

Sales Promotion and Sources of Consumer Based Brand Equity

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The study was conducted to find out the effectiveness of sales promotion on perception of brand equity. Although there have been research studies on the effect of promotions on brand, this issue has not been examined in the Indian context especially in utilitarian products. Since the consumers' price-quality value equations have contextual relevance, we specifically investigate this issue in the context of Indian consumers. The results indicate that both types of sales promotion namely price promotion and premium promotion affects the brand attribute ratings.

The relevance of Sales promotions on marketing has a vital role and its importance has been increasing significantly. In India, sales promotions expenditure by various marketing companies is estimated to be Rs 5,000 crores and the emphasis on sales promotion activities by the Indian industry has increased by 500 to 600 percent during the last 3 to 5 years (Economic Times, June 15, 2003). In the year 2001, there were as many as 2,050 promotional schemes in the Rs 80,000 crore FMCG industry (Dang et. al, 2005).

Given the growing importance of sales promotion, there has been considerable interest in the effect of sales promotion on different dimensions such as consumers' price perceptions, brand choice, brand switching behaviour, evaluation of brand equity, effect on brand perception and so on. One of the purposes of a consumer promotion is to elicit a direct impact on the purchase behaviour of the firm's customers (Kotler, 1998; Blattberg and Neslin, 1990). Research evidence suggests that sales promotions positively affect short-term sales (Priya, 2004). Research on price promotion has consistently reported high sales effect and high price elasticity for brands which are on promotion (Blattberg, Briesch and Fox, 1995). Studies have shown that price

promotions enhance brand substitution within a product category (Dodson et al, 1978), affect aggregate sales (Gupta, 1998), and significantly affect stock piling and purchase acceleration (Blattberg, Eppen and Lieberman, 1981, Neslin, Henderson and Quelch, 1985). However, there have also been studies that suggest that sales promotion affects brand perceptions.

Researchers have found out that promotions, especially price promotions, have negative effect on brand equity (Mela et al, 1997). In another study, Schultz (2004) argues that over-dependence on promotions can erode consumers' price-value equation. The results of a study by Jedidi et. al (1999) indicates that in the long term, advertising has a positive effect on brand equity where as price promotions have a negative effect. Similarly, Yoo et. al (2000), based on structural equation model, suggests that frequent price promotions, such as price deals are related to low brand equity, whereas high advertising spending, high price, good store image and high distribution intensity are related to high brand equity. There is also a managerial belief that if a brand is supported with frequent promotional offers, the equity of the brand tends to get diluted. On the contrary, there have also been studies that indicate brands benefit from

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promotions. Amongst the elements of marketing mix, sales promotions have long-term influence on brand equity (Yoo et. al, 2000). Mariola & Elina, (2005), based on a sample of 167 buyers suggest that monetary and non-monetary promotions are useful to create brand equity because of their positive effect on brand knowledge structures.

Although there have been research studies on the effect of promotions on brand, this issue has not been examined in the Indian context especially in **utilitarian products**. Since the consumers' price-quality value equations have contextual relevance, we specifically investigate this issue in the context of Indian consumers. More specifically, we examine the following two issues:

OBJECTIVE OF THE STUDY

The **objectives** of the study are:

1. Does sales promotion affect the consumer based brand equity (CBBE)?

Specific objectives

2. Does Price Promotion and Premium (Value added) promotion have differential effects on CBBE?
3. Does the type of products; **utilitarian** affect the price and premium promotion on CBBE?

We examine the **hypotheses** that:

H 1: Sales promotion has a positive effect on consumer based brand equity (CBBE), in terms of -Hi a -Brand Loyalty, Hi b-Perceived quality , Hi c – Brand awareness/Association and Hi d – Overall Brand Equity.

- Sales promotion has a positive effect on CBBE, in terms of Brand awareness/ Association
- Sales promotion has a positive effect on CBBE, in terms of Brand Loyalty
- Sales promotion has a positive effect on CBBE, in terms of Perceived quality
- Sales promotion has a positive effect on CBBE, in terms of Overall Brand equity
- **H 2:** Premium promotion has more (+) effects on CBBE than price promotion, in terms of Hii a - Brand Loyalty, Hii b – Perceived Quality and Hii c – Brand awareness/ Association and Hii d – Overall

Brand Equity.

- Premium promotion has more positive effects on CBBE than price promotion in terms of Brand Loyalty
- Premium promotion has more positive effects on CBBE than price promotion in terms of Perceived Quality
- Premium promotion has more positive effects on CBBE than price promotion in terms of Brand awareness/Association
- Premium promotion has more positive effects on CBBE than price promotion in terms of over all Brand Loyalty

Defining The Terms Used In The Study

For the purpose of our study, we follow the definition of **sales promotions** as a “diverse collection of incentive tools, mostly, short term designed to stimulate quicker and/ or greater purchase of particular products/ services by consumers” (Kotler, 1998). Sales promotions are classified as price and non- price based on the nature of promotions (Campbell and Diamond, 1992; Blattberg and Neslin, 1990). **Price promotions** are defined as ‘promotions such as Coupons, Cents off, Refunds, and Rebates that temporarily reduce the cost of the goods or service’ (Cooke, 1983). **Non- price promotions** (premium promotions) are defined as promotions such as giveaways (freebees), or contests in which value is temporarily added to the product at full price.

To examine the effect of promotions on the brand, we use two constructs, namely, **Brand equity and Consumer-based brand equity**, although conceptually, these two terms are very close substitutes. Brand equity is the added value endowed by the brand (Farquhar, 1989) and is the end result of brand loyalty, brand awareness, perceived quality, brand associations and other proprietary brand assets (Aaker, 1991). Brand equity is also conceptualized as the incremental utility (Simon and Sullivan, 1993) and totality of the utility derived from the brand (Swait et al, 1993). It is the difference between overall brand preference and multi attribute preference based on objectively measured attribute levels (Park & Srinivasan, 1994) and overall quality and choice intention (Agarwal and Rao, 1996).

The consumer based brand equity (CBBE) is defined as the ‘differential effect of brand knowledge on consumer response to the marketing of the brand’

(Keller, 1993). Brand knowledge is defined in terms of brand awareness and brand image. A brand develops a strong equity with customers when the customers are familiar with the brand and have favourable, strong and unique brand association in their memory. Keller argued that a brand is said to have positive or negative brand equity when consumers react more or less favorably to an element of marketing mix for the brand than they do to the same marketing mix elements when it is attributed to an unbranded product. A favorable reaction results when "customer is familiar with the brand and holds some favorable, strong and unique brand association in memory" (Keller, 1993). An extensive study by Richard and Ballaji to validate the CBBE confirmed that the Perceived quality uniqueness and willingness to pay a price premium determines the brand equity (Richard Netyemer, Balaji krishnan 2004). According to Aaker (1991), brand equity is developed over the years and customers create and own a brand's equity. If a brand has strong equity with consumers, then it commands premium over other brands with less equity (Firth, 1993), is likely to have higher market share (Park & Srinivasan, 1994), will be more elastic to advertising and promotion (Keller, 1998), is easier to achieve greater market penetration (Robertson, 1993) and will result in more efficient product line extension (Keller and Aaker, 1992).

Methodology

The study was based on primary data, derived through a quasi-experimental method using a pre-tested structured instrument. In order to study the effect of promotions on brand, we used a utilitarian product, colour TV as an object. The rationale was (1) consumer familiarity, (2) relatively expensive to elicit more rational and considered (high involvement) purchase behaviour and (3) higher importance to brand and product features as the product is perceived to be a "utilitarian" product. The brands chosen in the Colour TV category are (1) LG (2) ONIDA (3) Samsung (4) SONY.

The instrument consisted of two sections. The first section of the study instrument (section A), common to all, consisted of questions pertaining to which brand that they currently use, which is their preferred brand, what attributes do they look for while purchasing the Colour TV, what elements are important in choosing a particular brand and their purchase intent. The respondents were asked questions pertaining to Brand awareness, Brand association, Perceived quality, Brand loyalty and Overall Brand Equity. The two

"experimental" descriptions consisted of "price promotion" (section B), and the second description was on "premium promotion" (section C). In both the cases, the monetary value (of price promotion or premium promotions) was specified and they were identical in both the descriptions. In both these descriptions, we specified that the promotion was offered to the respondents' most preferred brand. The final questionnaire was prepared using a pilot study among one customer group, namely faculty members of different colleges of Mahatma Gandhi University, Kerala.

Data was collected from 240 respondents using convenient sampling method so that there is homogeneity in the demographic characteristics. These samples were homogeneous in nature as the samples are elucidated from faculty members of different colleges of Mahatma Gandhi University, Kottayam, Kerala. Out of the 240 completed responses, 120 were based on the questions pertaining to price promotions and the remaining 120 responses were based on reactions to premium promotions.

The statistical test employed to find out the quality of means among without price promotion and premium promotion (A-B), without price promotion and premium promotion (A-C) and between price promotions (B-C).

Reliability and Validity of the questionnaires were done to ascertain the psychometric properties using factor analysis and scale reliability analysis.

Data Analysis: The collected data were analyzed by using Statistical softwares such as SPSS, MINITAB etc. Statistical tools like Discriminant analysis, Factor analysis, conjoint analysis etc were presented using tables, diagrams and Graphs. Tools like t-test and Chi-Square test were also used.

Conclusion

The study was conducted to find out the effectiveness of sales promotion on perception of brand equity. The results indicate that both types of sales promotion namely price promotion and premium promotion affects the brand attribute ratings; Brand awareness, Brand association, Perceived quality and Brand loyalty. In summary, the conclusions drawn from the study are:-

- Sales promotion has a negative effect on consumer based brand equity (CBBE), in terms of -Hi a -Brand Loyalty, Hi c – Brand awareness/Association and Hi.d – Overall

Brand Equity. (Null Hypotheses H1: is not supported)

- Sales promotion has a positive effect on H1.b.- Brand Awareness and Brand Association.
- Consumer's perceptions on attributes of brand equity are not similar whether it is a price promotion or premium promotion, in terms of - Hi a - Brand Loyalty, Hi b- Perceived quality and Hi c - Brand awareness/Association. (Null Hypotheses 02 is not supported)
- Premium promotion is less effective for Utilitarian products in affecting CBBE, in terms of Hiii a - Brand Loyalty, Hiii b - Perceived Quality and Hiii c - Brand awareness/ Association and Overall Brand Equity (Null

Hypotheses 02 is not supported)

Implications For Marketers

Implications for marketers from the study are:-

- Over-emphasis on sales promotion can affect - Brand Loyalty, Perceived Quality Brand awareness/ Association and Overall Brand Equity. This is particularly so with respect to reputed brands that the consumers prefer. Causal attribution of sales promotions do not favour reputed brands. Hence marketers need to use sales promotion judiciously.
- Even while using sales promotion, follow-up this activity with image building advertisement campaign. Otherwise brand equity is likely to get diluted.

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