THE EFFECT OF THE MARKETING COMMUNICATION AND PRICE PROMOTION TOWARD BRAND EQUITY

Angga Rie Marcel
Student of Graduate Studies, Master of Management, D Building, VII Floor
Jl. Kiai Tapa No. 1 Grogol, West Jakarta 11440
email: pascasarjana@trisakti.ac.id, Phone: (021) 5674166, Fax.: (021) 5668640

ABSTRACT

The background of this research: "Marketing Communication is a subject that students often equate with advertising. Hence, the challenge for authors is to write a text that addresses advertising, without demoting other aspects of marketing communications to significance. Researches present advertising and promotions as two major, distinct elements of Marketing Communications, with personal selling as related areas that are managed in a separate but consistent fashion." The objective of this research: "Is there an impact of Marketing Communication and Price Promotion on Brand Equity of Cigarettes Product?" The design of this research applies hypothesis testing to examine all hypotheses in this study. The methods used in this study were correlation research; it's trying to explore the important variables associated with the problem. Data analysis used in this research was collected by distributing questionnaires which are distributed on 200 respondents in campus, coffee shops, lounges, and offices in Jakarta. There were 180 respondents of which 158 completed and usable for analysis by multiple regressions. The result of this research conclude that Kohli, Jaworski and Kumar's market orientation scale provided a good measure of market orientation in this setting. Also the result of analysis indicated a significant link between marketing communication, price promotion and brand equity in cigarettes product. The managerial implications are discussed.

Keywords: Brand awareness, brand equity, brand loyalty and brand image, perceived quality, perceived advertising spending, price deals.
INTRODUCTION

Viewed from two different perspectives, the globalization of markets expand production of the enterprise sector in the State, and on the other hand, the situation led to increasing competition among companies both domestic and competition with foreign companies. This phenomenon has created a climate of fair competition at all is very new, whereas in this new era of globalization will increasingly drive the economy of a state system to a market mechanism is positioned market participants to always develop and seize market share and one to reach these assets is through brand (Wikipedia, the free encyclopedia). With the increasing number of market players, also increases the sharpness of competition-competition among the brands that operate in the market and only products that have strong brand equity that will be able to compete, win and dominate the market. Thus the importance of the role of brand equity as the basis for determining the pace and strategy of marketing a product that often times brand equity into a deep study. The stronger the brand equity of a product or service also strengthened its appeal where the consumer to consume such products or services which can accompany the consumer to make purchases and deliver the company to reap profits from time to time.

Marketing Communication is a subject that is often equated with the Advertising. Therefore, this study separates the Advertising and Promotion as 2 separate elements of the Marketing Communication, by Public Relations and Personal Selling in the area of inter-related and dealt with separately but consistent. Therefore, the company currently more emphasis on consumer orientation or also called customer focus where the company focuses on the apparent activity and production of consumer needs (Dewhirst T. and Davis D., 2005). The Next Big Thing in the concept of marketing that is directed on the product or idea that can generate a high level of sales for these products through product innovation approach, where the company focuses on product innovation and then try to develop a market for that product. Although the number of the factors that influence the customer-base products include brand equity, price, and distribution. This study only focuses on marketing communication elements consisting of Perceived Advertising Spending, Price Deals, Perceived Quality, Brand Loyalty, Brand Awareness and Brand Image that directly affect the brand equity. The purpose of this research is to explain how the elements of the marketing communication mix in building strong brand equity by increasing brand awareness and brand image.

Previous research conducted by Angel F.Villarejo-Ramos, Manuel J Sánchez-Franco (2005) examined the influence of marketing communication on several dimensions of brand equity: Perceived Quality, Brand Loyalty, Brand Awareness, and Brand Image. Therefore, this study will discuss the influence of Marketing Communication (Advertising Spending Perceived) and Price Promotion (Price Deals) against the components of brand equity (Perceived Quality, Brand Loyalty, Brand Awareness and Brand Image). Formulation of the problem can be stated as follows: (1) Is Perceived Advertising spending for the brand product positively affects the perception of the brand equity? (2) Is Price Deals used by the company negatively affect the perception of the brand equity? (3) Is Perceived Advertising spending for the brand product positively affects the perception of the brand? (4) Is Perceived Advertising spending for the brand product positively affects perceptions
of Brand Loyalty? (5) Is Perceived Advertising spending for the brand product positively affects the perception of brand awareness? (6) Is Perceived Advertising spending for the brand product positively affects the perception of the brand image? (7) What is the use of Price Deals for the brand have a negative effect on Perceived Quality? (8) What is the use of Price Deals for the brand have a negative effect on the image? (9) Does Brand awareness is higher positively influence the formation of brand image?

The purpose of this study are: (1) To know the effect of Perceived Advertising Spending for the brands of products to the perception of brand equity (2) To determine the influence of Price Deals used by the company against the perception of Brand Equity (3) To know the effect of Perceived Advertising Spending for the brands of products to the perception of Brand (4) To know the effect of Perceived Advertising Spending for the brands of products to the perception of Brand Loyalty (5) To know the effect of Perceived Advertising Spending for the brands of products to the perception of brand awareness (6) To know the effect of Perceived Advertising Spending for the brands of products to the perception of brand image (7) To observe the effect of Price Deals for Branded to Perceived Quality (8) To observe the effect of Price Deals for Branded to Image (9). To determine the influence of a higher brand awareness to the formation of brand image.

With this research are expected to help company managers to be aware of where the brand assets that need to be developed, strengthened and maintained in an effort to provide maximum value to customers and establish consumer views always remember the brand of products offered by the company. Also by doing this study could also presumably add to the knowledge, insight and experience for researchers of marketing management related to marketing communication strategy in increasing the brand equity of products and services offered.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Brand

Branded as one of the main components in a product strategy). According to the American Marketing Association “is the brand name, term, sign, symbol, design or combination of Them, intended to identify the goods or services of one seller group of sellers and to differentiate Them from those of competitors”.

Brand equity

At lately been a lot of practitioners or market participants who devoted his attention to the concept of brand equity. Brand equity represents a condition in which consumers are familiar with the brand and reminds you of something unpleasant from the brand.

Brand Awareness

Brand awareness plays an important role in consumer decision-making, three main reasons the importance of brand awareness among other things: (1) Influencing consumer about the brand when
they think about the product category, (2) Brand awareness can affect decisions about brands in the consideration set even though the essentially not in the brand association.

The role of brand awareness in brand equity depends on the achievement levels of awareness of consumer minds. The level of brand awareness in a sequence can be described as a pyramid as follows (Aaker 2000):

Figure 1: Pyramid Brand Awareness

![Pyramid Brand Awareness Diagram]

Explanation of the pyramid brand awareness (brand awareness) from lowest to highest level are: (1) Unaware of Brand (Not aware of the brand), (2) Brand Recognition (brand recognition), (3) Brand Recall (Reminder back on brand), (4) Top of Mind (Top of mind). The role of brand awareness on brand equity can be understood by how the brand awareness created value. This creation can be done by: (1) Anchor to which other cans association be attached, (2) Familiarity - Linking, (3) Substance/Commitment, (4) Brand to Consider.

Brand Awareness can be achieved and improved in various ways as follows: (1) The message conveyed must be easy to remember than others and should be no relationship between the brand with the product category, (2) Wearing a slogan or jingle interesting song that helps the consumer to remember the brand, (3) If the product has a symbol, a symbol that is used should be linked to its brand, (5) Brand Awareness could be strengthened by wearing an appropriate product category, brand or both, (6) Perform repetitions separately to improve the way the form of admonishment.

**Perceived Quality**

Perceived quality according to Aaker (2000) is a customer perception of overall quality or superiority of a product or service related to the expected purpose. Aaker also believes Perceived quality is one of the key dimensions of brand equity than this is the main axis in the overall research approach for measuring brand equity. Definition of brand association according to Aaker (2000) are all things related to brand recall. This association not only exists, but it also has a level of strength.
**Brand Loyalty**

Brand loyalty will be achieved when the targeted customers know about a positive image of the brand that has been formed in their minds (Faircloth et al. 2001), levels of customer preference for a brand occurs when a brand has given a more positive impression in the mind customers, the level of a customer loyalty towards a brand will be different from one another. While the perceived quality can be defined as customer perception of overall quality or superiority of a product or services in respect of the expected mean (Faircloth et al., 2001). Brand loyalty is an ongoing process between forward and sustain the important and close relationship that is created because of the trust (Chaudhuri and Holbrook 2001).

**Brand Image**

Although no view of how to measure brand image by Aiker (2000) basically brand image is defined as consumer perceptions of overall quality or superiority of a product or service in accordance with what is expected. This study intends to look at how the influence of variables studied were the effects of Marketing Communication (Advertising Spending Perceived) and Price Promotion (Price Deals) against the components of brand equity (Perceived Quality, Brand Loyalty, Brand Awareness and Brand Image) on tobacco products.

![Conceptual Framework](image)

*Identification of the structural model of brand equity is influenced by differences in the marketing efforts made by the company. Causality condition of the formulation of this hypothesis that explains the direct effect of marketing communications on brand equity, and the effect of the Marketing Communication in the dimension of brand equity.*

*H1: Perceived Advertising spending to influence perceptions of product brand Equity*

*H2: Price Deals used by the company affect the perception of Brand Equity*

When consumers feel that higher spending on advertising (advertising), this influence and role in consumer perception of the level of confidence in the product which is owned by the marketing
manager, and when consumers already feel the spending on advertising has a positive effect, then not only the brand equity alone, but also against each element consisting of: Loyalty, Awareness, Perceived Quality and brand image will have positive effects as well.

Relations between Perceived Quality and Spending on Marketing Communication, has been justified in different studies. The first study has concluded that the Marketing Communication is one of the external indicators of Product Quality, and then in subsequent research shows there are good relations between Marketing Communications Spending by companies on brand investments, which involve a higher perception of quality. The relationship between investment in marketing communications and quality not only affects the quality of Quality Brand, but also support purchasing decisions by continuously increasing the value of the product.

H3: Perceived Advertising spending to influence the perception of product brands Brand Perception

Perceptions of Advertising spending which require high cost. First, it raises the possibility of a brand introduction into the group or groups that describe alternative that consumers should choose. Second, simplified decision making process at the same time to create consumer habits, and the last is the Brand Loyalty becomes a possibility.

H4: Perceived Advertising spending to influence perceptions of product Brand Loyalty

Levels of Advertising spending has been found to have a positive relationship with advertising recall, which is a measure of the Brand. Brand awareness through marketing communication reach and, as a part of it, advertising as a major promotional tool for consumer products in the market.

H5: Perceived Advertising spending to influence perceptions of product Brand Awareness

Associations linked to the brand is a picture message which can be recognized by consumers after they are sent by the company concerned. Positive associations, forming a high brand image transmitted to consumers through advertising and advertising strength.

H6: Perceived Advertising spending to influence perceptions of product Brand Image

Selling success in general, and especially price deals, it has been considered to weaken brand equity, although in the short term benefit to consumers. Therefore, it is a wrong way to build a strong brand, and can be easily imitated and neutralized by competitors (Aaker 2000). In addition, they can make the customer feel the short-term gains only., which ended when the contract is completed. Activities based on falling prices could put in danger by using the brand of consumer confusion, instability and variability led a description of the quality that is not stable. Regarding this issue, using price deals mean facing a decay in the property rights perceptions of brand equity in two of the Brand Quality and Image. Therefore, the hypothesis established is:

H7: Use of Price Deals for brand affect Perceived Quality.
H8: The use of Price Deals for influencing brand image.

There is no relationship that had been listed among the Price Deals and other dimensions of brand equity: Loyalty (loyalty) and Brand awareness (brand awareness). Although Price Deals encourage consumers to make repeat purchases, Pseudo-Loyalty appears to be associated with the allure of Price Promotion; when the campaign is completed, consumers are not interested in the brand.

Finally, as stated by Aaker (2000), Brand Awareness indirectly affect behavior, like it has a positive effect on perceptions and attitudes towards the brand. Moreover, a link is assumed between Brand Associations different image repair. A hypothesis that establishes a relationship between brand awareness and brand image are:

H9: Brand awareness is a higher influence the formation of brand image.

METHODS

The design of the research method used is the method of hypothesis testing. According to Herman (2003). This study aims to test the nine hypotheses. This study used cross-sectional research or research a snap shot (one scene) with the survey method. Market orientation consists of 7 variables will be measured by reference to research Kohli, Jaworski and Kumar (1993). The 7 variables were Perceived Advertising Spending is measured by seven indicators, Price Deals measured using 7 indicators, Perceived Quality was measured using 9 indicators, Brand Loyalty menggunakan11 indicators measured, using 4 indicators for Brand Awareness, Brand Image using 5 indicator, using 5 indicator Brand Equity. Measurement scale used for each statement in the questionnaire is 5 Likert scale, ie the number 1 (strongly disagree) to item 5 (strongly agree). Data collection was conducted on respondents in the coffee shop, lounge, campuses and offices are located in Special District Capital of Jakarta.

The samples were selected as respondents for this study were smokers aged 18 and over. Sample withdrawal method used in this study is the technique of non-probability sample withdrawal (Non-Probability Sampling), using the procedures for withdrawal of samples based on convenience (Convenience Sampling) and withdrawal of samples based on the snowball principle (Snowball Sampling) (Herman, 2003). Number of sampling is based on the suggestions proposed by Hair et al. (2006) which advocated the withdrawal of samples in a multiple regression requires a minimum of 50-100 samples. The number of questionnaires used is 158.

Test Instruments Research.

Test Reliability. Reliability is a term used to indicate the extent to which a relatively consistent outcome measurement. Criteria testing is done by looking at the Cronbach Alpha coefficient. An otherwise reliable research instrument if it has an alpha value greater than 0.60. Based on the results of reliability test on the instruments the variables perceived advertising spending, price deals, perceived quality, brand loyalty, brand awareness, brand image and brand equity of visits
Cronbach’s Alpha greater than 0.6, so it can be concluded all the items of questions that measured their reliable.

**Test validity.** The validity of measurement instruments related to whether we using measure what should be measured (Herman, 2003). This research uses the validity of the construct validity using correlation method Kaiser Meyer-Olkin Measure of Sampling Adequacy where the MSA is acceptable is a value that more than 0.5 (Hair et al., 2006) and research uses the Barlett’s Test with significant value p = 0.000.

**Method of Data Analysis.** This study is a quantitative research design hypothesis testing (hypothesis testing) with multiple statistical methods regression.

### RESULTS AND DISCUSSIONS

Levels of Significant (α) is set at 10%, which means that the tolerance limits of acceptable error is 10%. If the p value obtained from the research <0.10, it can be concluded that the independent variables have a significant impact on Dependent Variables

| Hypothesis | Variable       | Estimation Parameter | T_{count} | p_{value} | Decision   |
|------------|----------------|----------------------|-----------|-----------|------------|
| First      | IG - OP        | 0.76                 | 9.21      | < 0.10    | Ho Rejected|
| Second     | ID - OP        | 0.60                 | 7.34      | < 0.10    | Ho Rejected|
| Third      | Resp - OP      | 0.33                 | 3.80      | < 0.10    | Ho Rejected|
| Fourth     | OP - KB        | 0.92                 | 6.79      | < 0.10    | Ho Rejected|

IG = Inteligencie Generation; ID = Intelligence Dissemination; Resp = Responsiveness
MO = Market Orientation; BP = Business Performance

The first hypothesis, was conducted to examine the influence of intelligence generation towards market orientation. Once tested, turned out to lambda coefficient is positive and significant (λx11 = 0.76, t = 9:21, p <0.10), meaning that intelligence generation will have a positive and significant impact on market orientation.

Hypothesis 2, was conducted to examine the influence of Intelligence Dissemination of market orientation. Once tested, the coefficient of lambda is positive and significant (λx12 = 0.60, t = 7:34, p <0.10), means the Intelligence Dissemination has positive and significant impact on market orientation.

Hypothesis 3, was conducted to examine the influence of responsiveness towards market orientation. Once tested, the coefficient of lambda is positive and significant (λx13 = 0.33, t = 3.80, p <0.10); means Responsiveness has positive and significant impact on market orientation.

Hypothesis 4, was conducted to examine the influence of the application of market orientation in the retail industry towards market orientation. Once tested, the coefficient of lambda is positive and significant (λ14 = 0.92, t = 6.79, p <0.01); means the application of market orientation in the retail industry and a significant positive effect on business performance.
Discussion of Research Findings

The result of data processing showed that intelligence generation, intelligence dissemination and responsiveness is a 3 dimensional effect on market orientation. Furthermore, the implementation of market orientation positively affects business performance. The implication of the retail industry manager felt it was important to evaluate the various systems of the customer service process; Facebook to check whether a given customer service has truly meet the needs of the customer. And if they identify the various problems that exist in the customer service process, then the corrective action problem can be done to solve the problem.

Then, the manager of the retail industry is doing the distribution of information among the staff. They continue to update information on the various changes occurring in the environment as well as attending various existing developments, so that it can anticipate and prepare ourselves to meet the various needs of consumers in the future by working together with several other functional units within the organization. Industry that more often or have applied market orientation will be better in determining and meeting customer needs, which will ultimately improve business performance.

CONCLUSION

Based on this study can be drawn several conclusions as follows: It is evident that the variables Marketing Communication (Advertising Spending Perceived) and Price Promotion (Price Deals) positive effect on components of brand equity (Perceived Quality, Brand Loyalty, Brand Awareness and Brand Image), this means that the transmission of information with advertising and promotional prices tend to be approved by the respondents as variables that affect the equity of these brands. Furthermore it was also found that perceived quality is the most important factor for a tobacco product, this is due to the high Perceived Price Deals Advertising Spending and the eyes of consumers means the ability of a cigarette manufacturer to produce a quality product.

Limitations of Research

This study only examined the effect of Marketing Communication (Advertising Spending Perceived) and Price Promotion (Price Deals) against the components of brand equity (Perceived Quality, Brand Loyalty, Brand Awareness and Brand Image). Samples used in this study is the general public who consume cigarettes with the requirements of age 18 and over. Items studied were cigarette brand in the market which is limited to two products of Marlboro cigarettes and Dunhill, and two products Cigarette Sampoerna and Gudang Garam, where the number of questionnaires to each brand was spread whole coffee shop, lounge, campuses and offices located in Jakarta Special Capital Region.
Suggestions For Further Research

Finally, for future studies may be advisable to use other indicators (eg customer satisfaction); due to possible changes in financial indicators can be caused by external factors. Future studies should include more respondents from a variety of tobacco products, because this study involved only respondents with products cigarettes Marlboro, Dunhill, Sampoerna and Gudang Garam, so less to explain the discrepancy between the several components of brand equity. In addition, large samples can meet various kinds of ratios; solution becomes more stable, because the data were normally distributed (Standard Deviation Small); and weight measurements become more accurate.

REFERENCES

Aaker, D.A. 2000. The brand relationship spectrum : The key to the brand architecture challenge. California Management Review, 42(4) : 8-23.

Angel F. Villarejo-Ramos and Manuel J Sanchez-Franco. 2005. The impact of marketing communication and price promotion on brand equity, Journal of Brand Management, Aug; 12, 6.

Chauduri, Arjun and Morris B. Holbrook. 2001. The chain of effects from brand trust and brand affect to brand performance: The role of brand loyalty. Journal of Marketing, Vol. 65, : 81-93

Dewhirst T. and David B. 2005. Brand Strategic and Integrated Marketing Communication (IMC); A Chase Study of Player’s Cigarette Brand Marketing. Journal of Advertising Research, Winter 2005; 34.3 pg 81.

Faircloth J.B, Capella, Alford. 2001. The Effect Of Brand Attitude and Brand Image on Brand Equity. The Journal of Marketing Theory and Practice; Summer; 9,3.

Hair Jr. Joseph F, William C. Black, Barry J. Babin, Rolph E. Anderson, Ronald L. Tatham. 2006. Multivariate Data Analysis. Sixth Edition. Pearson Prentice Hall.

Hermawan, Asep. 2003. Pedoman Praktis Metodologi Penelitian Bisnis. Lembaga Penerbit Fakultas Ekonomi Universitas Trisakti, Jakarta