

The Impact of Advertising, Sales Promotion and Sponsorship Programs on Brand Equity: A Case Study among Customers in Samsung Products in Tehran

Razieh Sadat Hosseini^{1*}, Asadollah Mehrara²

¹Executive management, Ayatollah Amoli Science and Research Branch, Islamic Azad University, Amol, Iran; ²Department of Management, Qaemshahr branch, Islamic Azad University, Qaemshahr, Iran

*Email: miss.hosseini@yahoo.com

Abstract

The purpose of this study was to examine the impact of advertising, sales promotion and sponsorship programs (selected elements of marketing communications) on brand equity. Since marketing communications play major role in creating value for different brands and also advertising, sales promotion and sponsorship are three important and costly activities in marketing, it is very important to manage these activities. Theoretical and conceptual model of this study have been taken from the Buil model. The research is considered applied according to the type of purpose, and is descriptive - survey of classified sampling according to the type of data collected, and is considered causal research because of examining the causal relationships between variables. Library and field methods of data collection were used, and for this purpose a questionnaire with 38 questions with five- option Likert scale was used as a research tool. The infinite population of this study were the customers of Samsung products in Tehran and the sample size was 500 according to Cochran's formula. In order to analyze the survey data, descriptive and inferential statistical methods were used. Kolmogorov - Smirnov test was used to determine the normal distribution of the sample, and Pearson correlation test, T -test and bivariate regression were used for testing the research hypotheses. The result of the test of this hypothesis suggests that advertising, sales promotion and sponsorship programs have a direct impact on brand equity. According to the results, the suggestions for strengthening these elements are presented.

Keywords: Brand equity, perceived quality, brand associations, sales promotion

Introduction

Nowadays most companies believe that one of their most valuable properties is the brand of their products and services. Brand creates value for the customer and organization and justifies more cost of the product for the customer. Brand like capital, technology and raw material plays a significant role in creating added value for an organization. Today, establishing a powerful brand and access to a prestigious brand in market is a priority for any organization, because a powerful brand provides numerous advantages for companies. A powerful brand enables companies to fix their place in the market, cause less vulnerability in facing risks of competitive activities and creating more cooperation, support and development opportunities (Delgado, 2005). Thus, we can consider Brand equity as one of the methods to achieve sustainable competitive advantage (Konecnik & Gartner, 2007). Since 1990s Brand equity is introduced as the most important research area and was introduced consumption / service marketing. This significance was due to companies' interest in creating powerful brands to create competitive advantage and distinction in their goods.

In this research, we tried to analyze the role of three activities of selective communicative marketing i.e. advertisement, sales promotion and sponsorship (sponsorship) on the brand equity in Samsung products. Accordingly, in the chapter one of this research we represent overview including statement of the problem and significance of the study as well as hypotheses and objectives, etc.

Statement of the problem

In brand studies, the brand equity is highly focused on because typically brand equity is considered as a measurable result of management strategies (Fung So & King, 2010). Brand equity indicates price difference in which a powerful brand attracts more attention compared to an average brand. Additionally, brand equity through increasing efficiency and effectiveness of marketing programs indirectly increases brand loyalty, price and profit margins, brand development, business leverage competitive advantages. Brand equity increases company's value (Aaker, 1996).

Despite extraordinary tendency to brand equity, few conceptual development and empirical researches were conducted to identify marketing activities which causes brand equity. So far, overall, a general identification of brand equity has been emphasized and the resources and their way of development were ignored. Shocker et al. believe that we should pay more attention to the development of systematic viewpoint regarding products and brand so to determine how intangible properties derived from managers' pricing, growth, services and distribution' decisions, besides the product affect formation of brand equity and its impact on buyers' decision making.

One of the most important parts of marketing activities is planning and implementation of communicative marketing programs such as advertisement, sales promotion programs, sponsorship, etc, to effectively introduce products and services to target markets and consumers. Agrawal and Venkatesh (2002) suggested that advertisement can be considered as a defense strategy to create loyalty to the brand, in other words, advertisement helps maintaining loyal customers, though sales promotion and sponsorship can be considered as an aggressive strategy that is used to attract loyal customers of competing brands. Although appropriate advertisement programs can lead to desirable results like more profit through more sale, this program is costly. If advertisement programs lead company to their goals, companies can manage their costs and profit and this can be considered as an investment (Ha et al., 2011).

Samsung Company is a reputable brand that due to their product variety has various customers and every year spends large sums on marketing activities such as advertisement, giving gifts, supporting sport teams, etc. in Reuter's report, Samsung brand as one of the huge industrial poles around the world is pioneer in advertisement activities, which according to the reports in 2013, it spent about 14 billion dollars in advertisement that is a large sum.

Therefore, this research aimed at identifying the impact of advertisement, sales promotion programs and sponsorship of brand (sponsorship) on brand equity and its different dimensions-brand awareness, perceived quality, brand association and brand loyalty – was conducted using real samples of customers of Samsung products. So, marketers of this brand can direct their marketing objectives and programs to increase brand equity using results of this research, and finally customer increase and consequently profit increase.

Significance of the study

Significance of the research can be stated as follows:

- The first and most important significance of this research is to produce and develop science in the area of management and marketing especially the brand.
- Analysis of vague and effective hints in the area of brand equity in companies like Samsung and similar companies.
- Evaluating the effectiveness of communicative marketing including advertising, sales promotion programs (such as discounts and gifts, etc.) and sponsorship for Samsung and other similar companies

Research question

Do advertisement, sales promotion and sponsorship affect brand equity?

Main hypothesis

Advertisement, sales promotion and sponsorship affect brand equity.

Different definitions of brand equity

There are various definitions for the concept of equity, some of which are referred to below:

Brand equity means the difference in consumer choice between brand products of the non-brand products with the same features. This definition suggests that the two products are the same except their brand. Difference in consumer choice between these two products can be evaluated through a willingness to buy or preference for the brand product to the brandless product (Simon and Sullivan, 1993; Youro et al., 2000).

Brand equity is the received desirability enhancer and grade of tendency to the brand that is granted to the product and consumers' perception of overall superiority of the brand compared to other brands (Lassar et al. 1995).

Blacston (1995) believe that brand equity is stated in form of brand concept as the brand concept implies brand's prominence, association and their features and the brand's value is the result of applying brand concept (Kim, Kim & Anj, 2003).

Aaker (1991) represented the most acceptable and comprehensive definition of the concept of brand equity that is:

A set of properties and debts relevant to the brand which leads to increase and decrease of value created due to a product or service for a company and or the company's costumers (Boil et al. 2011).

Literature review

Zarbi (2005) in his research "evaluation of the impact of marketing mix on equity" analyzed the marketing mix (price, store image, advertising costs, distribution volume and price-based promotions) on equity. Results of this research show that advertisement affects equity directly. As products cause equity with Extensive advertising.

Sayed Ameri et al. (2010) in his research "analysis of the sponsorship element from among sport marketing mix" analyzed the investment on sponsorship element as one of the mix marketing elements in sport. They studied the purposes of sponsor companies in sport and comparison of the mangers insights with sport managers. Usable results of this research show that managers of both groups believe that sponsorship is one of the most important communicative tools through which visual strengthening of company's product and people's awareness of company's brand increases and finally leads to sales' promotion and finally consumers' loyalty increases.

Esfandiari (2012) in their research "the role of advertisement and sales promotion in creating equity" compared this role in two housewares companies of Sony and Samsung. Generally, usable results of research shows that advertisement through dimensions of brand awareness, brand associations, perceived quality and brand loyalty positively impacts brand equity. Yoo et al. (2000) examined the impact of some mix marketing elements (quality promotion, advertisement, store image and distribution coverage) on equity. In this research, the relationship between selective elements and dimensions of equity was examined. Then, these dimensions are related to equity. Usable results indicated that frequent price raise leads creating equity, whereas high advertisement costs increases equity (ibid).

Walt Florence et al. (2011) studied the impact of long-term brand management tolls (brand characteristics) and short-term tools of mix marketing (sales promotion) on creating equity among

students in two lap top and coffee production categories and three brands in each class. Usable results in this research show that sales promotion negatively affects equity (ibid, 2011).

Methodology

Determination of sample size and sampling method

In this research, using Cochran formula and according to the statistical population of this research (customers of Samsung products in Tehran), with sampling error 0.05 and 95% reliability, samples were estimated at least 384 people that in this research were considered 500 people. In this research, random cluster sampling was used. According to the available information on the website of the Samsung brand 185 licensed dealers in Tehran (home appliances, audio, video, mobile, camera and computer services) were identified.

Data collection

In order to gather information required for the present research library and field methods were used:

Research tools

Questionnaires were used in this research. This questionnaire includes 38 questions that assess sales promotion and sponsorship in creating brand equity. This questionnaire is standard and for respondents' feasibility in answering questions, closed questions and five-option Likert Scale designed by experts were used.

In order to assess the validity CVR coefficient was used. For 15 elites, the minimum coefficient is 49% and as can be seen in table 5-3, the CVR coefficient value for all variables is higher than 49%, so it can be said that questions are valid.

In this research, in order to determine tool's reliability Cronbach alpha method was used. In this research, Cronbach's alpha value of each indicator is larger than 0.7, so the questionnaire is reliable.

Main hypothesis testing

Analysis of advertisement impact, sales promotion and sponsorship on brand equity

Null hypothesis: advertisement, sales promotion and sponsorship do not affect brand equity. (sig. <0.05)

First hypothesis: advertisement, sales promotion and sponsorship do not affect brand equity. (sig. <0.05)

As the table 1 indicates, the correlation coefficient between the variables is positive and equals to 0.611. As a result, the variables have direct relation. This relation shows that per one unit change in one variable (increase or decrease), the other variable changes directly up to 0.611 (increase or decrease).

The significance level of a relation indicated existence or lack of any relationship between the two variables. And, if the significance is lower than ($p\text{-value} < 0.05$), it shows the impact of independent variable on the dependent variable. Since the significance is higher than 0.000, the null hypothesis is rejected and the first hypothesis is confirmed.

With regard to the correlation coefficient and significance level obtained, advertisement, sales promotion and sponsorship variables are directly related to brand equity and the hypothesis "advertisement, sales promotion and sponsorship directly affect brand equity" is confirmed.

The results obtained from the research is an emphasis on the results of the studies by Yoo et al. (2000), Villarj (2005), Gill et al. (2007), and Ha et al. (2011) and Boill et al (2011) that all show there is a relationship between four dimensions of equity and appropriate advertisement increases brand equity.

Table 1: Examining the impact of advertisement, sales promotion and sponsorship on equity

	Correlation	Coefficient determination	Balanced determination coefficient	Estimated standard error		
1	0.611	0.374	0.372	11.3935		
ANOVA^b						
	Model	Total square	Degree of freedom	Average square	F	Significance
1	Regression	26640.881	1	26640.881	205.228	0000
	Residual	44655.131	444	129.811		
	Total	71296.012	445			
Coefficients^a						
	Model	Non-standard coefficient		Standard coefficient	t	Significance
		B	Std. Error	Beta		
1	(Constant)	34.105	3.293		10.356	0.000
	Equity	0.779	0.054	0.611	14.326	0.000

Comparing the results of the present research with Aaker and Jackson (1994), noting that the more sales promotion, the better equity and its dimensions and with regard to researches by Yoo et al (2000), Villarjo et al. (2005), Gill et al. (2007), Walt Florence et al. (2011) confirmed the positive and direct relationship between the two variables.

Comparison of this research's results is constant with the research by Sayed Ameri et al. (2010) and in the belief that sponsorship impact on brand and loyalty.

Recommendations

Management and suggestions for research application

Regarding the main model of the research, its findings can be useful for researchers and marketing experts to better understand the chosen communication marketing factors (promotion, sales promotion and sponsorship) in creating brand equity. Therefore, marketing experts by considering factors and conditions that affect rejecting or accepting hypotheses of this research can recognize the available opportunities and succeed. According to the results of this research, the followings are recommended:

Results of the research hypotheses show that advertisement, sales promotion and sponsorship directly influences equity dimensions and finally equity, thus, the more applicable these communication marketing factors, the more effective they are in increasing dimensions. Thus, managers of marketing research unit of Samsung Company with their proposed strategies try to increase the level of customers' awareness of brand, perceived quality, brand associations and finally loyalty to brand and consequently marketing activities take place to increase these dimensions. Of course in the first step it is necessary to note that some effective factors on these dimensions should be taken into account. Thus, marketers at first should recognize these effective factors and do their activities to improve these factors and then effective factors on creating equity. After creating brand equity the important point is the importance of its protection and sustainability over time.

Advertisement is the most famous and controversial type of promotion whose reason may be its capability of transmission or saturation. Advertisement is also a very important promotional tool for companies whose good and services market is a mass consumer market. In a Free Market

companies constantly compete on selling and so try to propose better quality, lower price, or both to their customers. In the meanwhile companies use brand to provide a certain level of their product quality with certain prices and use advertisement to communicate customers and inform him about what the brand suggests, its price and the selling location. Thus, marketing managers of Samsung in the advertisement area investigate whether their advertisement invokes a desirable attitude in their consumers that is effective in product evaluation and their associations. Attitude to advertisement which is taken into account in a limited number of brand researches is important at the time of creating brand equity. Marketing researchers should take into account the fact that attitude to advertisement, affect attitude to the product and on the other hand affect deciding about purchasing the product. If advertisement is planned properly, innovation strategies are used in this area and honesty is preserved, a positive attitude to it may be created in the customer. Therefore, marketers should pay attention to innovation, distinction and honesty in advertisement to create positive attitude to advertisement.

As results indicate, sponsorship (especially in sport area such as football) directly impacts equity dimensions particularly increasing people's awareness of the brand and loyalty to the brand. Consequently, marketing researchers of Samsung should try more in this field and by sponsoring a popular sport team or movie with popular actors or sponsoring a popular singer concert etc. further expose this brand to its customers. It seems these programs would be so effective if they are shown through mass media especially TV.

References

- Aaker, D.A. (1991). *Managing Brand Equity: Capitalizing on the Value of a Brand Name*. New York: The Free Press.
- Aaker, D.A. (1996). Measuring brand equity across products and markets. *California Management Review*, 38(3).
- Agarwal R. & Venkatesh, V. (2002). Assessing a firm's web presence: a hedonistic evaluation procedure for the measurement of usability. *Information Systems Research*, 75(2):168-186.
- Bashiri M. Moharram Zadeh M., & Sayed Amery, M. H., et al. (2010). Analysis of sponsoring element of sports mix marketing elements. *Olympic Quarterly*, 18 (2): 111-129.
- Esfandiari, M. (2012). The role of advertising and sales promotion to create brand equity. Master's thesis, Islamic Azad University, Science and Research Branch, Tehran.
- Buil I., Chernatony, L. & Martinez, E. (2011). A cross-national validation of the consumer-based brand equity scale. *Journal of Product & Brand Management*, 17(6):384-392.
- Delgado, E. (2005). Does brand trust matter to brand equity? *Journal of Product & Brand Management*.
- Fung So, k. & King C. (2010). When experience matters: Building and measuring hotel brand equity. *International Journal of Contemporary Hospitality Management*, 22(5): 505-527.
- Gil, R. B., Andres, E. F. & Salinas, E. M. (2007). Family as a source of consumer-based brand equity. *Journal of Product & Brand Management*, 16(3): 188-199.
- Ha, HY., John, J., Janda, S. & Muthaly S. (2011). The effects of advertising spending on brand loyalty in services. *European Journal of Marketing*, 45(4):673-691.
- Kim, H., Kim, W. G. & Anj, A. (2003). The effect of consumer-based brand equity on firms' financial performance. *Journal of Consumer Marketing*, 20(4): 335-351.
- Konecnik, M. & Gartner, W. C. (2007). Customer-based brand equity for a destination. *Annals of Tourism Research*, 34 (2): 400-421.
- Lassar, W., Mittal, B. & Sharma A. (1995). Measuring customer-based brand equity. *Journal of Consumer Marketing*, 12: 11-19.

- Lassar, W., Mittal, B. & Sharma, A. (1995). Measuring customer-based brand equity. *Journal of Consumer Marketing*, 12: 11-19.
- Valette-Florence P., Guizani, H. & Merunka, D. (2011). The impact of brand personality and sale promotion on brand equity. *Journal of Business Research*, 64: 24-28.
- Villarjo-Ramos, AF. & Sanchez-Franco, MJ. (2005). The impact of marketing communication and price promotion on brand equity. *Journal of Brand Management*, 12 (6): 431-445.
- Yoo, B. Donthu, N. & Lee, S. (2000). An examination of selected marketing mix elements and brand equity. *Journal of the Academy of Marketing Science*, 28(2): 195-211.
- Zarbi, S. (2007). Assessment of the impact of chosen mix marketing elements on brand equity. Master's thesis, Islamic Azad University, Science and Research Branch, Tehran.