

Brand Equity and the Relationship between Advertising and Sales Promotion

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ABSTRACT:

Customers are the source of brand success in today's business environment. Customers have a variety of alternative products to choose from, and they apply various effects on price, quality, service, and product size. As a result, manufacturers must meet the needs and desires of their customers.

Advertisement and sales promotion are the primary marketing tools for attracting customer attention and building brand equity. Advertising and sales promotion have a significant impact on consumer purchasing decisions for a particular brand.

The goal is to investigate the relationship between advertising and sales promotion and brand equity. It examines and clarifies the relationship between advertising and sales promotion.

I. INTRODUCTION:

Companies recognize that in today's increasingly competitive markets, they must regularly monitor, strengthen, and improve their brand to communicate consumer value for an extended period. Nowadays, high brand equity is a major factor in developing a marketing strategy, and it is the primary source of differentiation that boosts a company's competitiveness.

Brands that can successfully position themselves in the minds of consumers benefit from a variety of advantages. The most important factor is brand equity. Brand equity assesses a brand's ability to attract and retain customers profitably and expressively in financial terms.

Previous research has shown that advertising and sales promotions have an impact on the creation of brand equity. Despite the importance of these variables, the individual contribution of advertising and sales promotion to brand equity remains null, and some scholars have suggested that more explanation of the effect of these variables is required. As a result, the purpose of this study is to examine previous literature on advertising and sales promotion and their

relationship with brand equity. The findings of this study will provide some guidelines and recommendations for future research as well as for business practitioners. A discussion of these variables concerning brand equity is provided in the following section.

II. LITERATURE REVIEW:

Advertising is one of the most important marketing tools for influencing consumer tastes and preferences and creating product differentiation. Advertising is defined as "any paid form of non-personal presentation and promotion of ideas, goods, or services by a designated sponsor." Advertising, according to both business practitioners and academics, plays a significant role in the formation of a powerful brand.

Advertising is one of the marketing strategies that can be used to motivate or entice customers to buy a product or service. In general, the primary function of advertising is to influence customer behavior concerning a specific offering.



Brand equity:

One of the fundamental concepts in the field of brand management, brand equity has received significant attention in previous research, particularly in a different context

Brand equity is strongly linked to a company's success because it results in higher profits and lower expenses.

Farquhar (1989) defined brand equity as "the added value that a given brand endows a product with." Brand equity was also defined as "the increase in perceived utility and desirability conferred by a brand name on a product." A high-equity brand can establish a competitive advantage, change the price premium on its products, and capitalize on customer demand.

"If every asset we own, every building, and every piece of equipment were destroyed in a terrible natural disaster, we would be able to borrow all the money to replace it very quickly because of the value of our band," said the former CEO of McDonald's. The brand is worth more than the sum of all these assets."

Apple topped the Forbes list of the world's most valuable brands in 2019, with \$241.2 billion in brand equity, a 17% increase over the previous year.

Apple products have always had high expectations and mass excitement surrounding the launch of any new product or the opening of Apple stores due to their consistently outstanding performance.



Sources of brand equity

1) **Coca-Cola:** According to one study, 94% of the world's population recognizes the red and white Coke logo. Coca-Cola is the second most recognized term in the world, trailing only the word "OKAY."



2) **Brand loyalty:** The company's goal was to increase product awareness through existing users and word of mouth, which it accomplished through advocacy.

3) **Perceived quality:** Apple does not always market its technological features, but rather reinvents standards.



4) **Brand association:** In January 2016, Dwayne Johnson signed a partnership agreement with Under Armour titled "Project Rock." Under this project, Under Armour delivers numerous footwear apparel selections focusing on training.



Advertising and brand equity: In recent years, there has been a lot of interest in advertising as a valuable strategy for businesses looking to gain a competitive advantage and capitalize on their brand equity.

Previous research on the relationship between advertising and brand equity yielded inconclusive results.

for example, conducted a study to investigate the impact of advertising on the formation of brand equity in the context of Spain. This study concentrated on brands from three distinct product categories: milk, olive oil, and toothpaste. Overall, the findings revealed that advertising has a significant positive impact on brand equity assets. The main limitation of this study is the small sample size, which may preclude analysing differences between the product categories chosen. As a result, generalizing the findings to other contexts without further investigation would be risky.

Similarly, Chen and Green investigated age group perceptions of retailers' marketing mix strategies and their impact on customer-based brand equity. According to this study, there is a negative and insignificant relationship between advertising and brand equity. The findings are consistent with those of Guil et al., who found that advertising spending did not affect the brand equity dimensions of perceived quality, brand association, and brand awareness.

As a result, this review reveals that advertising is a critical factor in increasing brand equity. Companies that invest more in advertising are more likely to have higher equity than those that invest less in this variable. To increase the effectiveness of advertising, it is critical to ensure the creativity and originality of advertising campaigns and to develop them in a way that can attract customers and build their trust in the brand. This would 94 improve the brand's image in the long run and provide a foundation for creating a sustainable competitive advantage.

EXAMPLES OF BRAND EQUITY:

Starbucks:

Starbucks is one of the world's most powerful brands, ranked as the fifth most admired company by FORTUNE magazine.



Porsche:

Porsche, a brand with strong brand equity in the automobile industry, maintained its image and trustworthiness by using high-quality, one-of-a-kind materials.



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Sales Promotion:

The importance of sales promotion in brand development has been well documented in the literature. Sales promotions, for example, have an impact on the process of establishing strong brands and facilitating the creation of competitive advantage; this is because sales promotions increase brand awareness for the entire product category as well as the promoted brands. Customers may believe that firms develop promotional programs to differentiate and modernize their brand image and increase brand awareness in modern management practices.

Sales promotion can distinguish a brand from a competitor and also assist brand managers in communicating distinctive brand attributes, resulting in increased brand equity. Sales promotions are well known for their ability to achieve business objectives while also developing a brand image or spreading brand awareness. These add to the brand's value.



Sales promotion and brand equity:

Brand equity is the central issue in research that has focused on the examination of its antecedents and consequences. Researchers confirmed that the level of brand equity plays an important role in determining whether or not a brand is well-focused

on offering sales promotions to positively influence consumer behaviour over a competitive brand in the same product category. It is expected to be able to generate strong brand equity because they influence brand image and brand association, which play a key role in shaping brand equity.

The previously reviewed literature on sales promotion and brand equity clearly explains the relationship between the two. Sales promotions have a significant but negative effect on building brand equity, according to Valette-Florence et al. (2011) and Yoo et al. (2000). They also stated that sales promotions, even if they provide short-term benefits, reduce brand equity. Chattopadhyay also investigated the impact of sales promotion via various media vehicles on brand equity in the context of the Indian passenger car market. According to the findings, sales promotion has no relationship with the two dimensions of brand equity, namely perceived quality and brand awareness.

The discussion of sales promotion and brand equity demonstrates that a strong emphasis on sales promotion harms brand equity. This study suggests that more research be conducted to determine the actual relationship between sales promotion and brand equity in different cultures and country contexts.

Research Gap:

Previous researchers only surveyed European countries for their research, not India, so this study focuses on customers in Hyderabad. Cognitive dissonance is important for brands because it reveals people's deeply held beliefs about what they value, what they desire and fear, and how they want to be perceived, all of which drive consumer behaviour. Strong brands can identify these subconscious motivations and bridge the gap between what people believe and what they do, making it much easier for people to become customers.

Objectives:

- To Determine the link between advertising and sales promotion and brand equity.
- To increase sales from previous, current, and future customers.

Scopes of the research:

This research will look at the relationship between advertising and sales promotion and brand equity. The study's goal is to look into the impact on customer preference for a brand. The study is being carried out because the brand is very popular and has a significant factor to know the brand

equity. The study looks at the effects of an individual's attitude toward advertising and non-monetary promotions, as well as advertising cost and monetary promotions, on brand equity.

Research methodology:

This research will look at the relationship between advertising and sales promotion and brand equity. The study's goal is to look into the impact on customer preference for a brand. The study is being carried out because the brand is very popular and has a significant factor to know the brand equity. The study looks at the effects of an individual's attitude toward advertising and non-monetary promotions, as well as advertising cost and monetary promotions, on brand equity. The sample specification shows that 40% of respondents were between the ages of 18 and 29, 35% were between the ages of 30 and 39, 16% were between the ages of 40 and 49, and 6% were over 50. The study's goal is to discover the links between advertising, sales promotion, and brand equity. This study's research objective is functional, and the information is descriptive and of the causal correlation type. The questionnaire is used to collect data based on the research literature.

Because consumers have little knowledge of actual marketing efforts, measuring marketing communication is based on perceived marketing efforts. These are directly related to customer psychology. Yoo et al. scale's purpose is used in this study to measure previous advertising spending. This study proposes a three-item scale to assess an individual's attitude toward advertising. According to the brand equity literature, the degree to which consumers perceive advertising as creative, original, and distinct from competing brands is an important success factor for advertising. These three characteristics were not previously included in scales. As a result, the three-item scale used to assess an individual's attitude toward advertising incorporates insights from the brand equity literature as well as expert opinion. The study employs and adapts Yoo et al. three-item scale to assess perceived monetary and nonmonetary promotion intensities. Gifts and price reductions were used specifically because they are becoming increasingly important in promotion strategies.

The multidimensional conceptualization proposed from the customer's perspective is used to measure brand equity. This study uses five items from the literature to measure brand associations and three items to measure brand loyalty.

III. CONCLUSION AND FUTURE RESEARCH DIRECTIONS:

In today's highly competitive markets, brands must maintain their position and increase their competitive advantage through enhanced brand equity. Creating brand equity has become a brand initiative. Sales promotion and advertising have become increasingly important in influencing brand equity over the years. One of these tools' goals is to increase short-term sales and influence customer behaviour. This study examined previous studies that looked at the impact of advertising and sales promotion on brand equity. Advertising has a positive impact on the development of brand equity. The more the company advertises, the greater it is brand equity. Only advertising will not affect the brand's image. The company should also prioritize a unique and creative advertising campaign. According to the findings, sales promotion is insignificant in the development of brand equity. Furthermore, sales promotion harms brand equity, and customers typically associate sales promotion with low-quality products and services. Individuals' attitudes toward advertisements influence the dimensions of brand equity. The findings show that while an individual's attitude toward advertisements has a positive effect on brand awareness and brand association, it does not affect customers' perceived quality. These findings debunk the notion that monetary incentives harm perceived quality. To some extent, it contradicts previous findings in this field. The findings also show a lack of a meaningful relationship between monetary promotion and brand association, which is consistent with the findings of Aaker (1991), Ramos & Franco (2005), and Yoo et al. who have highlighted the lack of connection between these two categories. One significant finding from this study is the lack of a positive and meaningful relationship between nonmonetary promotion and perceived quality, as well as customer association with the brand. High prices and a lack of adequate promotions in comparison to the product's price, as well as sporadic promotions, can be considered influencing factors in this result. This report paves the way for future research, such as a study examining the effect of advertising and sales promotion on brand equity in various contexts and comparing different product categories. They can also conduct a cross-case analysis, in which the implementation of advertising and sales promotion used by different companies with the same customer market is compared. This research contributes to a better understanding of the role of advertising and sales promotion in brand equity development. Every

research study has limitations. So, conducting more surveys on the background of customer-based brand equity in the future can help us better recognize the process of creating brand equity. In this field, they can also obtain more useful results by combining and surveying marketing mix elements.

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