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Examining the role of advertising and sales promotions in brand equity creation☆

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ABSTRACT

This study explores the relationships between two central elements of marketing communication programs — advertising and sales promotions — and their impact on brand equity creation. In particular, the research focuses on advertising spend and individuals' attitudes toward the advertisements. The study also investigates the effects of two kinds of sales promotions, monetary and non-monetary promotions. Based on a survey of 302 UK consumers, findings show that the individuals' attitudes toward the advertisements play a key role influencing brand equity dimensions, whereas advertising spend for the brands under investigation improves brand awareness but is insufficient to positively influence brand associations and perceived quality. The paper also finds distinctive effects of monetary and non-monetary promotions on brand equity. In addition, the results show that companies can optimize the brand equity management process by considering the relationships existing between the different dimensions of brand equity.

1. Introduction

Both practitioners and academics regard brand equity as an important concept (Keller and Lehmann, 2006). Elements of a brand's equity positively influence consumers' perceptions and subsequent brand buying behaviors (Reynolds and Phillips, 2005). Therefore, to increase the likelihood of such positive contributions and manage brands properly, companies need to develop strategies which encourage the growth of brand equity (Keller, 2007). In this context, the identification of factors that build brand equity represents a central priority for academics and marketing managers (Baldauf et al., 2009; Valette-Florence et al., 2011).

Previous research suggests that marketing mix elements are key variables in building brand equity (e.g., Yoo et al., 2000). As such, one of the major challenges marketers face is deciding on the optimum marketing budget to achieve both the highest impact on the target market (Soberman, 2009) and the brand (Ataman et al., 2010). Although considerable research examines the effectiveness of different elements of the marketing mix on brand equity, as Keller and Lehmann (2006, p. 747) state, these researchers "*have not typically addressed the full breadth of brand equity dimensions*". Few studies include consumer-based brand equity measures (i.e., mindset measures) when analyzing marketing mix effectiveness. One of the exceptions is Yoo et al. (2000) who explore the relationships between selected marketing mix elements and consumer-based brand equity. While their research provides new insights into how marketing activities may influence brand equity, these authors advocate further exploration of the impact of the different marketing mix variables.

Two marketing variables are of particular interest: advertising and sales promotions. Compared to other forms of marketing activity, expenditures on advertising and promotions are significant. For instance, these two variables account for approximately 1.5% of the UK's gross domestic product (West and Prendergast, 2009). Despite their importance, the individual contributions of advertising and sales promotions to brand equity remain unclear and scholars highlight the need to further examine the effect of these variables (Netemeyer et al., 2004; Chu and Keh, 2006). Therefore, this study addresses this request.

Another area for improving understanding about consumer-based brand equity is the interaction between brand equity dimensions. Generally, researchers propose associative relationships among the consumer-based brand equity dimensions (e.g., Yoo and Donthu, 2001; Pappu et al., 2005; Tong and Hawley, 2009). However, several authors advocate that researchers focus on the ordering among the brand equity dimensions (Yoo and Donthu, 2001; Keller and Lehmann, 2006).

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Within this context, the purpose of this article is twofold. First, to shed more light on two particular drivers of brand equity: advertising and sales promotions. In particular, the study focuses on advertising spend and individuals' attitudes toward the advertisements. Similarly, the research investigates the effects of two kinds of sales promotions, monetary and non-monetary promotions. Second, to explore the relationships among brand equity dimensions.

Building on the framework proposed by Yoo et al. (2000), the current work goes beyond research on sources of brand equity in several ways. First, most brand equity studies have simply focused on the influence that advertising spend and frequency of monetary promotions have on brand equity (e.g., Yoo et al., 2000; Villarejo and Sánchez, 2005; Bravo et al., 2007; Valette-Florence et al., 2011). By contrast, this study also analyzes individuals' attitudes toward the advertisements and non-monetary promotions. Despite several scholars recognizing that other advertising characteristics beyond just advertising spend, such as individuals' attitudes toward the advertisements, play an important role in growing brand equity (Cobb-Walgren et al., 1995; Keller and Lehmann, 2003; 2006; Bravo et al., 2007; Sriram et al., 2007), research on brand equity has traditionally ignored these attitudes. Similarly, recent literature on sales promotions (e.g., Chandon et al., 2000) stresses the need to differentiate between two types of promotions, monetary and non-monetary promotions. Surprisingly, academic research into the effects of non-monetary promotions on brand equity is scarce. Second, this article analyzes the causal order among brand equity dimensions. Several studies suggest a hierarchy in terms of the importance of brand equity dimensions and potential causal order (Agarwal and Rao, 1996; Maio Mackay, 2001; Yoo and Donthu, 2001; Keller and Lehmann, 2003; 2006). However, few studies have empirically examined how brand equity dimensions inter-relate. Analyzing all these aspects, this research advances knowledge by providing more insight about the evolving theory of brand equity.

This paper opens with a brief, general discussion of brand equity and marketing mix elements followed by the hypotheses. Then, the fourth section explains the methodology to test the model. Next section presents the results of the study. Finally, the paper concludes by outlining the conclusions, implications and limitations of the research.

2. Conceptual framework

2.1. Brand equity

Brand equity is a key issue in marketing. Despite receiving considerable attention, no consensus exists about which are the best measures to capture this complex and multi-faceted construct (Maio Mackay, 2001; Raggio and Leone, 2007). Part of the reason is the different perspectives adopted to define and measure this concept (Christodoulides and de Chernatony, 2010). The financial perspective stresses the value of a brand to the firm (Simon and Sullivan, 1993; Feldwick, 1996). On the other hand, the consumer perspective focuses the conceptualization and measurement of brand equity on individual consumers (Leone et al., 2006).

Adopting the latter perspective, and from a cognitive psychology approach, brand equity denotes the added value endowed by the brand to the product (Farquhar, 1989). Aaker (1991, p. 15) provides one of the most accepted and comprehensive definitions of brand equity: "*a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers*". Keller (1993, p. 2) proposes a similar definition: "*the differential effect of brand knowledge on consumer response to the marketing of the brand*".

Consumer-based brand equity measures assess the awareness, attitudes, associations, attachments and loyalties consumers have toward a brand (Keller and Lehmann, 2006). These measures offer considerable advantages such as the assessment of sources of brand equity and its consequences, plus a diagnostic capability (Ailawadi et al., 2003; Gupta and Zeithaml, 2006). In this sense, these measures act as early evaluation signals about future performance (Srinivasan et al., 2010). From this perspective, the two main frameworks that conceptualize brand equity are those of Aaker (1991) and Keller (1993). According to Aaker (1991), brand equity is a multidimensional concept whose first four core brand equity dimensions are brand awareness, perceived quality, brand associations and brand loyalty. Brand equity research omits the fifth of Aaker's dimensions, other proprietary brand assets, since this component is not pertinent to consumers. Keller's (1993) conceptualization focuses on brand knowledge and involves two components: brand awareness and brand image.

Drawing on these theoretical proposals, a large number of studies conceptualize and measure brand equity using the dimensions of brand awareness, perceived quality, brand associations and brand loyalty (e.g., Cobb-Walgren et al., 1995; Yoo et al., 2000; Yoo and Donthu, 2001; Washburn and Plank, 2002; Ashill and Sinha, 2004; Pappu et al., 2005; 2006; Konecnik and Gartner, 2007; Tong and Hawley, 2009; Lee and Back, 2010).

Following these two approaches, this research uses a consumer-based brand equity measure that consists of four dimensions: brand awareness, perceived quality, brand associations, and brand loyalty.

2.2. Marketing mix elements

Marketing mix elements influence consumers' equity perceptions toward brands (Pappu and Quester, 2008). These variables are important not only because they can greatly affect brand equity but also because they are under companies' control, enabling marketers to grow brand equity through their marketing activities (Keller, 1993; Berry, 2000; Yoo et al., 2000; Ailawadi et al., 2003; Herrmann et al., 2007).

Within the discipline of marketing dynamics, numerous studies use financial and product–market measures of brand equity to analyze the short- and long-term effects of marketing actions and polices, such as advertising and price promotions (Leeflang et al., 2009; Ataman et al., 2010; Srinivasan et al., 2010).

From the consumer-based brand equity perspective, which this research follows, Yoo et al. (2000) find that high advertising spend, high price, high distribution intensity and distribution through retailers with good store image would help build brand equity. By contrast, frequent price promotions would harm brand equity. Villarejo and Sánchez (2005) also focus their study on advertising spend and price promotions, while Bravo et al. (2007) add to these variables the effect of the price.

This study focuses on the role of two specific marketing communications tools: advertising and sales promotions. These two marketing elements account for at least 25% of UK marketing budgets (Chartered Institute of Marketing, 2009). Despite their importance, the influence of these variables on brand equity still remains unclear (Netemeyer et al., 2004; Chu and Keh, 2006). This research responds to this gap by exploring their effects on consumer-based brand equity.

3. Research hypotheses

Fig. 1 shows the conceptual framework underlying this research. This study addresses how advertising spend and individuals' attitudes toward the advertisements influence brand equity dimensions. Similarly, the study focuses on two kinds of sales promotions, monetary and non-monetary. Based on the literature, this research also hypothesizes relationships among brand equity dimensions.

3.1. Advertising

Advertising is one of the most visible marketing activities. Generally, researchers posit that advertising is successful in building consumer-based brand equity, having a sustaining and accumulative