

The effect of promotion type and Promotional Benefit Level on brand image

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Abstract

Sales promotion is one of the seven aspects of the promotional mix that adopts short Term, non-recurring methods to boost up sales in different ways. In this paper, an attempt has been made to analyze the effect of different sales promotion types on brand image and the moderating role of Promotional Benefit Level, This research uses a cross-sectional experiment to manipulate promotional benefit level, type of promotion and measure the brand image, The results obtained suggest that at high benefit levels and moderate benefit level there are not differences between the effect of promotion type on brand image. The findings offer guidance to managers who might benefit from knowing what is the best strategy to promote their products and services. Our work also extends prior related research because, to this date, the effectiveness of price discounts and premiums across promotional benefit levels is an under-researched issue.

Keywords: Free gift, price Discounts, promotional benefit level
Paper type: Research paper

1-Introduction:

Companies recognize the importance of sales promotion as a tool to achieve short-term aims (Huff.et al, 1999). Consequently, sales promotion is increasingly gaining relevance within company communication programs. Nevertheless, although promotions may prove to be useful for a rapid sales increase, these marketing tools have long-term effects. Several researchers have revealed that the frequent use of promotions may have a negative effect on the expected product price and the promoted brand image (Raghubir &Corfman, 1999), However, other authors have verified that these effects may differ according to the promotion tool used. Thus, price promotions – such as discounts or coupons- may have a detrimental effect on brand image, whereas non-monetary promotions –i.e. gifts or contests- do not damage brand image and may even help to create it (Mela.et al, 1997).

First,the effects of promotions on brand image are reviewed. The potential moderating variables are studied and hypotheses formulated. Next, the methodology to verify hypotheses and the results are presented. Finally, the paper concludes with limitations and recommendations for future research.

2-THE EFFECTS OF PROMOTIONS ON BRAND IMAGE:

Different types of promotional tools may have different effects on sales, profitability or brand equity (Srinivasan &Anderson, 1998). In the analyses of these differences numerous studies distinguish between monetary and non-monetary promotions because each of these categories has clearly differentiated costs and benefits (Chandon.et al, 2000)

Monetary promotions, or price promotions, are those actions which allow the consumer to purchase a product at a lower price than usual. Several studies stress the long-term risks and negative effects of these promotions (Diamond and Campbell, 1989) The first argument that would explain why monetary promotions have a negative effect on brand image is that these actions diminish the internal reference price (Kalwani and Yim, 1992). This lower reference price will reduce the perceived brand price, resulting in lower brand equity (Blattberg et al., 1995),also (Montaner&Pina,2008) concluded that monetary promotions reduce consumer's expectations regarding the regular price of the product and reduce brand image assessments of the promoted product, on the other hand (Ramos

and Franco) show that price deals have not any effect on brand image, also (Sinha & Smith, 2000) concluded that the price discount (50%) for one time does not reduce the reference price.

Non-monetary promotions embrace a vast variety of actions where the incentive is not directly evidenced in a lower purchase price. Unlike price promotions, both in professional and academic contexts, these types of promotions have been recommended because not only do they have a harmless effect on brand image (Mela et al, 1997), but they may help to reinforce it.

The first reason why non-monetary promotions would not have negative effects on brand images is that its frequent use does not affect consumer internal reference prices. Unlike monetary promotions, the promotional incentive is not integrated in the product price so this type of action is unlikely to entail a reduction of the consumer reference price (Campbell & Diamond, 1990). Furthermore, (Mela et al. 1997) verified that these promotions made brand-loyal customers less sensitive to price.

On the other hand, non-monetary promotions may improve image in the long term, generating differentiation (Papatla & Krishnamurthi, 1996) and helping brands maintain their competitive position. These actions often contain messages about the brand which enable an increase of knowledge without information about the price. (Mela et al, 1998) observed a positive, though not significant, relationship between the use of non-monetary promotions and brand differentiation. Besides, this type of action does not modify brand loyalty (Gedenk & Neslin, 1999), also (Montaner & Pina, 2008) concluded non-monetary promotions do not modify the expected regular price of the product and increase brand image assessments of the promoted brand, (Palazon & Delgado, 2005) show that Non-monetary promotions have more positive effects on brand knowledge than monetary promotions, this leads to H1

H1: Free gift has more positive effect on brand image than price discount

3- Promotional Benefit Level and Consumer Information

Processing:

Different promotional framings (e.g., price discounts or free gift) are not the only factor

affecting how consumers judge promotions. The benefit level is also an important characteristic that determines the evaluation of a specific promotion. Grewal, Marmorstein, and Sharma's study (1996) is probably the first to delve into the effect of discount size on consumers' level of processing and hence on consumer reactions in a promotional context. Specifically, these authors suggested an inverted U explanation of consumer information processing regarding consumer reactions to price promotions. Thus, when price discounts are low, consumers are unlikely to process information extensively, since the price promotion has little monetary value. Similarly, when price discounts are high, consumers do not process information extensively, since there is less uncertainty about the merits of the deal.

However, in situations where moderate discount levels are involved, there is greater uncertainty regarding the deal, and therefore consumers are expected to process information more elaborately. This premise is also consistent with Thaler's (1985) Silver Lining Principle. It postulates that individuals carry out a specific mental accounting depending on the size of the promotion, and this mental accounting results in the integration or segregation of the benefit derived from the promotion. Several studies have applied this perspective and concluded that, depending on the promotional benefit level, consumers are willing, able, and motivated to expend the cognitive resources necessary to integrate promotional information and product price (Hardesty & Bearden, 2003).

Although information processing theories, Prospect Theory, and price acceptability functions have been extensively applied to explain the evaluation of price promotions, little effort has been made to explain how consumers evaluate non price promotions across different benefit levels, and the existing studies focus on bonus pack as a type of nonmonetary promotion (see Diamond, 1992; Hardesty & Bearden, 2003). However, (Peattie, 1998) suggests that an extra quantity of the product is a monetary promotion because it is value-increasing, since it manipulates the price-quantity relationship as price discounts do. On the other hand, premium promotions can be considered a nonmonetary stimulus because

they are value-adding and they do not manipulate the quantity/price equation. Consequently, we analyze whether consumers have different reactions to alternative promotional offers (price discounts and free gift) at different levels of benefit.

3.1-Promotional Effectiveness at “High” Benefit Levels:

When price discounts are high, consumers are also predicted to be unlikely to process information extensively since there is less uncertainty about the merits of the deal (Grewal et al, 1996), According to (Hardesty & Bearden, 2003) When the promotional benefit level is high, price discount promotions are valued more highly than bonus pack promotions. Thus, price discounts might be better than bonus pack promotions when large discounts are offered, also (Palazon & Delgado, 2009) concluded that when the promotional benefit is high the price discounts are more effective than premiums because they are valued more, and generate higher buying intentions, this leads to H2:

H2: The effect of price discount on brand image will be stronger at high level of promotional benefit than free gift.

3.2- - Promotional Effectiveness at “Moderate” Benefit Levels:

At moderate benefit level past research has not found differences in the effectiveness of different promotional tools (Hardesty and Bearden, 2003; Nunes and Park, 2003)

Because, according to the rationale of the U-inverted function proposed by Grewal et al. (1996), at this level consumers are expected to process information more elaborately or thoughtfully. Therefore it reduces the potential for miscomprehension and skepticism, resulting in a similar evaluation of equivalent price discounts and premiums. This leads to H2:

H3: At “Moderate” promotional benefit levels: The Brand image for free gift and price discounts are equal

4. METHODOLOGY:

In this study, 2 promotional benefit level (Moderate, high) x 2 promotion type (price discount, premium) between-subjects experimental design was employed. The data for the empirical study were obtained from a

controlled experiment involving undergraduate and post graduate students

4.1 Pretests to the Treatments’ Design:

Different pilot studies were conducted to choose the product category to be used and to select the discount levels and the premium the first pretest involved 72 subjects, and 9 products were pretested. These products were chips, toothpaste, soap, chocolate, coffee, shampoo, soft drinks, and noodles. Subjects responded to a set of items to measure the hedonic or utilitarian nature and the interest in these products. The hedonic or utilitarian nature of the product was measured with three 7-point semantic differential scales based on Wakefield and Inman (2003) Soft drink was finally chosen as the focal product, (see Appendix I for scale items and Appendix II for further information about the pretest).

The use of a purely hedonic or utilitarian product was deliberately avoided to prevent possible congruencies between the promotion and the product that may enhance one type of promotion over another (Chandon, Wansink, & Laurent, 2000). The second pretest involved 60 subjects and sought to guide the selection of the premium used as a nonmonetary incentive. A total of 12 different premiums were pretested. Four measures were obtained for each premium: attractiveness, value, utilitarian or hedonic nature, and perceived fit between the premium and the main product (Soft drink). These premiums were: a backpack, a t-shirt, an alarm clock, a CD rack, football, it was of interest to select a premium that was neither very attractive nor especially unattractive to avoid the possibility that this characteristic would determine the effectiveness of one type of promotion over another.

The fit between the premium selected and the product used in the study was also controlled. The use of a purely hedonic premium was avoided because it could have enhanced the deal by making the benefits congruent (Chandon, Wansink, & Laurent, 2000) and because receiving something people could not justify buying for themselves may have enhanced the attractiveness of the premium (Nunes & Park, 2003).

Based on this procedure, the Football was selected, and the monetary value assigned to it was \$2 (see Appendix II).

Table 1: Promotional Conditions.

Promotional benefit level	Sales promotion tools	
	Monetary promotion	Non –monetary promotion
High	12 cans of soft drink (330ml) Regular price:4,2 \$ 50 percent discount	5 bottles of soft drink(2,25L) Regular price:4,2 \$ Foot ball
Moderate	24cans of soft drink (330ml) Regular price:8,4 \$ 20 percent discount	10 bottles of soft drink(2,25L) Regular price:8,4 \$ Foot ball

4.2 Measures:

The dependent variable (Brand image) was evaluated on a 5-point Likert scale, anchored by “Disagree Strongly” and “Agree Strongly. Brand image was measured with five items based on Montaner & Pina (2008). The items were as follows :1- The products have characteristics that other brands don't, 2-The brand is nice, 3-The brand has a personality that distinguish itself from competitor s' brands , 4- It's a brand that doesn't disappoint its customers, 5-It's one of the best brands in the sector.

4.3 Sample and Procedure:

Data were collected from a 320-student sample at higher institute of business administration (Syria). The Students were distributed in four similar size groups which were actually practice groups of a subject. The Information to contrast hypotheses was obtained by means of a survey adapted to the experimental Conditions of each group. At the beginning of the session each participant was given a questionnaire with Two differentiated parts and they were asked to complete the first part. After this, a PowerPoint presentation Which simulated the purchase conditions of the product and brand corresponding to each group was Performed in the classroom. At the end of the practical session, the participants had to answer the second Part of the survey. The experimental groups and the treatments are summarized in table2.

Table 2 sample distribution by promotional scenarios

Promotional benefit level	Sales promotion tools	
	Monetary promotion	Non –monetary promotion
High	85	75
Moderate	75	85

4.4 Manipulation Check:

Manipulation check shows the adequacy of the treatments.

A-Promotional benefit level: An ANOVA indicated that for price discounts the perceived benefit varied across levels ($F=34,148$, $\text{sig}=0.001$). Each pair wise comparison was significant (LSd test $< 0<05$, $X_{\text{moderate}}=4,43$, $X_{\text{high}}=5$). Similarly, an ANOVA indicated that for the premium offer the perceived benefit varied across levels ($F=34,148$, $\text{sig}=0.001$). The post-hoc test showed that the pair wise comparison was also significant (LSd test $< 0<05$, $X_{\text{moderate}}=3,6$, $X_{\text{high}}=4,7$).

B- The creditability of promotional scenarios: the credibility of each promotional scenario was tested with a 7-point semantic differential scale with endpoints of "Not Believable" and "Believable." The promotional conditions were perceived as believable (overall mean =5,20). Each of the individual promotional evaluations exceeded the neutral point, and the credibility ratings ranged from 4,8 to 5,6.

5- Hypotheses test :

H1a posits that Free gift has more positive effect on brand image than price discount, T test result shows that there are not significant differences between the effect of promotion type on brand image ,that lead to reject (H1) as table (3) shows.

Table (3) the effect of promotion type on brand image

Dependant variable	Price discount		Free gift		T test	
	M	SD	M	SD	T	Sig
Brand image	3,81	0,55	3,85	0,8	-0,743	0,464

To test H2 and H3, an ANOVA was conducted for dependent variable, focusing on the interaction between Promotion type and promotional benefit level. After that, the simple effects driving the interaction were Obtained. The ANOVA including brand image as dependent variable and promotion type and benefit level As independent factors indicated significant main effects of promotional benefit level ($F=14,585$, $p=0,00$). However the effects of promotion type is not significant ($F=0,287$, $p=0,589$), also the interaction between the Two experimental factors was not significant ($F=0,004$, $P=0,985$).

To assess whether there is empirical evidence for H2, H3, comparisons across promotional benefit levels were performed.

H2 posits that effect of price discount on brand image will be stronger at high level of promotional benefit Than free gift, and table 5 shows that the differences between them are not significant, that lead to reject H2.H3 posits At "Moderate" promotional benefit levels The Brand image for free gift and price discounts are equal, and table5 shows that the differences between them are not significant, H3 was supported Empirically.

Table4. The effect of interaction between sales promotion and promotional benefit level

Dependant Variable	Sales promotion		Promotional benefit level		Sales promotion* promotional benefit level	
	F	Sig	F	Sig	F	Sig
Brand image	0,278	0,589	14,588	0,00	0,004	0,951

Table5. Means, Standard Deviations, and Test of Significance

Dependant Variable	Sales promotion	Promotional benefit level			
		High		Moderate	
		M	SD	M	SD
Brand image	Price discount	3,72	0,62	3,93	0,45
	Free gift	3,74	0,81	3,95	0,78
	Sig	0,991		0,982	

6- Conclusions and implications:

Marketers spend an enormous amount of time finding out what consumers really want and what promotions will be most effective. Given the very large expenditures allocated to sales promotion tools, understanding what strategy to use for a given promotional cost/value remains important. Thus, one of the basic decisions confronting a manager, when implementing a promotion, is the type of promotion to be used and the benefit to be offered to consumers. Therefore, it is a very relevant issue for both academics and researchers to understand

What promotional tool (monetary vs. nonmonetary) works better at a given promotional benefit from the perspective of consumers' reactions. In this sense, one of the most interesting contributions of this research is that, even between two equivalent promotions, "low" and "high" benefit levels can lead subjects to infer

Different values for monetary and nonmonetary promotions

the results obtained show there are not significant differences between promotion type on brand image at all promotional benefit levels. As suggested in the literature reviewed, the effect of sales promotions on brand image differs according to the type of promotional tool used in the long term (Montaner & Pina, 2008), but in short term there are not differences between the effect of monetary and non monetary promotions on brand image, because the monetary promotions don't lower the reference price of product in short term (Sinha & Smith, 2000), also the non-monetary promotions don't depend on price – quantity equation and haven't effect on reference price.

7- Limitation and Future research:

The current study represents a small step toward understanding consumers' response to sales promotions and therefore the effectiveness of different promotional tools. This research investigates just one type of monetary and nonmonetary promotion, price discount and premium. However, due to the high number of promotional tools (e.g., bonus pack, sweepstakes, and so on), it is possible that these results may not generalize to other tools. Therefore, future research is needed to identify how different promotional tools work.

Also we need to study the nature of the premium offered (e.g., hedonic or utilitarian) is of special

relevance because it can influence the evaluation of a promotional offer and determine the arousal of affective and cognitive responses in the evaluation process. Also we need to extend this work to study the effect of promotion type on brand image in long term.

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APPENDIX I:

Scale Items: Hedonic or utilitarian nature of the product category ($\alpha=0.82$) "Think of the situation in which each product is typically used": Practical purpose/just for fun Purely functional/pure enjoyment For a routine need/for pleasure

APPENDIX II

Table A. Pretest 1

Product categories	Hedonic/Utilitarian Nature
chips	5,56
Toothpaste	2,49
soap	3,10
noodles	3,93
Shampoo	2,68
coffee	5
Soft drink	4,81
chocolate	5,63

The Premium	Product-premium fit	attractiveness	Hedonic/Utilitarian Nature	Monetary Value
backpack	3,33	4,46	4,5	4,5\$
t-shirt	3,37	5,38	4,6	3\$
an alarm clock	2,59	3,96	2,1	2,4\$
CD rack	3,47	3,50	4,8	1,5\$
football	4,01	4,32	4,4	2\$
Sport hat	3,51	4,60	3,6	1,8\$