The Impact of Brand Equity on Advertising Effectiveness
(Samsung and Snowa brand names as a case study)

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Abstract: Companies spending a considerable amount of money on advertisements to introduce their products to consumers in order to attract their attention and persuade them to prefer their brand. But can these expenses lead to a favorable result? It is assumed that brand reputation affects advertising effectiveness positively. The purpose of this study is to establish a theoretical and empirical basis that shows the impact of brand equity on advertising effectiveness. The citizen of Isfahan city who have watched the target advertisements were the population of the study. Random sampling method was used for collecting data. In order to analysis the relationships between brand equity dimensions (perceived quality, brand loyalty, brand awareness and brand association) and advertising effectiveness, structural equation modeling (SEM) is used. The results indicate that brand equity has a positive effect on advertising effectiveness.

Keywords: Advertising effectiveness, Brand equity, brand loyalty, Perceived quality

1. Introduction
Building a strong brand in a marketplace is the goal of every organization; it provides a host of benefits for a firm, including less vulnerability to competitive marketing actions, larger margins, greater intermediary cooperation and support, and brand extension opportunities (Delgado-Ballester and Munuera-Alemán, 2005). Almost every marketing activity works, successfully or unsuccessfully, to build, manage, and exploit brand equity (Yoo, Donthu, and Lee, 2000). In the past decade, brand equity construct have been focus of a tremendous number of researches (Yoo and Donthu, 2001). Since the late 1980s, the rise of the value-based management philosophy, brand equity has been developed into one of the key marketing concepts throughout management theory and practice (Mustafa Khan, Afroz Shahid and Asif Akhtar, 2009).

An important part of organization’s marketing activities refers to designing and implementation of appropriate advertising programs in order to introduce company’s products and services to target markets and influence consumers. Even though appropriate advertising programs can lead to favorable results such as higher profit driven by higher levels of sales, it is costly. If an advertisement program fulfills its goal, the company could manage the costs and benefits and it can be considered as an investment.

Advertising will only survive and grow if it focuses on being effective. Every advertiser is expecting specific results, based on their stated objectives. Clients expect assurance, and, for the most part, that assurance must lead to or actually produce sales. Advertising must be effective. It must achieve its objectives. Effectiveness of an advertisement is not limited to simply the purchase of a product but rather is extended to a range of psychological and cognitive aspects related to awareness and intention that may play an important role in the purchase decision in a longer time frame (Ramalingam et.al, 2006).

It is commonly accepted that advertising is useful in building brand equity (Keller, 2005). Also advertisement create a favorable attitude toward a brand through a transfer of affect from the ad to the brand (Machleit; Wilson 1988). But it seems that the influence of brand equity on advertisement effectiveness is remained untapped. But it seems that the influence of brand equity on advertisement effectiveness is remained untapped. This study seeks to understand the role of company’s brand equity on advertising effectiveness for two brands of Samsung and Snowa in the city of Isfahan.
2. Literature review

2.1. Brand equity

In the past decade, researchers have paid more attention to the issue of brand equity, since a strong brand provides added value to company's products and makes it different from its competitors. Brand equity is the incremental utility gained by a product or service by virtue of its brand name. Brands high in equity such as Microsoft, Wal-Mart, Lexus, and Citibank have been known to command high degrees of recognition and resulting success (Yoo, Donthu and Lee, 2000). Brand equity can be thought of as a mix that includes both financial assets and associations. Actually, brand equity can be viewed as the value added to the product (Keller, 1993), or the perceived value of the product in consumers' minds (Kimetal, 2008). Brand equity is an important concept in brand management for both theoretical and practical reasons. From a theoretical perspective, it is relevant to understand what key elements make up brand equity (Punj & Hillyer, 2004). Brand equity has many definitions and forms, such as favorable impressions, attitudinal dispositions, and behavioral predispositions (Rangaswamy et al., 1993); brand loyalty, brand awareness, perceived quality, brand associations, and other proprietary brand assets (Aaker, 1991); the added value endowed by the brand name (Farquhar et al., 1991). One important consensus among the definitions is that brand equity is the incremental value of a product due to the brand name (Srivastava and Shocker, 1991). Collectively, brand equity consists of four dimensions: brand loyalty, brand awareness, perceived quality of brand, and brand associations, as proposed by Aaker (1991, 1996) and Keller (1993). In this study, Aaker and Keller brand equity model has been used, which its dimensions are: brand loyalty, brand awareness, perceived quality of brand, and brand associations. These dimensions are explained in following paragraphs.

Aaker (1991, p. 39) defines brand loyalty as "the attachment that a customer has to a brand." Oliver (1999, p. 34) defines brand loyalty as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior." Brand loyalty is considered as one of the most important factors affecting consumer choice (Baldinger and Rubinson, 1996).

Brand awareness refers to whether consumers can recall or recognize a brand, or simply whether or not consumers know about a brand (Keller, 2008). Brand awareness precedes building brand equity (Huang and Sarigollu, 2011). The brand name provides the memory nodes in consumers' minds (Aaker, 1991). Brand awareness includes consumer recognition, recall, top-of-mind awareness, knowledge dominance, and recalls performance of brands, as well as brand attitude (K.H. Kim et al. 2008). Perceived quality is "the consumer's judgment about a product's overall excellence or superiority" (Zeithaml, 1988, p. 3). Therefore it is based on consumers' or users' (i.e., not managers' or experts') subjective evaluations of product quality. The most common definition of perceived quality integrates consumer experience of the service and perceptions of the firm providing the service (Gonzalez, Comesana, & Brea, 2007). As outlined by Netemeyer et al. (2004), perceived quality is considered a core customer based brand equity factor because it has been associated with the willingness to pay a price premium, brand purchase intent, and brand choice. Brand associations are central to brand equity. In conceptualizing brand equity, Keller (1993) depicts attitudes as the most abstract and highest level of brand association. Aaker (1991, p. 109) defines brand associations as "anything linked in memory to a brand" and brand image as "a set of [brand] associations, usually in some meaningful way." Brand associations involving attributes, benefits, and attitudes can be stored in consumers' minds after brand awareness is in their memory (Keller, 1993; Pitta and Katsanis, 1995).

2.2. Advertising effectiveness

Advertising plays an important role in today's competitive world by which organizations communicate with their customers, both current and potential. Companies allocate a considerable part of their sources to advertising (activities). To help evaluate whether or not advertising dollars are earning the best return on investment, it is important to know how effectively advertisement capture and maintain audience attention and engage viewers (De Ros, 2008). One of the most difficult problems faced by advertising agencies, and advertisers, remains the issue of measuring the effectiveness of the advertising they create and run (Hall et.al., 2001).

Advertising effectiveness can be divided into sales effectiveness and communication effectiveness. Sales volume is used to measure sales effectiveness as a gauge, and the level that a message is noticed, understood, accepted and is changing attitude and behavior for measuring communication effectiveness (Tsai and Tsai, 2006). The communication effect is evaluated by advertisement recognition and advertisement attitude. Advertisement recognition is the recall memory of audience, after watching target advertisements, about advertisement content. Advertisement attitude is constant like and dislikes feelings of audience.
towards advertisements after watching target advertisements, which also means the whole opinion of examinees after watching advertisements. Behavioral Goals mean after watching target advertisements, with the motive of advertisements, behavioral goals are triggered; evaluation is made on loyalty and growth on positive behavioral potential of involvement of examinees (Chan, Su and Huang, 2010).

All of advertising campaigns are used to achieve a specific objective. The specific objectives of an advertising campaign may adopt many forms such as (Bendixen, 1993):
- Create awareness of a new product or brand;
- Inform consumers of the benefits of the product or brand;
- Create the desire perceptions of the product or brand;
- Create a preference for the product or brand;
- Persuade customers to purchase the product or brand;

Studies evaluating the linkage between advertising and sales have evolved from simple linear to multivariate linear models and from static to dynamic demand functions. Linear models that link related constructs to product purchase have been the most common approach for describing the relationships between attitudinal dimensions of advertising and actual purchase behavior (Young Kim, Hyeon Hwang and Fesenmaier, 2005). The AIDA framework is a progressive model enabling the classification of behavioral phases related to the act of purchase, indicating the different maturity levels related to this act (Attention – Interest – Desire – Action). The AIDA model was first developed in 1898 by E. St. Elmo Lewis (Petit et.al, 2011). The model consists of four steps including attention, interest, desire and action. The AIDA model is a progressive way of dividing the fact of purchasing into four levels, and advertising is an external way to lead the customer from one step to another (Petit et.al, 2011). According to the model, when an advertisement can be considered to be effective that lead consumers from the first step to the fourth one. It means that an advertisement should be able to attract consumer's attention and thereby makes him (her) aware of existence of the product, then it can interest him (her) to get information about the product's features and create a desire to get benefit from the product, and finally, persuade him (her) to buy the product.

3. Conceptual framework of study
In this research, as noted, we try to investigate the effect of brand equity on advertising effectiveness. The conceptual framework of the study is shown in figure 1 to illustrate relationship between variables and conceptual framework. According to the conceptual framework and what is mentioned in previous parts these hypotheses were developed:
H1: Perceived quality influences advertising effectiveness positively.
H2: Brand loyalty influences advertising effectiveness positively.
H3: Brand association influences advertising effectiveness positively.
H4: Brand awareness influences advertising effectiveness positively.
H5: Brand equity influences advertising effectiveness positively.

![Figure 1. Conceptual framework of the study](image-url)
4. Research methodology

In order to collect the required data for the study, a questionnaire was made based on theoretical framework driven by Aaker and Keller’s model for measuring brand equity and the AIDA model for measuring advertising effectiveness. The questionnaire contains 36 items in which 33 items were assigned to 8 latent variables (attention, interest, desire, action and perceived quality, brand loyalty, brand association, brand awareness) and 3 items to demographics variables. First part of questionnaire measures brand equity which contains 16 questions (1 to 16) and second part is assigned to measure advertising effectiveness (17 to 33). All items in the questionnaire are measured by Likert’s five-point scale. The reliability of the questionnaire which is estimated by the Cronbach’s Alpha Coefficient and it was equal to 0.802 which is in an acceptable range.

The research population contains all citizens of Isfahan city who have seen the advertisements of Samsung and Snowa corporations. Random sampling method was used to have a sample of 200 respondents. A total of 192 usable questionnaires out of 200 were returned, which demonstrates a response rate of 96 percent. The final analysis was performed based on 192 questionnaires. Table 1 addresses the demographic characteristics of the respondents.

5. Results

Confirmatory Factor Analyses were performed to check the validity of the constructs and to determine the related items. CFA on brand equity with 16 items (5 items for perceived quality, 5 items for brand loyalty, 3 items for brand association and also 3 items for brand awareness) and on advertising effectiveness with 18 items (attention 5 items, interest 4 items, desire 5 items and action 4 items) produced the following results: chi-square: 987.06, df= 505, p-value=0.12, RMSEA=0.008, representing suitability of the measures to be used for further analysis.

The research hypotheses were tested by Structural Equation Analyses (SEM) using LISREL. The structural equation modeling technique enables the simultaneous estimation of multiple regression equations in a single framework. Notably; all direct and indirect relationships in the model are estimated simultaneously, and thus the method allows all the interrelationships among the variables to be assessed in the same decision context. Researchers have recommended that a sample size 100 to 200 is appropriate for Structure Equation Model (SEM) analysis, (Bollen, 1989). The sample size in this study was 192, so SEM analysis could be applied. Covariance matrices were analyzed in all cases using LISREL software. The correlation matrix of data is shown in table 2. The result indicates chi-square is 856.86 calculated by LISREL. As degree of freedom is $485, \frac{\chi^2}{df}= 1.77$. Other results based on LISREL’s output are:

- P-value=0.12, GFI=0.93, CFI=0.92, RMSEA= 0.003, NFI = 0.94, SRMR=0.0045.

Such results prove that the proposed model exhibits a reasonably good fit to the data. Figure 2 shows the principal model of research and figure 3 illustrates the results of the hypothesis testing. Circumstantial evidence is used to find out if proposed relationships are significant or not. This circumstantial evidence refers to the proportion of each parameter’s coefficient to the standard deviation error of that parameter which will be significant when it is higher than 2 (t ≥2) in t-test and higher than 1.96 (z ≥ 1.96) in z-test. According to what is mentioned, following results can be extracted:

As expected in the first hypothesis, perceived quality was found to influence advertising effectiveness positively (H1: $\gamma_1 =0.49$, p<0.05). Brand loyalty also has a positive influence on advertising effectiveness (H2: $\gamma_2 =0.72$, p<0.05). The third and fourth hypotheses were confirmed in a same way (H3: $\gamma_3 =0.48$, p<0.05), (H4: $\gamma_4 =0.63$, p<0.05), so brand awareness and brand association can affect advertising effectiveness positively. Thus, all of the research hypotheses were supported (refer to table 2).

6. Conclusion

Measuring the advertising effectiveness has been done for over half a century (Hislop, 2001). In the past researches the emphasis was placed on how advertising effectiveness can affect brand equity. This study focused on investigating the impact of brand equity on advertising effectiveness. Nowadays consumers are the
target of countless ads trying to attract their attention to a specific product, service or even a new idea. On the other hand, companies spend enormous financial and human resources to be known and preferred by consumers. The question of how advertising affects consumer behavior represents one of the most complex and intriguing aspects of understanding in marketing (Meenaghan, 1995). In other words, marketers are interested to know if their attempts are achieving the established objectives or not. The idea proposed in this study is that brand equity as a relational market-based asset (Ballester and Aleman, 2005) provides an image from the company in consumer's mind which can influence this desirable effectiveness. We considered brand loyalty, perceived quality, brand awareness, and brand associations as the dimensions of brand equity based on Aaker and Keller's model. We also used the AIDA model to measure advertising effectiveness. Factor analysis was used to find out the validity of the questionnaires and the outputs were subsidiary. The conceptual model of the research was developed based on proposed hypotheses using structural equation modeling and was found suitable according to LISREL's output. In accordance with the results all of the proposed correlations were found statistically significant. Therefore, the main conclusions based on the data analysis are presented:

- Consumer's commitment to rebuy or patronize a preferred product/service driven by brand equity which is called brand loyalty can influence advertising effectiveness.
- In the same way it is confirmed that perceived quality which is consumer's judgments about a product's overall excellence or superiority affects advertising effectiveness positively.
- Advertising effectiveness can be influenced by this issue that whether or not a brand name is recognized and recalled and known by the consumers. The higher the levels of brand awareness, the more effective designed advertisement.
- Finally, brand image including attributes, benefits, and attitudes stored in consumers' minds driven by brand awareness which is known as brand associations can influence the effectiveness of a company's advertisements positively.

Given the fact that the brand represents for the consumer a specific articulation of product performance attributes and advertising represents a most potent source of brand identity (Meenaghan, 1995), it would be worthy for the companies and researchers to investigate the correlations between these concepts and benefit it's operational consequences. Previous researches have focused on the impact of advertising effectiveness on brand equity. This study provides empirical results for marketers and advertisement designers focusing on the importance of brand equity and this issue that how can it affect advertising effectiveness.
References


Annexure

Figure 2. Principal model of research
<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Female</td>
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<td>Male</td>
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<table>
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<tr>
<th>Age</th>
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<td>31-40</td>
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<td>16.1</td>
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<td>41-50</td>
<td>23</td>
<td>12</td>
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<td>More than 50</td>
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<table>
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<th>Educational status</th>
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<tr>
<td>High school</td>
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<tr>
<td>Diploma</td>
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<tr>
<td>Bachelors</td>
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<td>36.5</td>
</tr>
<tr>
<td>Masters &amp;Ph.D</td>
<td>60</td>
<td>31.2</td>
</tr>
</tbody>
</table>

Figure 3. Model of adjusted index of T

Table 1. Sample demographic characteristics
<table>
<thead>
<tr>
<th>Goodness-of-fit indicate</th>
<th>Coefficient</th>
<th>T-value</th>
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</thead>
<tbody>
<tr>
<td>perceived quality</td>
<td>Advertising effectiveness</td>
<td>0.49*</td>
</tr>
<tr>
<td>brand loyalty</td>
<td>Advertising effectiveness</td>
<td>0.72*</td>
</tr>
<tr>
<td>brand awareness</td>
<td>Advertising effectiveness</td>
<td>0.48*</td>
</tr>
<tr>
<td>brand association</td>
<td>Advertising effectiveness</td>
<td>0.63*</td>
</tr>
</tbody>
</table>

**External goodness-of-fit**

<table>
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<tr>
<th>Metric</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>GFI</td>
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</tr>
<tr>
<td>RMSEA</td>
<td>0.003</td>
</tr>
<tr>
<td>CFI</td>
<td>0.92</td>
</tr>
<tr>
<td>NFI</td>
<td>0.94</td>
</tr>
<tr>
<td>SRMR</td>
<td>0.0045</td>
</tr>
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</table>

Notes: CFI = comparative fit index; GFI = goodness of fit index; SRMR = standardized root mean square residual; RMSEA = root mean square error of approximation; * p< 0.05.

Table 2 : analysis of results