated for advertising make up the advertising budget and it reflects the amount an organization is
willing (i.e., approved by high-level management) to commit to achieve its advertising objectives. Before finalizing the advertising budget of an organization or a company, one has to take a look on the favorable and unfavorable market conditions which will have an impact on the advertising budget. It was also concluded that advertising budget had increased steadily through the years at RSSB as evidenced from secondary data.

From the findings, most respondents believed advertising led to customer growth at RSSB. Putting the customer at the heart of the business is something that most organizations have been thinking and talking about for years. Despite their good intentions, many big organizations are still at an early stage of development with regard to their customer strategies. Using advertising as a customer growth strategy would definitely help unlock the long-term value and growth potential of any organization.

Finally, the study concludes that advertising had a direct and positive relationship with operating profit as well as return on investment.

5.4 Recommendations

The study recommends that public institutions should consider importance of advertising to improve their performance. Their action plan and budget should be prepared in consideration of this importance that is to say by increasing the budget accorded to advertising this allows to increase in other hand to increase the number of members and their contribution. Although membership in public institutions is mandatory, the study recommends intensifying advertising to enable the population to understand the importance of being a member or contribute to RSSB.
5.5 Areas of Further Research

The study recommends that further research should be done on the amelioration of advertising in public institutions. Advertising has long been associated with private organizations. However, public institutions are currently using huge marketing budgets on advertising. It would be informative to conduct a study on the factors contribution to adoption of advertising as a marketing strategy.

The study also recommends that a comparative study should be done on the effect of advertising mix on private sector in Rwanda. Such a study would serve as a comparison to the findings of this study.
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APPENDICES

Appendix I: Questionnaire

Kindly spare a few minutes of your time to go through the questionnaire and answer the following questions as objectively as possible.

Section A: General Information

1. What is your gender? Male [ ] Female [ ]

2. Indicate your age bracket (Tick as appropriate)

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Tick as Appropriate</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-20 years</td>
<td></td>
</tr>
<tr>
<td>21-30 years</td>
<td></td>
</tr>
<tr>
<td>31-40 years</td>
<td></td>
</tr>
<tr>
<td>41-50 years</td>
<td></td>
</tr>
<tr>
<td>Over 50 years</td>
<td></td>
</tr>
</tbody>
</table>

3. In which department are you currently working in?

Finance [ ] Investment [ ] Medical Insurance [ ] Pension and occupation hazard [ ] Public Relations [ ]

4. For how long have you been working in this institution?

Less than 5 years [ ] 5 – 10 years [ ] 11 – 15 years [ ] 16 – 20 years [ ] Over 20 years [ ]

5. What is your highest level of education

High school Certificate [ ] Bachelor [ ] Masters [ ]
Doctorate [ ] any other (specify)……………………………………

Section B: Effect of Advertising Mix on Performance of RSSB

6. To what extent do you use the following advertising mixes when advertising your services using a Likert Scale ranging from No Extent to Very Great Extent. Where; 1= No Extent 2= Little Extent 3= Moderate Extent 4= Great Extent 5= Very Great Extent

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Events</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billboards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Print Media-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Television</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. To what extent does the type of advertising mix affect the performance of RSSB?

No Extent [ ] Little Extent [ ] Moderate Extent [ ]

Great Extent [ ] Very Great Extent [ ]

Section C: Effect of Advertising Budget on Performance of RSSB

8. To what extent do you agree with the following statements on effects of budgeting on performance at RSSB using a Likert Scale ranging from Strongly disagree to strongly agree where; 1= strongly disagree 2= disagree 3= neutral 4= agree 5= strongly agree

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSSB sets aside an advertising budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising budget is in-charge of marketing and public relations department</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing and public relations department are represented in organizational budget making</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The advertising budget provided for is sufficient</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Adverting budgetary allocation is released on time

<table>
<thead>
<tr>
<th>No Extent</th>
<th>Little Extent</th>
<th>Moderate Extent</th>
<th>Great Extent</th>
<th>Very Great Extent</th>
</tr>
</thead>
</table>

9. To what extent does advertising budget affect the performance of RSSB?

   - [ ] No Extent
   - [ ] Little Extent
   - [ ] Moderate Extent
   - [ ] Great Extent
   - [ ] Very Great Extent

**Section D: Performance**

10. To what extent does advertising affect the performance of RSSB?

   - [ ] No Extent
   - [ ] Little Extent
   - [ ] Moderate Extent
   - [ ] Great Extent
   - [ ] Very Great Extent

11. To what extent does advertising affect the operating profit of RSSB?

   - [ ] No Extent
   - [ ] Little Extent
   - [ ] Moderate Extent
   - [ ] Great Extent
   - [ ] Very Great Extent

12. To what extent does advertising affect the ROI of RSSB?

   - [ ] No Extent
   - [ ] Little Extent
   - [ ] Moderate Extent
   - [ ] Great Extent
   - [ ] Very Great Extent

13. To what extent does advertising affect the customer growth at RSSB?

   - [ ] No Extent
   - [ ] Little Extent
   - [ ] Moderate Extent
   - [ ] Great Extent
   - [ ] Very Great Extent