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The impact of brand personality and sales promotions on brand equity

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ABSTRACT

This research assesses the relative impact of a long-term brand management instrument (brand personality) and a short-term marketing mix instrument (sales promotions) on brand equity formation. The authors measure consumer perceptions of promotional intensity and brand personality and model their impact on brand equity. They find a positive impact of brand personality and a negative impact of sales promotion intensity on brand equity at the aggregate level. In line with research that identifies varying consumer responses to promotional deals, this study posits that the relative impact of the two elements varies across consumer groups. Three homogeneous consumer groups differ according to the relative impact of brand personality and consumer promotions on brand equity, following an application of a finite mixture partial least squares procedure.

1. Introduction

More marketing dollars accrue, over time, to operations that can produce sales in the short term. In particular, marketing expenditures for consumer promotions keep gaining importance in the marketing budgets of most consumer and durable goods. In contrast, advertising expenditures linked to brand-building activities appear to diminish over the years (Mela et al., 1997; Neslin, 2002; Srinivasan et al., 2004). This evolving allocation of resources across marketing activities poses a problem with regard to the return on marketing investments. To calculate the return on marketing investments, companies could use sales or profits, but they also might turn to several other equities (e.g., relational, brand, customer) (Seggie et al., 2007). This debate raises the question of the most effective strategy for mixing consumer promotions and brand-building activities.

Therefore, this study compares the relative impact, on brand equity, of consumer promotions and a more stable set of brand associations that have hedonic and symbolic proprieties, as reflected in brand personality. Current literature treats the impact of each element separately (Chandon et al., 2000; Kim, 2000), without exploring the question of the relative impact of both set of variables on brand equity. Yet the question is critical in response to the increasing demand for marketing accountability (Lim et al., 2005) and trends toward spending more on short-term operations rather than brand-building activities. Prior research examines the impact of consumer promotions and advertising on brand choice or consumer behavior using econometric data (Mela et al. 1997; Mela et al., 1998). This research instead tests consumer perceptions of both promotional intensity and brand personality and measures their impact on consumer-based brand equity.

Much research focuses on developing brand equity measurement tools (e.g., Keller, 2003; Park and Srinivasan, 1994; Yoo and Donthu, 2001); little empirical research attempts to understand or measure the process of brand equity formation over time through an examination of antecedents (Barwise, 1993). Consumer promotions have positive effects on brand equity, because promotions develop brand awareness for the entire product category and the promoted brands (Blattberg and Neslin, 1990). In contrast, promotions might have a negative impact on brand equity, because repeated promotions offer signals of lesser quality or indications that the brand needs promotions to justify consumer consideration and purchase. Some studies establish that promotions correlate negatively with brand loyalty, a dimension of brand equity (Bawa and Shoemaker, 1987); however, other research finds positive, more complex relationships. Joshy and Sivakumaran (2009) indicate that consumer promotions enhance brand equity, especially among market segments dominated by spuriously loyal consumers. Rothschild (1987) instead establishes that deals reinforce search behavior and deal proneness rather that loyalty behavior. Price promotions also appear to increase both price and price-promotion sensitivity, whereas non-price promotions increase price and deal sensitivity among non-loyal consumers (Mela et al. 1997).

Together with consumer promotions, which the brand management team can manage in the short term through frequency and magnitude decisions, this study considers the impact of brand personality on brand equity. Brand personality is 'the set of human

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characteristics associated with a brand' (Aaker, 1997, 347). Both researchers and practitioners suggest brand personality is an important concept that helps differentiate a brand in a product category (Plummer, 1984), enhances consumers' preference and loyalty to a brand (Fournier, 1998), and creates brand equity (Keller, 1993). Brand personality also influences brand recognition, brand beliefs such as perceived quality (Ramaseshan and Tsao, 2007), and brand associations (Freling and Forbes, 2005). Moreover, brand personality has an impact on some important marketing concepts that Keller (2003) includes in his brand equity model, such as brand–consumer relationships and brand attachment (Sung et al., 2005) or brand trust (Hess et al., 2007). However, Swaminathan, Stilley, and Ahluwalia (2009) demonstrate that the effect of brand personality on brand attachment, purchase likelihood, and brand choice depends on the attachment style of the consumer, including anxiety and avoidance features. The congruence between the ideal and actual self-concepts also plays a key role in terms of the accuracy of brand personality-based judgments. The effects of brand personality dimensions on consumer behaviors therefore may relate to situational and individual variables, which suggest heterogeneity in consumer responses.

This study examines how perceived sales promotions and brand personality affect brand equity. In addition, this investigation assesses heterogeneity in consumer responses to these two elements across consumer groups. To identify consumer segments that exhibit different responses to marketing instruments, this research implements an innovative methodology. That is, as Ringle, Wende, and Will (2008) recommend, a finite mixture partial least squares (PLS) procedure identifies distinct customer segments for which the strength of the relationships between brand personality, sales promotions' intensity, and brand equity varies.

The remainder of this paper proceeds as follows: The next section contains a brief theoretical overview of promotional activities, brand personality, and their impact on consumer-based brand equity. After the research model and the methodology, this article provides the main research results. Finally, the paper concludes with limitations and further research suggestions.

2. Theoretical background and hypotheses

2.1. The impact of promotions on brand equity

Sales promotions are marketing events and tools designed to stimulate quicker and greater purchases for a limited period of time (Kotler, 1988). Much research on consumer responses to sales promotion examines immediate effects on consumer purchases (Gupta, 1988; Inman et al., 1990; Nijs et al., 2001). However, studies of the long-term effects of promotions reveal some adverse effects on brand equity, including reinforcement of switching behavior (Papatla and Krishnamurthi, 1996), increased price and deal sensitivities (Mela et al., 1997), and lost brand equity (Yoo et al., 2000). Aaker (1996) establishes that repeated promotions decrease brand equity over time, and Mela, Ataman, and Van Heerde (2006) find that among five selected marketing mix variables, repeated monetary promotions negatively affect brand equity. In contrast, DelVecchio, Henard, and Freling (2006) demonstrate that sales promotions can either increase or decrease brand preference, and Ailawadi, Neslin, and Lehmann (2003) provide empirical evidence of the positive long-term impact of price promotions on purchase reinforcement and brand performance.

H1. Consumer promotion intensity negatively affects brand equity.

Another stream of research examines consumers' deal proneness. Studies reveal that consumers differ in their responses to sales promotions, which implies the existence of a deal-prone consumer profile (Grover and Srinivasan, 1992; Lichtenstein et al., 1997). Both empirical behavioral research (Ailawadi et al., 2001) and survey research (Garretson and Burton, 2003) show that consumer groups react differently to sales promotions in general or to specific forms of promotions, such as coupons or everyday low prices. Therefore, this study explores possible heterogeneity in consumer responses to promotions across consumer groups.

2.2. Brand personality and brand equity

Consumers use brand personality dimensions as relevant determinants of the brand's added value. Brand personality ensures a stable brand image over time (Aaker, 1996) and allows consumers to express their own personalities (Aaker, 1997). Brand personality associations, when strongly activated in consumer memory, also affect consumer behaviors and attitudes toward the brand (Wysong, 2000). Although no evidence relates brand personality dimensions directly to brand equity, various studies explore the impact of brand personality on elements that reflect components or consequences of brand equity. For example, brand personality affects brand preferences (Kim, 2000), brand attachment (Sung et al., 2005), brand trust (Hess et al., 2007), and brand loyalty (Brakus et al., 2009).

H2. Brand personality positively affects brand equity.

The hypothesized relationships appear in Fig. 1. After testing and comparing the relative impact of the two independent variables, this investigation identifies homogeneous consumer groups, as designated by the impact of promotional deals and brand personality on their brand equity perceptions.

3. Research method

An initial sample of 150 volunteers (students and staff members of a large French university, 55% women, average age = 28 years) tested the research questionnaire and enabled testing measurement scales for reliability and validity. These participants rated three brands (coffee, athletic shoes, and cars) in terms of promotion intensity, brand personality, and consumer-based brand equity. This stage enabled the purification of the measurement instruments. The second stage consisted of a large-scale, Internet-based survey. Two questionnaire versions (one with two major laptop brands [Sony Vaio and Acer] and one with two major French coffee brands [Grand'mère and Carte Noire]) were available to the survey participants (i.e., university students and staff). The data analysis relies on 538 completed questionnaires (respondents: 52% women, 71% students, 29% university staff). The overall response rate was 24%.

4. Measurements

The existing scales for the three constructs (brand equity, brand personality, perceived deal intensity) use five-point Likert agreement scales for each item.

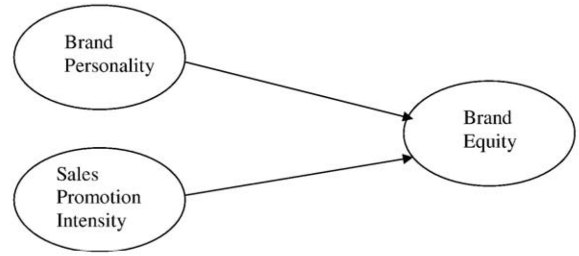

Fig. 1. Relationships between brand personality, sales promotion intensity, and brand equity.