SALES PROMOTION AND BRAND EQUITY (Redefining the Relationship)

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ABSTRACT - Sales promotions has developed as a widely used promotional tool and one of the preferred methods of marketing communication. The Research has traditionally postulated that sales promotions erode brand equity. However, in current management practices, one may observe that companies design promotional programmes to differentiate and modernise their brand image and build brand awareness. This deviation of academic view from the current practice in the industry about the sales promotion must inevitably lead to a rethink about the role and contributions of sales promotions especially in context of building brand equity. The present study is aimed at redefining the relationship and impact of sales promotion on brand equity. A comprehensive review of literature on sales promotion and its effect on sales promotion has been undertaken to conclude the observations.

Keywords: Sales Promotion, Brand Equity, Redefining relationship, Impact

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INTRODUCTION

Marketing is the belt which connects the two major wheels of any economy, namely producers and consumers. It is the science of meeting the needs of a customer by providing valuable products to customers by utilizing the expertise of the organization, at same time, to achieve organizational goals. Today market strength of corporations comes predominantly from brand image; hence corporations have to demonstrate awareness of, and responsibility towards social, economic, ecological and environmental issues. Any economy developed or developing is a market oriented economy. The basic function of marketing system is to transform the benefits of productive efficiency in terms of higher level of living via distribution. If the levels of living are low in any country, it can be attributed directly to the least developed marketing system. It means the neglect of marketing is one of the main factors which keep an economy under developed. Marketers are highly skilled people who are responsible for demand management—its creation, extension and maintenance, just as production and logistics professionals are responsible for supply management. Marketing management involves the identification, creation, capture, communication and delivery of superior customer value to the target market to satisfy their needs and wants simultaneously meeting organizational objectives.

Identification and creation of value is accomplished through the procedures and processes of existing product management and new product developments using conceptualizations of needs, wants, ideas, concepts, features, benefits, functionalities, performance as well as the procedure of segmentation, targeting, positioning and differentiation. Capture of value is done using the conceptualization of costs and prices. Communication of value involves the tools and techniques of branding, advertising, promotions, public relations, personal selling, direct marketing, corporate and brand image management and event management. Delivery of value is done using distribution or channels.

In addition, for successful marketing, an effective marketing strategy has to be put into place that involves the development of sustainable competitive advantages

SALES PROMOTION - MEANING AND CLASSIFICATIONS

Sales promotion is a marketing activity specific to a group of customers, a particular place and/or time, which encourages an immediate or direct response from customer by offering additional valuable benefits. It highlights the concept of the commitment that every supplier expects from its customers. Sales promotion refers to the variety of techniques designed to offer purchasers an extra inducement to buy in the form of value or benefits beyond those offered by the product being purchased. Extra inducements may be offered at any point of exchange, anywhere in the channel of distribution. The ultimate objective for sales promotion is to enhance the integrated marketing communications effort for a brand or company. While building or maintaining brand equity was traditionally viewed as something that was done through media advertising, it has also become an important goal for marketers as they develop their sales promotion programs

Sales promotions may be consumer sales promotions, trade promotions or promotions to the sales force. The activities that are used to target the consumer such as free gifts, bonuses, free samples etc are called *consumer oriented sales promotion* methods. Coupons, rebates, price packs, samples, cash refunds, premiums, patronage awards, contests, product demonstrations, tie-in promotions, cross promotions, pop displays and warranties; all are the examples of consumer oriented promotion. Promotion directed towards the members of distribution channels (wholesalers, distributors, retailers or sales persons) is *trade promotion*. Trade promotion includes price-offs or discounts, display allowances, buying allowances, dealer sales contests, cooperative advertising, training of distributor sales force and free goods etc. The *promotion to the sales force* includes bonus, sales rallies, contests with prizes, extra commission for superior performance and job promotions etc.

Marketing literature supports this fact that the regular customers, who purchase the product frequently, are profitable and are primary concern of the companies (Nagar, 2009). In order to cater the need of making the repeat purchase possible, the companies develop extensive marketing programs to retain and motivate the buying behavior of the customers. The sales promotion has been described as a pressure that is time bound and applied to customers to stimulate the process of trial, choice and ultimately the purchase of the product/brand (Marketing, 2011). There have been different uses of sales promotion as it has multiple effects on the purchase decisions of the customers like-

- Persuade the new customers to make the decision of purchase of the particular brand/product.
- Lowers the switching barrier/price of the brand/product for the brand switchers to attract them.
- Encourages the competitors' loyal to change the buying decision.
- Provides the incentives/ extra value to own brand loyal customers (Peattie & Peattie, 1994).

BRAND EQUITY

A *brand* is a name or symbol used to identify the source of a product. When developing a new product, branding is an important decision. The brand can add significant value when it is well recognized and has positive associations in the mind of the consumer. This concept is referred to as brand equity. Brand equity is a set of assets and commitments linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm's customers (Aaker, 1991; Aaker, 1996). It is the power that a brand may have achieved in a market because of its name, sign and logo (Farquhar, 1989). Brand equity is an intangible asset that depends on associations made by the consumer. There are at least three perspectives from which to view brand equity:

- **Financial Benefit** - One way to measure brand equity is to determine the price premium that a brand commands over a generic product. For example, if consumers are willing to pay high price for a branded product over the same unbranded product, this premium provides important information about the value of the brand. However, expenses such as promotional costs must be taken into account while measuring the brand equity.
- **Brand extensions** - A successful brand provides a platform to launch related products. The benefits of brand extensions are the leveraging of existing brand awareness thus reducing advertising cost, and a lower risk from the perspective of the consumer.
- **Consumer-based** - A strong brand increases the consumer's attitude strength towards the product associated with the brand. Attitude strength is built by experience with a product. This importance of actual experience by the customer emphasises that trial samples are more effective than advertising in the early stages of building a strong brand. The consumer's awareness and associations lead to perceived quality, inferred attributes, and eventually the brand loyalty.

Brand equity is a set of assets and commitments linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm's customers (Aaker, 1991; Aaker, 1996). Brand equity is the differential effect of brand recognition on consumer response to the marketing of that brand (Keller, 1993). It is the power that a brand may have achieved in a market because of its name, sign and logo (Farquhar, 1989).

The Dimensions of the Brand equity

- *Brand Loyalty* - Loyalty is an important concept in marketing strategy and as Aaker said the brand loyalty is the centre core of brand equity. Loyalty cause costumers spent less time for seeking information. In 1992, Solomon showed that loyalty-based buying decisions might turn into a habit and this may be resulted from current brand equity. The loyal customers would have benefit for an organization in the reducing costs and implementing its works (Rundle and Bennet, 2001). Moreover, loyalty can get a chance to company to react against threats such as competition because as consumers become loyal to a brand they become less sensitive to a price increase because of the product's ability to satisfy their needs (Graham et al, 1994).
- *Brand Awareness* - Brand awareness is recalled brand memorization power in customer’s mind. There are four types of brand awareness: A) High mental awareness, B) Brand reminding, C)

Brand recognition, D) Unawareness (Bumm and Gon Kim, 2005). The role of brand awareness depends on the level of awareness achieved. In the higher awareness level possibility of considering brand and the effect of awareness on buying decision are increased (Rundle and Bennet, 2001).

- Perceived quality - Perceived quality is the customer's judgment about a product's overall quality or superiority of one goods or service in comparison with customer's tendency to its substitutions (Simon andSullivan, 1993). For understanding perceived quality, recognizing and measuring main dimensions will be useful. But perceived quality is a world structure and a summary. The brand is linked with customer's perceived quality; a perception which is only shows overall quality and is not necessarily in concern with its trivial characteristics. High quality could be a base for developing the domain of brand (Farquhar et al, 1991).
- A set of brand dependents - Dependents are made a basis for loyalty and buying decision. Process/information recovering and distinction are the reasons for buying brand and making positive feeling and vision. Also, they are basis for developing brand's domain (Hosseini and Rahimi, 2007).
- Other brand's private property- First three groups of brand equity indicate customer's perceptions and reactions. The fourth is the customer's base. The last group indicates the other brand's private properties such as franchises and registration rights, trademarks, channel relationships etc. If brand's properties are prevented from competitors' entry for weakening costumer's loyalty, they have the maximum valuation (Farquhar et al, 1991).

Sales Promotion may be monetary and non-monetary promotions. *Monetary sales promotions* are monetary incentive based and provide immediate rewards to the customers such as saving in cost, coupons, price packs, shelf discount, free top ups etc. *Non-monetary promotions* are non-transactional in nature and tend to be more relationship based (Campbell & Diamond, 1990). Non-monetary promotions are related to the self esteem and entertainment etc. Experts are of the view that monetary sales promotion may have negative impact on the brand value of a product. The price reductions may enforce the customer to switch to other brand and thus it may eliminate the criteria of the quality and develop price elasticity in the purchase of the product (Aaker, 1996). But the monetary promotions are more preferred over non monetary because of their power to persuade the customer to change their purchase decisions (Luk and Yip, 2008). The discussion on sales promotion shows that its impact depends upon the level of commitment of the customer. Mariole and Elina (2005) argue that the customers who are less committed exhibit the high level of attention towards the sale promotion and those who are highly committed show lower level of influence.

Effect of Sales Promotion

The effect that sales promotions have on the organizational performance are:

1. *Encouraging purchase of large size unit* - Sales promotion consists of diverse collection of incentive tools, designed to stimulate quicker or greater purchase of products or service by consumer e.g. the use of premiums, product warranties etc. stimulate consumer purchase in larger quantities Rotimosho(2003)
2. *Generating trials among non-users* - Trials among non-users of a product is generated through invitation to prospective purchasers to try the product without cost or little cost with the hope that they will buy the product.
3. *Persuading retailers to carry new items and higher level of inventory* - Sales promotion encourages retailers to give shelf space to new products. Manufacturers provide retailers with financial incentives to stock new products.
4. *Encouraging off season buying* - Sales promotion encourages off season buying especially during the festive periods, people tend to buy more of a particular product because of the added value, compared to normal season.
5. *Building brand loyalty* - Sales promotion helps to build brand loyalty by giving the seller the opportunity to attract a loyal and profitable set of customers which provides to sellers some protections from competition and greater control in planning their marketing mix.Shira (2003) Conclusively, sales promotion has been seen to focus on customer relationship management, free gifts, free sample, price discount, etc.

Sales promotions, particularly price promotions (like: short term reduction of prices such as specific sales, coupon, price discounts, repayment etc.) is made believe that it negatively affect brand equity, while in short term period it enhances the income. Sale promotions are not suggested as a way for providing brand equity because it is easily duplicable and soon it is deactivated (Aaker, 1991) .There has been so many studies showing sales promotion, a danger for brand equity, but the time has changed now. Today sales promotion tools are widely used measure to create awareness about brand and enhancing sales not only in short run but permanently. There is empirical research that shows sales promotion activities have indirect effects on brand loyalty through customer satisfaction, which in turn has direct effects on brand loyalty (Lixin& Shou-Lian, 2010). In industrial marketing promotion activities such as seller and websites are often mentioned as the background of brand equity dimensions (Sharma et al, 2001; Van riel et al, 2005).

Companies want consumers to become more involved with their brands and sales promotion offer a way of presenting the brand essence in an engaging way. A well designed & executed promotion can be a very effective way to engage consumers and to differentiate their brands. Sales promotion helps in building brand's equity by developing a favourable, memorable and consistent image. Marketers find sales promotion to be very effective in creating interest in the products and encourage customers to experience the products for free or at low cost. Once the customer buys, companies through sales promotion, encourage him to repeat purchases and serve a reward for his loyalty. Many companies including airlines, retail stores, rewarded discriminating customers special promotional offers, such as the "Special Offers" e-mail and price reductions surprise at the repeated purchase. Thus the sales promotion has emerged as an important tool for creating brand equity.

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