



Impact of Effective Advertisement on Brand Equity and Brand Switching Behavior; Study of Food and Beverages Industry in Emerging Market

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Abstract

The aim of this study is to examine the relationship of effective advertisement on brand equity and brand switching behavior of the customers regarding major soft drink brands of Pakistan. 206 students of higher learning institutes of Lahore, Pakistan were selected on the basis of simple random sampling and were asked to fill the questionnaires along with open-ended questions in the form of interviews to investigate their intrinsic feelings. SPSS 16.0 was used to measure the results of the data collected. The findings suggest that effective advertisement is positively related to brand equity and negatively related to brand switching behavior of the customers. Future directions and practical implications for managers are discussed in detail at the end of this study.

Keywords: Effective advertisement, brand equity, brand switching behavior, brand awareness, perceived quality, brand loyalty.

Introduction

Gone are the days when companies exist in monopolistic economy and do not focus much on the needs of the customers. Thanks to globalization and information age in which we, as customers, are much aware and have many rights and choices. Competition made companies realize the importance of the customers and of their purchase intentions and behavior. Competition also results in offering better value for customers. Advertisement played its role in creating awareness about a brand and persuading customers to eventually buy or purchase that brand. Creating a strong brand image in a market is the aim of every business; it enables to get tremendous benefits for a firm, including minimum vulnerability to competitive marketing activities, superior margins, better intermediary collaboration and support, and brand extension prospects¹. According to Yoo, Donthu, and Lee², all marketing action done, effectively or ineffectively, to create, control, and exploit brand equity. In the previous period, brand equity paradigm has been emphasized by remarkable number of researches³. From the late 1980s, the escalation of the value-based management theories, brand equity has been advanced into the significant marketing concepts all over management practice and philosophy⁴.

The most integral part of companies marketing actions including designing and implementation of effective advertising plans for the purpose to introduce product and services to approach customers and to capture target market. The effective advertisement programs can able to achieve promising consequences i.e. more profit by increased level of sales, it is

very costly approach. If an advertisement covers its objectives, the company would be better able to manage cost and profits and can be reflected as an investment. Advertising can be recognized and grown if it covers the area of effectiveness. Every company is supposing some precise outcomes according to their objectives. Customers expect assurance that leads to sales. Keller⁵ explained that it is frequently noticed that advertising is valuable in expanding brand equity. Advertising make a positive attitude toward a brand by transmitting the impact via ad to brand⁶. It is very common behavior of customers to try new product, company's trying to manage their existing customers while they are trying different products. For this purpose they are introducing loyalty programs by making by promoting their product in more sophisticated way and offering additional benefits to customers. In this way advertising play a vital role to control brand switching behavior of customers. They are making ads in an effective way

Problem Identification: Does effective advertisement have significant effect over brand equity? The study will explore the advertisement effectiveness over brand loyalty, brand awareness and perceived quality. More over the effect of advertisement on brand switching behavior is need to be investigated.

Advertising Effectiveness: Advertising has a substantial role in modern competition. Companies communicate to their patrons, both prevailing and prospective customers. Companies allocate an extensive portion of resources to advertisement. It is very essential to recognize how well advertisement attracts and sustain customers emotional and rationale appeals⁷. The most

stimulating complications encountered by advertisers and ad agencies are the subject of evaluating the efficacy of the advertising⁸. Effectiveness Advertisement is distributed into communication effectiveness and sales effectiveness. Sales volume can be used to estimate sales effectiveness, message recognition, understand and fluctuating attitudes and actions of customers for calculating communication effectiveness⁹. The communication effectiveness can be calculated by advertisement recognition. Advertisement recognition is evoking of past memory of people after viewing features of specific ads.

Brand Equity: Many researchers have written about the issue of brand equity which provides the added value to product and make it different among competitors. Brand equity is the incremental efficacy attained by product or services due to its brand image¹⁰. Brand equity is set of brand value and responsibilities that are attached to the brand and name its image, which enhance or reduce from the worth provided by the products or services¹¹. It reflects certain consumer attitudes and belongings with the branded product¹². In the words of Washburn, Till and Priluck¹³ brand equity is the impact of the brand name that has the competency to stretch either in the form of line extensions or in combination of other brand names like in co-branding. Brands having extraordinary dimensions of equity are connected with unique performance as well as persistent premium pricing, great market shares, and inelastic price sensitivity successful extension into new classifications, high profitability and competitive cost structures¹⁴. In the nut shell, brand equity comprises of four dimensions: brand awareness, perceived quality of brand, brand loyalty, and brand associations, as anticipated by Aaker^{15,16} and Keller¹⁷. In their learning, Aaker and Keller model of brand equity including its dimensions i.e. brand awareness, perceived quality of brand, brand loyalty, and brand associations was used. The fundamental key in purchasing and the basic equity value of company is the image of company's on the mind of customers¹⁸. According to Mangang¹⁹, basic brand management can be pertinent to brands as well while substituting its equity under the pretense to create brands' equity value. Equity is the value of trademark for consumer²⁰. Brand equity can have leverage in a particular competing situation of corporate sector while segregating services and items of business with its competitor, improving the quality and reputation of the company, avoid in drop of market share, and giving enough time to the company in order to dawdle and have proper reaction against its competitors²¹.

So H1 states; **H1:** Brand equity has a significant and positive relationship with effective advertisement.

Brand Loyalty: Tariq et al.²² explained brand loyalty is the repeated purchase behavior. It is indirect undertaking to purchase the particular brand again. Moreover attitudinal and behavioral loyalties are two main antecedents, initial show purchase intention and later show the comparative liking over

other brands. Aaker¹⁵ explained brand loyalty as "the connection that a buyer has to a brand. Oliver²³ proposed brand loyalty as an intensely held assurance to repurchase or patronize a favorite product or service continuously in the future, thus causing repetitive the same-brand although situational impacts and marketing exertions having the potential lead toward switching behavior. Brand loyalty is recognized as one of the important aspects affecting consumer preference²⁴. Brand Loyalty is the customers attachment towards particular brand which generate repeated purchase²⁵. So,

H3: Brand loyalty has a significant and positive relationship with effective advertisement.

Brand Awareness: According to Keller²⁶ brand awareness denotes to whether shoppers can remember or identify a brand, or simply whether or not buyers know about brand. Huang and Sarigollu²⁷, explained as brand awareness leads to build brand equity. The brand name offers the remembrance nodes in consumers' thoughts¹⁵. Brand awareness involves consumer acknowledgement, remembrance, knowledge supremacy, top-of-mind awareness, brand attitude and performance of brands²⁸.

H2: Brand awareness has a significant and positive relationship with effective advertisement.

Perceived Quality: Perceived quality is the continuous improvement process which always keeps on changing and stimulates product performance to satisfy contemporary needs and wants of the customers²². Perceived quality is the consumer's findings about the products as a whole fineness or superiority²⁹. Therefore it is based on customers' or users' (not managers' or specialists') subjective assessments of product quality. The most frequent used definition of perceived quality is to assimilates consumer know-how about the service and observations about the firm delivering the service³⁰.

H4: Perceived quality has a significant and positive relationship with effective advertisement.

Brand Switching: Keller³¹ explained brand switching as the behavior of the customers to move from one brand to another. This switching process usually done due to certain reasons i.e. price, least effective advertisement, poor quality etc. Andreasen³² applied the level of repeat purchase and brand-switching as the extents of ultimate satisfaction and dissatisfaction. There are two kinds of switching, namely "inter-switching" and "intra-switching". The previous means the switching among different brands, while the latter means that customers shift their purchases from one kind of product to other products belong to the same brand.

H5: Brand Switching has a negative relationship with effective advertisement.

On the basis of above arguments the following theoretical model emerges which is presented in figure 1.

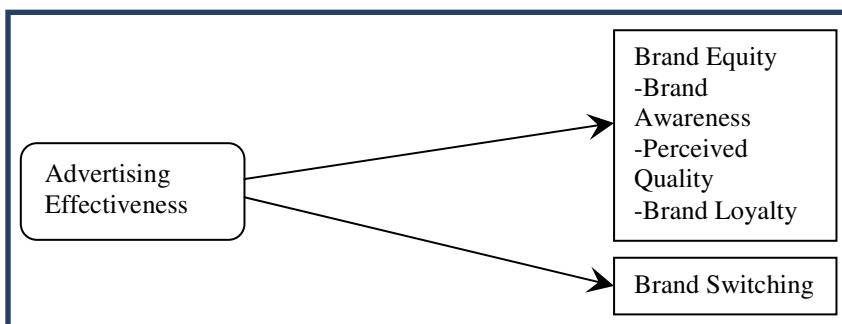


Figure-1
Proposed model of mediation

Methodology

This study is a cross sectional study which was conducted in non-contrived settings in Lahore, Pakistan that is a first rate market for the consumers of soft drinks. Data was collected from literate youth (those who had made it to higher/university level of education) the reason being that only educated individuals possess awareness about variables of interest of this study in the FMCG market of Pakistan because of abundance of unbranded products. Simple random sampling technique was used to select a sample of 260 individuals. Interviews and Self-administered questionnaires were used to collect data. 224 filled questionnaires were received with a response rate of 88% among which 206 were usable. The data was coded and entered in SPSS version 16. The impact of effective advertisement on brand equity and brand switching behavior were found using Pearson’s correlation to ensure whether there is a positive and significant relationship exists between various dimensions of the advertisement and their effect on brand equity and brand switching behavior.

Results and Discussion

The demographic characteristics of the respondents are as follows in table 1. Table 2 and table 3 present current and previous frequency and percentage of soft drinks brands.

Figure 2 and figure 3 represent the percentages and frequencies of soft drink brands in form of charts which are more vivid and solid presentation of the situation. Coca Cola and Pepsi were the dominant brands in previous and current period.

Table-1
Demographic characteristics of respondents (N=50)

Characteristics	N	Percent
Gender		
Male	105	51.0
Female	101	49.0
Age(years)		
18-25	193	93.7
26-40	12	5.8
41-Above	1	0.5

Table-2
Current Soft Drink Brands

Soft Drinks	Frequency	Percent
Caca Cola	23	57.5
Pepsi	2	5.0
Sprite	2	5.0
Marinda	3	7.5
7up	3	7.5
Dew	2	5.0
Fresher	1	2.5
Nestle	1	2.5
Red Bull	1	2.5
Big Apple	1	2.5
Stings	1	2.5
Total	40	100.0

Table-3
Previous Soft Drink Brands

	Frequency	Percent
Caca Cola	5	12.5
Pepsi	25	62.5
Sprite	2	5.0
7up	4	10.0
Dew	1	2.5
Fresher	1	2.5
Nestle	1	2.5
Benz	1	2.5
Total	40	100.0

Table-4
Correlation Analysis

Variables	1	2	3	4	5
Adv. Effectiveness	1				
Brand Awareness	.566**	1			
Perceived Quality	.450**	.583**	1		
Brand Loyalty	.435**	.617**	.492**	1	
Brand Switching	-.152*	-.146*	-.133*	-.166*	1

** . Correlation is significant at the 0.01 level (2-tailed). * . Correlation is significant at the 0.05 level (2-tailed).

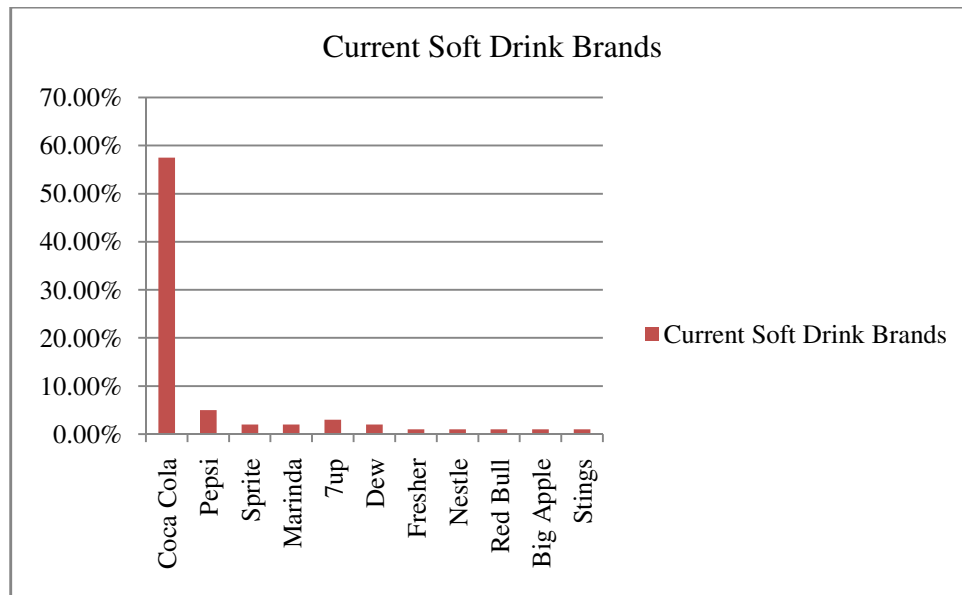


Figure-2
Chart Representation Current Soft Drink Brands

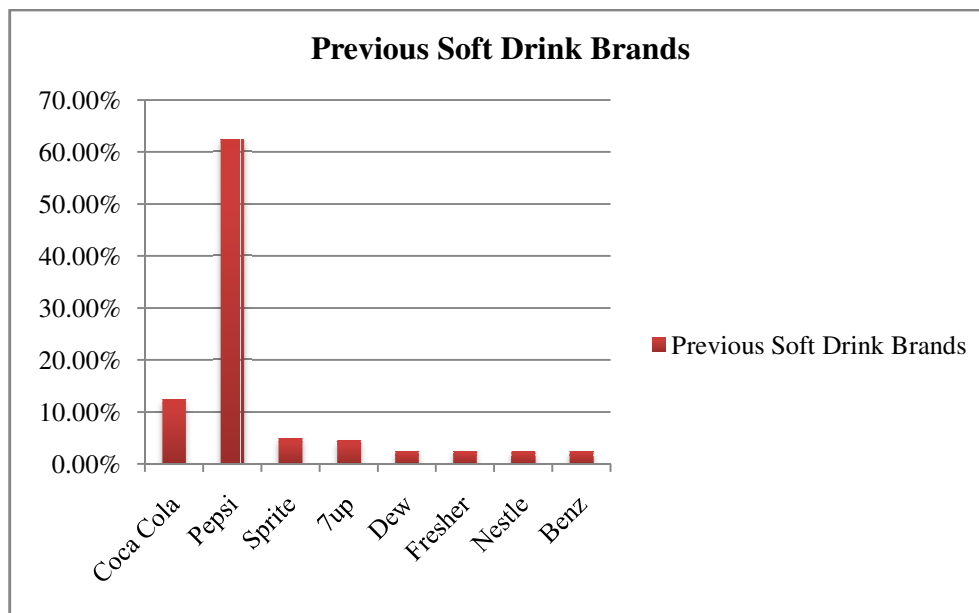


Figure-3
Chart Representation of Previous Soft Drink Brands

The results of Pearson’s Correlation Coefficient (Table 4) showed that Brand Awareness, Brand Loyalty and Perceived Quality have positive and significant relationship with effective advertisement at 0.01 level of significance with “r” scores .566, .583, .492, respectively, but Brand switching has negative relationship with effective advertisement.

Conclusion

It is observed through data analysis of our sample that effective

advertisement is significantly and positively related with the brand equity. According to the dimensions of the brand equity, effective advertisement has a moderate effect on brand awareness. One of the reasons could be that companies are not using all the necessary advertisement modes and economic conditions of the people which inhibit their access to all the communication channels. Brand loyalty and perceived quality has a strong positive relationship with effective advertisement, it has proved that advertisement play its role in an effective way only then companies can create loyalty among their customers

and highlights the quality of their products and services.

Recommendations: In this era of competition, fast moving consumer goods sector (e.g. soft drinks) results in brand switching, due to less risk associated with it. Marketers should follow the approaches that would help them to retain their existing customers and to have an impact on other customers to buy their brands. Companies should focus on enhancing the quality of their products and they should stick to their effective promotional campaigns so that their existing customers do not switch to some other soft drink brand because of dissatisfaction. Advertisements should be completed by using maximum possible forms of media stretching from billboards to television, internet advertisements, kiosks, newspapers and magazines for the purpose of enhancing the brand awareness among customers. Advertisement builds an image on the mind of the customers. Loyal customers have purchase intentions for the same brand. In the meantime, it makes customers conscious about a specific soft drink and tries the soft drink, this occurs in the situation of the brand switching behavior. Effective promotional gears should be used by marketing planner's i.e. perks, which incline the brand switching behavior of people. Additional benefits may include distributing free bottles (samples), event tickets, coupons and the like to build loyalty among the customers and to persuade them for future purchase.

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