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Assessing Customer-Based Brand Equity of E-Commerce

Platform Based on Promotion Benefits

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Abstract: The prosperity of e-commerce in China leads to large amount of businesses venturing into this marketplace. Sales promotion has been widely used to improve their advantage, while platform-based sales promotion has been confirmed more successful. This research examines the impacts of the benefits of sales promotions based on electronic commerce platforms on customer-based brand equity (platform brand awareness and platform brand association) and how their relationships are moderated by the promotion type (pre- and post-purchase promotion). Based on the two functions of sales promotions (stimulation vs. maintaining), we propose a five-benefit framework including exploration, convenience, savings, social bonds and structural bonds. We suggested that both the two types of sales promotion could provide the five benefits of sales promotions and the positive effects of the benefits on consumer-based brand equity might be significant, while the differences between pre- and post-purchase sales promotions could be also significant.

Keywords: Platform-based sales promotion, multiple-benefit framework, consumer-based brand equity

1. INTRODUCTION

Since its inception, e-commerce has experienced fast growth in China. Because of the prosperity of e-commerce, both large and small businesses have ventured into this marketplace, leading to fierce competition. Multiple e-commerce platforms exist and provide businesses and their customers with functions such as product catalog, sales promotion, communication, financial transaction, and customer service. How to increase e-commerce platforms' competitiveness has become a critical issue. Since its launch in 2009 by Tmall.com, the business-to-consumer (B2C) branch of Taobao.com in China, a large-scale sales promotion dubbed "Double 11" has taken place annually on November 11. On "Double 11," consumers can purchase heavily discounted merchandise, similar to the Black Friday promotion in the US. More and more sellers on Tmall or even other online shopping platforms in China have participated in this activity. Table 1 summarizes the exponential growth of the one-day sales amount from 2009 to 2015. The overwhelming success of Tmall and its platform-wide sales promotion has drawn the attention of both business practitioners and academic researchers. In the marketing literature, brand equity can improve businesses' competitiveness by reducing consumers' uncertainty and decision cost^[1]. Because customers perceive higher risks in e-commerce, brand equity is even more important. Although the success of e-commerce in China owes to the initial rise of consumer-to-consumer (C2C) e-commerce, B2C e-commerce has become mainstream in online shopping, suggesting that more and more consumers take brand into consideration when they shop online.

As brand equity's importance increases, it has attracted researchers' attention^[2]. Multiple perspectives about the concept of brand equity exist^[1]. Among them, customer-based brand equity (CBBE) is an important view that focuses on customers' reactions to marketing tactics implemented by the brand compared to their reactions to the same marketing tactics implemented by others^[3]. Many researchers have examined the relationship between sales promotion and brand equity. Some argue that sales promotion increases customers'

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price sensitivity and lowers quality perception, thus decreasing brand equity in the long-term^[4], while others find no negative effects^[5]. However, no research has investigated this relationship in the e-commerce context in China. This study aims to examine the differential effects of sales promotion on CBBE in the Chinese e-commerce industry. In doing this, we introduce two types of sales promotion – monetary promotion versus non-monetary promotion^[6] – and the timing of the promotion – pre-purchase versus post-purchase sales promotion^[7]. Pre-purchase sales promotions such as advertisement, sale prices and coupons are given to consumers prior to their purchases and are used to stimulate consumption. In contrast, post-purchase promotions are given to customers after their purchases and are used to maintain the relationship between the consumers and the shopping platform. Examples include Taobao coins (virtual coins that can be used on Taobao and Tmall toward future purchases with sellers who accept them), sweepstakes and shipping cost guarantee (to reimburse the customers their shipping charges when they return their purchases). We investigate the effects of sales promotions on the e-commerce platform's CBBE to better understand consumer behavior and identify effective sales promotion tactics that can positively affect CBBE. Hence, we have the following two research questions:

RQ 1. How do sales promotions of the e-commerce platform affect its CBBE?

RQ 2. Are the effects of pre-purchase and post-purchase sales promotions on CBBE different?

To understand the effects of e-commerce platform sales promotions on CBBE, we identify the benefits consumers receive from sales promotions. Instead of using the benefits framework provided by Chandon et al.^[6], we develop a new five-benefits framework including exploration, convenience, savings, social bonds and structural bonds to explain how sales promotions affect CBBE. This paper extends the study on sales promotion and brand equity to the e-commerce platform context and reveals the positive effects of sales promotions on CBBE. Moreover, we are the first to examine the timing of pre-purchase and post-purchase promotions.

2. THEORETICAL BACKGROUND

2.1 Sales promotion.

Promotion has been widely studied by academic researchers^[5]. Among such research on promotion, sales promotion, which comprises of various motivational tactics to stimulate consumers' consumption^[8], receives the most attention^{[4][6]}. Sales promotion includes multiple tactics such as sales (e.g., markdowns and clearance), promotion (e.g., gifts, cash rebates, or two for one pricing), and purchase ideas (such as one-stop shopping). However, relationship marketing tools such as store specific currency rebates (e.g., Taobao coins), free returns and payment financing service (a customer can buy a product on the e-commerce platform by paying in installments with no money down for the first few months) have also been used in sales promotion to enable relationship maintenance between buyers and sellers.

The extant literature on sales promotion has examined a variety of topics. Some studies focus on performance^[4], some focus on the types of promotion^[9], and others focus on the benefits^[6]. Though price discounts are thought to be the main benefit sales promotion provides^[10], other hedonic or utilitarian benefits are also important value generated by sales promotion^[6]. Thus, sales promotion can be divided into monetary promotion such as coupons, sale prices, rebates and non-monetary promotion such as contests and sweepstakes^[9]. Different types of promotion have different effects on consumers' purchase decision^[11] and brand equity^[9]. Monetary promotions negatively affect brand image^[12], while non-monetary promotions have positive effects on brand equity^[13]. Though researchers have studied the effect of sales promotion on brand equity, none has examined the relationship from the benefits perspective.

According to Keller^[3], benefits of sales promotion are the perceived value attached to consumers' experience, which includes exposure (e.g. seeing promotional information) and usage (e.g. buying a product at a

discounted price). Chandon et al.^[6] identify savings, convenience, and exploration as the most important benefits people obtain from pre-purchase sales promotions. relationship bonds are the most important benefits obtain from post-purchase sales promotion, which are usually classified into two categories: structural and social bonding^[14].

Benefit	Definition	Sources
Exploration	Customers' ability to find new shopping ideas when they are exposed to promotional information.	(Kahn, 1995; Baumgartner and Steenkamp, 1996)
Convenience	Customers can be reminded of their needs and their shopping experience can be more efficient through sales promotions that reduce their search and decision costs.	(Wansink et al., 1998; Chandon et al., 2000)
Savings/Financial bonds	Customers' ability to pay a lower price for a product of the same quality.	(Blattberg and Neslin, 1990; Berry, 1995)
Structural bonds	Special services or privilege customers can obtain from sales promotions based on the relationship; Cannot be taken away if customers end the relationship.	(Berry, 1995; Gwinner et al., 1998; Lin et al., 2001)
Social bonds	Personal affection customers develop about the seller through sales promotions.	(Berry, 1995; Gwinner et al., 1998)

According to Cao and Gruca^[7], services provided by e-tailers can be classified into pre-purchase and post-purchase services based on two basic functions of the service provider: information and delivery. Pre-purchase services are used to stimulate customers into making purchases, while post-purchase services are provided to enhance value to retain customers. Sales promotions also provide two functions. First, they provide information on the promoted products and reduce prices to appeal to prospective customers. Second, coupons or promotional services can be provided after a purchase to stimulate future purchases. Thus, we define pre-purchase sales promotion as promotional tactics that can be viewed prior to a purchase and post-purchase sales promotion as promotional tactics provided based on a purchase. For example, information about product delivery made available before a purchase is a pre-purchase sales promotion, while coupons or discounts for the next purchase provided after a purchase are post-purchase sales promotions. Post-purchase sales promotion focuses more on maintaining the relationship with the customers than pre-purchase sales promotion.

2.2 Consumer-based brand equity.

Brand equity is defined as the added value to a product or service by being linked with a brand name^[3]. It helps a customer make a choice among multiple alternative products and increases her confidence in the purchase decision and satisfaction with the product^[1]. Thus, it is important for businesses to build a strong brand. Aaker^[1] identifies five components of brand equity: brand awareness, brand loyalty, perceived quality, brand associations, and other proprietary assets. Farquhar^[15] suggests CBBE is the added equity a consumer perceives of the brand.

CBBE has been investigated by academics and practitioners since it was coined in the early 1980s^[16]. The concept of CBBE and its dimensions defined in this study are based on Keller^[3]. CBBE refers to a customer's reaction to the marketing tactics implemented by a brand compared to her reaction to the same marketing tactics implemented by others brands. It is based on the customer's knowledge about the brand, which comprises of a

variety of associations in memory. CBBE consists of two components in this study: brand awareness and brand association. Brand awareness refers to the ability of a customer to recognize or recall the name of the brand when given a signal. It is positively affected by the presentation of the brand^[17]. Brand association is also called brand image^[18] or brand meaning^[17] and refers to a customer's subjective perception of the brand, which is positively affected by the customer's experience. In the context of this study, brand awareness means the extent to which an individual recalls the name of an e-commerce platform when she wants to purchase online. Further, brand association refers to the dominant trait of the e-commerce platform that comes to a customer's mind when she is reminded of the e-commerce platform. For example, low prices and variety of products are the main appeals of Taobao.com, while high quality 3C products (computer, communication and consumer electronics) are the main appeal of JD.com.

3. WHAT IS A SYSTEMS APPROACH?

Based on the five benefits of sales promotions, we next developed our theoretical model on how these benefits affect the CBBE and how their relationships are moderated by the promotion type. Figure 1 summarizes our research model.

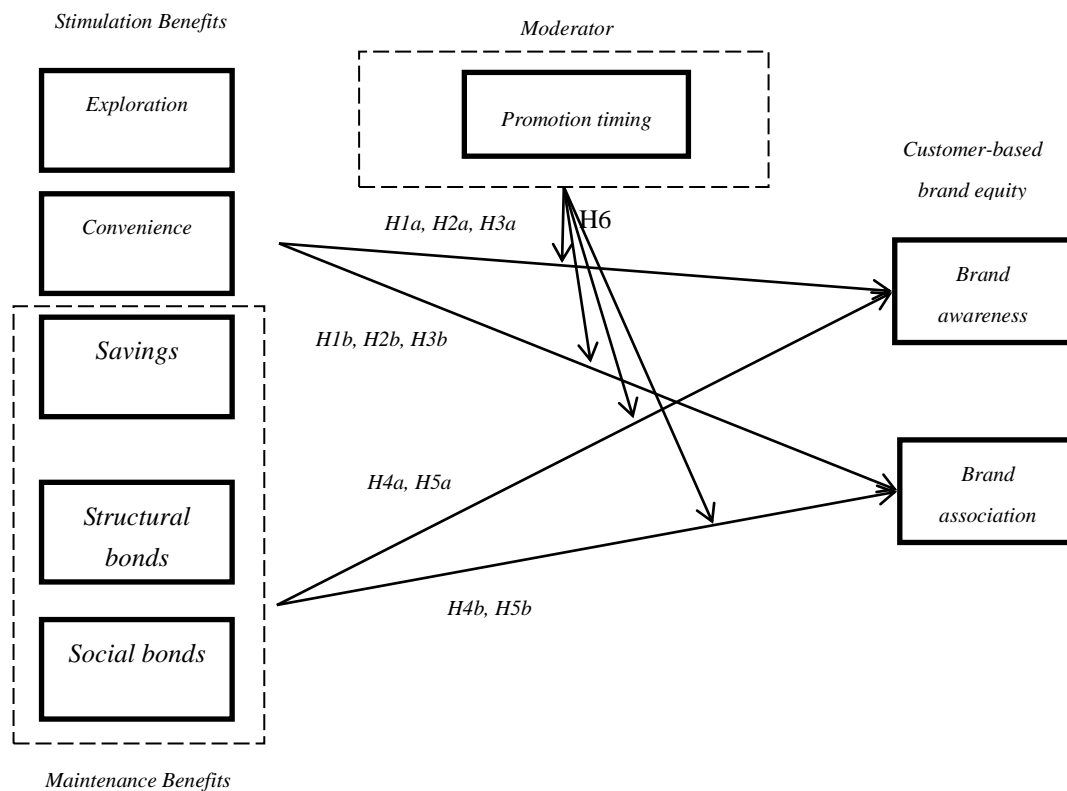


Figure 1. The web of system performance

Exploration refers to the ability of consumers to identify new shopping ideas when exposed to promotional information^[6]. Compared to consumers who receive no promotional information of an e-commerce platform, those frequently exposed to promotional information of the e-commerce platform may recognize and recall the name of the e-commerce platform readily. Moreover, more product information is usually provided to consumers together with the promotional information. According to Ballantine^[19], the amount of information contributes to customers' satisfaction in online shopping, thus leading to improved brand awareness and brand association.

H1(a,b): Exploration is positively associated with the e-commerce platform's brand awareness/ brand

association.

Convenience as a result of sales promotion refers to the reduction of search and decision costs through the availability of products and the advertisement of sales^[6]. When a platform-wide sales promotion occurs, many sellers participate in the promotion and advertisement for the promotion with a link to the participating sellers and products is placed on the front page of the e-commerce platform. This makes it easy for the customers to locate the sellers and products that participate in the sales promotion. It also gives customers a variety of products to choose from. Hence, customers' search and decision costs are reduced significantly. The lower search cost a customer perceives from an e-commerce platform-based sales promotion may lead to high brand associations with strength and ease to use, because consumers develop brand association between a brand and the perceived benefits of the brand. Many studies have examined the effect of recommender system on brand loyalty^[20] and showed that recommendations remind consumers of what they want and enhance their perception of the brand. In other words, personalized recommendations will positively affect CBBE, thus convenience benefits contribute to CBBE. Overall, the ease of the shopping process owing to convenience benefits will lead to a positive shopping experience, which contributes to CBBE^[17]. Thus, we propose:

H2(a, b): Convenience is positively associated with the e-commerce platform's brand awareness/ brand association.

Chandon, et al.^[6] define savings as the monetary savings sales promotions provide. Both pre-purchase and post-purchase sales promotions provide consumers with savings. Low prices can help the e-commerce platform develop a competitive brand association and enhance the platform's appeal^[17].

H3(a, b): Savings are positively associated with brand awareness.

Structural bonds refer to situation that the benefits customers obtain from the relationship cannot be taken away when the relationship ends^[14]. Hence, structural bonding between a brand and a customer is limited to the brand. In other words, a mutual commitment is created between the customer and the brand by structural bonds^[14]. This commitment significantly relates to brand identification, which contributes to enhanced CBBE. Thus, we have:

H4(a, b): Structural bonds are positively associated with brand awareness.

Social bonds refer to the interpersonal relationships customers have with a brand^[14]. Social bonds may develop through personalized services delivered to consumers and leading to the consumers' preference of the brand. They represent the degree to which customers develop an affect for the brand. Aaker^[1] argues that emotional benefit is very important in building strong brands.

H5(a, b): Social bonds are positively associated with brand awareness.

Due to the two different functions of the five benefits including stimulation and maintenance^[7], their effects on brand awareness and brand association may be different. The stimulation function of sales promotion is to arouse consumers' consumption needs and purchase intention on the e-commerce platform rather than on other platforms^[8]. Hence, the benefits associated with this function including exploration, convenience, and savings are provided mainly to distinguish the e-commerce platform from other platforms and make consumers more aware of the brand^[6]. In contrast, the maintenance function of sales promotion is to maintain a strong relationship with the customer so as to facilitate repeated purchases. Thus those benefits associated with this function including structural and social bonds mainly aim to increase the importance of the brand to the customers. It follows that the effects of sales promotion benefits on brand association are related to the extent to which the maintenance benefits are provided. Similarly, the effects of sales promotion benefits on brand awareness are related to the extent to which the stimulation benefits are provided. Thus, we propose that the effects of the benefits on CBBE between pre- and post-purchase promotions are different:

H6: The relationships between the benefits of sales promotion and CBBE are moderated by the promotion

type.

4. METHODOLOGY.

We used a questionnaire survey to examine the benefits of e-commerce platform-based sales promotions and test our research model. While sales promotions can stimulate consumers' consumption, they can also be used for relationship marketing. Many studies have investigated the stimulation function of sales promotions^[8], but the buyer and seller relationship maintenance function has received little attention in academic research. Hence, our empirical analyses were performed in two steps. First, we conducted an exploratory study to confirm the stimulation and maintenance functions of the five benefits and how these five benefits affect the evaluations of pre- and post-purchase sales promotions. Next, we analyzed the data to test our research model.

4.1 Instrument.

While developing the questionnaire for the research, we need interview some consumers on e-commerce platforms to explicitly distinguish between pre- and post-purchase sales promotion tactics. Based on their feedback, we adapt the measurement scales from the extant literature. The items on savings, convenience, and exploration are based on Chandon et al.^[6], the items for structural bonding and social bonding are adapted from Berry^[17], and three items measuring the evaluation of sales promotions are also adapted from Chandon et al.^[6]. CBBE consists of brand awareness and brand association^[3]. The three items on brand awareness and three items on brand association are adapted from Wang and Finn^[2]. All items are measured on seven-point Likert scales. Back translation will be used to ensure the consistency of the scales between the English and Chinese versions.

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