Sales Promotion has become a vital tool for marketing and its importance is increasing significantly over the years. In India, according to a report in 2003, Sales Promotion expenditure by various marketing companies was estimated to be Rs. 570,000 million and the emphasis on Sales Promotion activities by Indian Industry had increased by 500 to 600 percent during the previous 3 to 5 years (Mohanty, 2003). It is widely believed that India’s burgeoning middle class estimated to be around 300 million people tends to delay or advance purchases to coincide with festival seasons like Dasara, Diwali, Onam, etc to avail anticipated Sales Promotion offers. In the year 2004 alone, there were as many as 2,050 promotional schemes offered in the huge Rs.800,000 million Convenience Products Industry (Dang, Koshy and Sharma, 2005). In 2007, Sales Promotion Advertisement showed a growth of 8 percent compared to 2006 (Ad Ex India, 2007). On an average, budget for Sales Promotion for consumer products is growing steadily at the rate of 8 to 10 percent from 2005 onwards (Assocham, 2009).

Sales Promotion is indeed an essential component of marketing mix. According to McCarthy (1960) and Borden (1964), marketing mix consists of four ‘P’s namely Product, Price, Place and Promotion. The Promotion itself is conceptualised as promotion mix consisting of elements like Advertisements, Direct Marketing, Publicity or Public Relations, Personal Selling and Sales Promotion (Kotler, 2003)
Consumer Sales Promotion has become an integral part of the promotion mix for many consumer product companies throughout the world (Blattberg and Neslin, 1990; Huff and Alden, 1998). In the United States, Sales Promotions have been found to account for 65 percent to 75 percent of the promotional budgets of several packaged goods companies (Blattberg and Neslin, 1990). Further, Consumer Promotions in that country accounted for approximately 25 percent of the $150-160 billion spent every year by packaged goods manufacturers on total promotion (Cox Direct, 1997). About 20-35 percent of all consumer purchases in US are seen to be tied to some kind of Sales Promotion (PMA, 2004).

According to a survey published in “The Economist” India and China, which are seen as lucrative markets for consumer goods, are tipped to be the future growth engines for multinationals across the world (Long, 2004). In India, Sales Promotion expenditure by various marketing companies was estimated to be Rs. 50000 million (US $1.1 billion) and is found to be growing rapidly every year (Mohanty, 2003).

Given the growing importance of Sales Promotion, there has been considerable interest in the effect of Sales Promotion on different dimensions such as consumer’s prime perceptions, brand choice, brand switching behaviour, evaluation of Brand Equity, effect on brand perception etc. One of the purposes of Consumer Promotion is to elicit a direct impact on the purchase behaviour of the firm’s customers (Blattberg and Neslin, 1990; Kotler, 1998) Research evidence suggests that Sales Promotion positively affects short-term sales (Priya, 2004). Research on Price Promotion has consistently reported high sales effect and high price elasticity for brands which are on promotion (Blattberg, Briesch and Fox, 1995). Price Promotion produces proactive price discrimination, charging different prices to different
consumers that vary with price sensitivity (Narasimhan, 1984). Studies have shown that price promotion enhances brand substitution within a product category (Dodson, Tybout and Sternthal, 1978; Van, Gupta and Wittink, 2003). It has also been shown that Sales Promotion affects aggregate sales in all classes of products (Gupta, 1998). The purchase acceleration and significant increase of stock piling is the end result of Sales Promotion (Blattberg, Eppen and Lieberman, 1981; Neslin, Herderson and Quelch, 1985). Researchers are of the view that Sales Promotions convey brand information by stimulating trial use (Fomell and Robinson, 1985; Levedahl, 1988). The Sales Promotion, as a part of marketing communication, also has an effect at a cognitive and emotional level, and provides the consumer with multiple Hedonic (Specialty) and Utilisation benefits (Chandon, Wansink and Laurent, 1999).

Today, we live in a branded world and our product decisions are influenced by brand values. Brand name has been around for centuries as a means to distinguish one producer from another. In the present day world, brand not only represents the symbol of the company or a product but to a large extent it is a statement of one’s personality. The American Marketing Association (2004) defines a brand “as a name, term, sign, symbol or design or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competition”. These differences may be functional, rational or tangible–related to the performance of the brand. It may also be more symbolic, emotional or intangible – related to what the brand represents.

Brands vary in the amount of power and value they have in the market place. A powerful brand has high Brand Equity. Farquhar (1989) defines Brand Equity as the “added value” with which a given brand endows a product. Rangaswamy, Blurke and Oliva (1993) looked at Brand Equity as
favourable impressions, attitudinal dispositions and behavioural predilections of consumers to the respective brands. Aaker, 1991 considers Brand Equity as a composite construct consisting of Brand Loyalty, Brand Awareness, Perceived Quality, Brand Associations and other proprietary assets. According to Aaker (1991), Brand Equity creates value for both the customers and the firm and value for the customer enhances value for the firm. Aaker’s conceptualisation of Brand Equity provides a useful platform from which brands can be practically managed. Brand Equity, according to him is a combination of assets and liabilities associated to a brand that enhances or depreciates the value of the brand. Companies can leverage the equity of an established brand to enter other categories of products successfully and profitably. If the brand value of the product is considerably high, the company can launch other products under the same brand to gain advantage from the Brand Equity of the existing products.

Researchers relate Brand Equity to good image and resultant consumer loyalty (Shocker and Weitz, 1988). Some others have described it simply as the incremental utility of a brand (Kamakura and Russel, 1993). Research on Brand Equity shows that it is the difference between overall brand preference and multi-attribute preference based on objectively measured attribute levels (Park and Srinivasan, 1994). Brand Equity is also defined as the difference between overall quality and choice intention (Agarwal and Rao, 1996). It is also conceptualised as the totality of the utility derived from the brand (Swait, Louviere and Dubelar, 1993). Simon and Sullivan (1990) defined Brand Equity in terms of the incremental discounted future cash flows that would result from a product having its brand name in comparison with the proceeds that would accrue if the same product did not have that brand name.

Various studies have shown that if a brand has strong equity with consumers, then it commands premium over other brands with less equity
(Firth, 1993), is likely to have high market share (Park and Srinivasan, 1994), will be more elastic to advertising and promotion (Keller, 1998), is easier to achieve greater market penetration (Robertson, 1993) and will result in more efficient product line extension (Aaker and Keller, 1992).

In 1993, Kevin Keller coined a term called Consumer Based Brand Equity to define Brand Equity from customer’s and consumer’s perspective. The Consumer Based Brand Equity (CBBE) is defined as the “differential effect of brand knowledge on consumer response to the marketing of the brand” (Keller, 1993). Brand Knowledge is defined in terms of Brand Awareness and Brand Image. A Brand develops a strong equity with customers when the customers are familiar with the brand and have favourable, strong and unique Brand Association in their memory. Keller argued that a brand is said to have positive or negative brand equity when consumers react more or less favourably to an element of marketing mix for the brand than they do to the same marketing mix elements when it is attributed to an unbranded product. He also viewed that a brand is said to have Brand Equity, when customer is familiar with the brand and holds some favourable, strong and unique Brand Association in memory (Keller, 1993).

There are many studies that suggest that Sales Promotion affects brand perceptions adversely. Researchers have found that Sales Promotions have a negative effect on Brand Equity as it affects brand perceptions (Mela, Gupta and Lehman, 1997), and hence Schultz (2004) argued that over dependence on promotions can erode consumer’s price-value equation. The results of a study by Jeddi, Mela, and Gupta, (1999) showed that, in the long term, advertising has a positive effect on Brand Equity whereas price promotion has a negative effect. Similarly, Yoo, Donthu and Lee (2000) suggested that frequent price promotions, such as price deals are related to low Brand Equity, whereas high
advertising spending, high price, good store image and high distribution intensity are related to high Brand Equity. Yoo and Donthu (2001) argued that too frequent Sales Promotions may convey a low-quality image. There is also a managerial belief that if a brand is supported with frequent promotional offers, the equity of the brand trends to get diluted. On the other hand, there have also been studies that indicate that brands benefit from promotions. Amongst the elements of marketing mix, Sales Promotion has a long term influence on Brand Equity (Yoo, Donthu and Lee, 2000). Vidal and Elena (2005), based on a sample of 167 women respondents who were assigned to the utilitarian and hedonic product conditions in a simulated environment, suggested that monetary and non-monetary promotions are useful to create Brand Equity because of their positive effect on Brand Knowledge structures.

Though there are a lot of studies which deal with the impact of Sales Promotions on market and industry and also on Brand Equity, there are few studies that deal with effects of Sales Promotion on Brand Equity and especially on Consumer Based Brand Equity. Besides, most of the studies mentioned above are on other markets of the world. The issue of effect of Sales Promotion on Brand Equity especially on Consumer Based Brand Equity has not been examined in the Indian context. The influence of elements in promotion mix especially Sales Promotion, on different categories of brands on the purchase behaviour of consumers of India’s 1.20 billion population, having different cultures, social status, economic class and living in various geographical regions needs further study.

The conceptualisation of Consumer Based Brand Equity (CBBE) by Aaker (1991) and Keller (1993) enabled researchers to measure Consumer Based Brand Equity by various methods. An extensive study by Netemeyer and Krishnan to validate the Consumer Based Brand Equity confirmed that the
perceived quality, uniqueness and willingness to pay a price premium determine the Brand Equity (Netemeyer and Krishnan, 2004). According to Aaker (1991), Brand Equity is created over the years with the patronage of customers and it is the customers who create and own Brand Equity. While Aaker, 1991 used price preview method, Rangaswamy, Blurke and Oliva, 1999 employed conjoint analysis, and Park and Srinivasan, 1994 used a multi-attribute approach to measure Brand Equity. Agarwal and Rao, 1996, on the other hand, employed a collection of consumer based measures and Kamakura and Russel, 1993 selected a scanner data-based measure to do the same. The financial methods like future earnings method (Aaker, 1991), incremental cash flow method (Simon and Sullivan, 1993), equalisation price method (Swait, Louviere and Dubelar, 1993) and momentum accounting–based value (Farquhar, 1989) have also been used to measure Brand Equity.


Yoo and Donthu (2001) were the first to develop a multi dimensional scale for measuring Consumer Based Brand Equity and report its psychometric property. The dimensions included in the scale were Brand Awareness and Brand Associations, Perceived Quality and Brand Loyalty, named as MBE (Multi dimensional Brand Equity). For the convergent validity check of MBE,
Yoo and Donthu (2001) developed a four-item uni-dimensional measure of Brand Equity called Overall Brand Equity (OBE). They developed the Brand Equity measure following an etic approach in which a universal measurement structure across cultures using multiple cultures was employed simultaneously rather than an emic approach, in which a scale is first developed in one culture, and then validated or replicated in other cultures. Yoo and Donthu (2001) developed the Consumer Based Brand Equity Scale which was later validated by Washburn and Plank (2002).

The researcher proposes to use the Yoo and Donthu (2001) developed Consumer Based Brand Equity Scale to study the effect of Sales Promotion on Consumer Based Brand Equity. The study was undertaken to find out the effect of Sales Promotions on Consumer Based Brand Equity. The Researcher has used two types of Sales Promotions, namely, Price and Premium Promotions based on the classification of Sales Promotion by Blattberg and Neslin (1990) to study their impact on Consumer Based Brand Equity. The Product categories under study are Convenience, Shopping and Specialty Products and the Product classes chosen under Product Categories are Tooth Paste, Colour T.V and Athletic Shoes. The brands for discussion under each Product class are – Convenience Products (Tooth Paste): Anchor, Closeup, Colgate and Dabur; Shopping Products (Colour TV): LG, Onida, Samsung and Sony and Specialty Products (Athletic Shoes): Action, Adidas, Nike and Reebok.

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