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International Business



The Influence of Advertising on Consumer Behavior

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Declaration:

I hereby declare that I am the sole author of the thesis entitled “The Influence of Advertising on Consumer Behavior “. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on

Signature

Laura Probstnerová

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Introduction

Advertisement has over the years become an inevitable and unavoidable part of our lives and one of the formative influences in our culture. No matter how hard we try to avoid it, in today's world it is almost impossible to escape it. Even though we might not realize it because it has already become a part of our daily environment, we are surrounded and seized by constant advertisement. It is involuntarily experienced by the entire population, intruding our lives through different media, designed to attract attention and prompt to change attitudes and adapt new trends.

But what are the actual effects of this perpetual exposure to all kinds of marketing? Is its purpose today different from what it was originally supposed to serve as?

The opinions about this matter differ. The advertising agencies would claim that the advertisement doesn't negatively influence the consumer in any way, it just provides information about a certain product or service to help the consumer independently and objectively decide about the purchase of that product.

On the other hand, Robert Pollay in his article for an American journal metaphorically compares the advertiser to a brain surgeon, signifying how much he alters human's mind, only using different tools. He suggests that thanks to advertisement, whole new fields of study and business have developed. It gave rise to agencies analyzing the applied behavioral technologies for consumer behavior and market research, experienced professionals providing various surveys, focus groups and awareness test to serve as a basis while creating a tailor-made message for a certain product. Their main aim is to collect and correctly interpret enough information to get into the collective mind of the public and to further manipulate, exploit and control it. However, the indirect effects of the overall system are not considered during the creation of the advertising strategy.¹

All the media one encounters today contribute to shaping the individual, his thinking, and are often capable of altering his reasoning and action. Advertisement is a part of this media content and is responsible for influencing people the most. Since Czech Republic, or former Czechoslovakia was living in communism for over 4 decades, the advertising field had upswing just after the Velvet Revolution. Therefore, the influence of advertisement on the generation born after this event, the so called Generation Y is perhaps the strongest as they

¹ Pollay, Richard W. 1986. "The Distorted Mirror: Reflections on the Unintended Consequences of Advertising." *Journal of Marketing* American Marketing association, [ONLINE] Available at: http://www.jstor.org/stable/1251597?seq=1#page_scan_tab_contents. [Accessed 18 March 2017].

form their opinions in the new world of capitalism and technologies which is full of opportunities. However, some psychologists, sociologist and anthropologists see the potential risks of focusing the ads on children, who are an easy target for manipulation.

The purpose of the first part of this thesis is to clarify the term advertisement itself, define it as a part of marketing and commercial communications, talk about its history briefly and different kinds of media it can be transmitted through. Other than that, it will analyze the consumer behavior and factors affecting it in theory. Next part will be dedicated to the psychology of advertisement, how artificial needs and wants are created and what actually leads consumers to purchase. Finally, last part will connect the theory with the specific examples in the field.

The aim of the practical part is to analyze Apple as the most successful and most wanted brand on the market. It will take closer look into its advertising and marketing strategies and try to understand, what are the reasons people choose this brand. Its main objective is to identify differences in brand equity of Apple and its main competitor – Samsung, as well as how their brand identities affect the brand preference and decision making of consumers. The purpose of the questionnaire in the own research part is to test the brand identity, awareness, associations and perceived attributes to obtain respondents' impression of specific smartphone brand.

1 Advertising and Consumer Behavior

1.1 Commercial Communication Tools

Commercial communications represent the communications with the market. The aim of promotion is to acquaint the public with the information influencing motivational and decision processes of a certain target group. These include all the communication channels which to some extent affect the purchase of some product or service, namely in this thesis I will be addressing PR, sales promotion, direct marketing and sponsoring.²

Commercial Communication tools include:

- Advertising
- PR
- Sales Promotion
- Direct Marketing
- On-line communication
- Sponsorship

1.1.1 Media

Throughout the centuries, people have sought to find new ways and mediums of promotion to reach ever broader number of audience. Nowadays, retailers and manufacturers have a wide range of media to choose from to best fit their communication requirements. All of the media have different performance, target groups, and of course, price.

Traditional Media³

Some of the traditional media include:

- Newspapers
- TV
- Magazines
- Cinema
- Radio
- Outdoor

² McGoldrick Peter J., 2002. *Retail Marketing*. 2nd Edition. McGraw Hill Higher Education.

³ McGoldrick Peter J., 2002. *Retail Marketing*. 2nd Edition. McGraw Hill Higher Education.

- In-store
- Direct Mail
- Internet

People's Media⁴

- Blogs
- Viral Videos
- Social Networks
- Teleseminars
- Podcasting

With the emergence of new social media, their spread and rapidly increasing popularity, marketers use the opportunity to get creative and invent new ways of promotion. Each platform provides space for different kind of advertisement.

Emerging social media:

- Snapchat
- Instagram
- Vine

Media work as a mass influencer since they have accomplished to become a reliable source of information to the public. Ever since people realized, they are able to share their ideas extensively with just a click of a mouse, the balance of influence power in media began to change rapidly. The internet has been the biggest game-changer of the whole advertising industry since the invention of TV spots.

The access to information wasn't always as easy as it is today. In the past, people had to spend huge amount of time and resources in an effort to spread their message through the little amount of media they had available. Nowadays, styles and trends change from one day to another and recent technology provides a space and equal opportunity for all the ideas. However, with such a big concentration, one has to be really good in order to stand out.

A cult presents a big role in advertising. It is the sense of belonging to something bigger than just ourselves what makes people's media so easily believable. No matter what one's

⁴ Dave, L. 2010. *Subliminal Persuasion: Influence & Marketing Secrets They Don't Want You To Know*. 1st Edition. Wiley.

field of interest is, he can be sure he will always find some large group of people just like him, eager to connect and share information. The world wide web makes it even easier to connect with these people from the comfort of home. This impression of unity and solidarity gives these groups of people enough power to influence the masses.

Another reason for the large success of people's media is the loss of credibility of the original sources, such as the government or the newspaper. The fact that the information on the internet is not censored gives space for daring and contagious ideas and that makes it way more attractive. Once learned the the lessons of influence learned from the traditional media, one can become highly influential and develop a whole crowd of followers.

Lessons from Traditional Media:

1. Trusted source

People tend to develop a relationship with the intermediary of the information, such as the newscasters, writers and show hosts. Once the relationship is established, people are willing to trust and accept whatever ideas are being presented to them. They will then take the idea as a fact, even though they might disagree with it.

2. Frequency

The key to creating long-term beliefs is repetition. The more people hear something for a seemingly reliable source, the faster they believe it and the faster they spread it. They don't consider it an attempt to persuade, but a cumulating evidence that something is true. Thus, frequency creates internal sense of urgency and acceptance.

3. Sensationalism

The one thing we have learned from the world of show business is that people love drama. The more controversial and revealing something is, the more people listen, watch and read. Curiosity is in human nature and media use it very efficiently to lure public's attention. They focus on our primary emotions such as shock, surprise and outrage. A good example of such promotion is celebrities "accidentally" exposing themselves and creating scandals to raise awareness. After all, there is no such thing as bad publicity.⁵

1.2 Advertisement

This tool above all is often criticized for disturbing the TV or radio program. People often argue, that the money spent on ads is in the end paid by the consumer anyway, or that

⁵ Lakhani, D. 2010. *Subliminal Persuasion: Influence & Marketing Secrets They Don't Want You To Know*. 1st Edition. Wiley.

they stimulate people's decision making and make them buy products they don't actually want and wouldn't have otherwise purchased. What these people don't know however, is that without advertisement, private TV and radio stations wouldn't have existed, since they receive majority of their income from these advertisements.

The main purpose of advertisement is to inform about the existence of a certain product or service and convince the consumer about the purchase of that product. Advertisement also alters the attitude of the consumer towards the product, which it promotes. He creates the so called brand person relationship.

The customer has a feeling of a brand awareness and therefore, develops a certain trust towards that brand. The advertisement supports market competition and thus maintains a variety of choices among a certain category of products and services, as well as regulates the price policy. It creates an illusion that there are fundamental differences between the products and that the right choice of a product solves crucial problems.

1.2.1 Brief History

The history of advertising has over the past years significantly changed. It had to constantly adapt and change along with the changing mediums and increasingly savvy audience. It has been present and became part of our natural environment in fact long ago. One of the first promoters were the first barterers of goods and services, displaying their ware. The trade expansion later on supported the emergence of new trading crossroads as well as the need for advertisement, as the manufacturers were striving to differentiate themselves from their competition.

One of the main milestones was the invention of the printing press by Gutenberg in the end of the 15th century, which enabled easier and faster creation of flyers. Later, in the 17th century, the emergence of first newspapers allowed also the first printed and paid advertisement. Photography and film in the 19th century have provided yet another platform for promotion, along with the industrial revolution and the subsequent surplus of goods as a good excuse for such expansion.

Because of the need for merchants to promote their goods outside of the area they were formerly active in, new advertising companies formed in the USA, along with first agencies and organizations to regulate advertisement industry. The appearance and expansion of radio and TV at this time led to creation of new kinds of advertisement. At first, this kind was just complementary to newspapers, which were dominant medium for advertisements and remained unchallenged until the TV usage has began to flourish. That later became the most

significant type of advertisement medium in the history of advertisement. It provided direct link with the good or service and if used correctly, it could stimulate the emotions and relations of the consumer with the product. In the first TV spots, the characters were built around products to create an impression of connection between viewers and brands and celebrities were being used to sell any merchandise. This technique served however only for one purpose, to sell.

In the end of the 20th century the introduction of the internet has revolutionized advertising. The world wide web has had the biggest impact on advertising industry and changed the perspective on what the commercials should focus on. It gave rise to different motives and started to aim at the community building and brand awareness. Rather than building the attention around the product, they focus on the consumer's problem and what product might provide a solution. This emphasize on consumer rather than on the product helps brands to gain the trust of their audience.

The 21st century has brought social networks and introduced yet another type of advertising. The share of the internet advertisement in overall investments for marketing is gradually rising. The material online is easily shared and can become viral throughout the globe within hours, if the content is original, humorous and unconventional enough.⁶

1.2.2 Oversaturation

Last 20 years has brought more changes in advertising than the previous 2.000 years. One thing has however not changed. The audience is actively seeking not having to watch through the commercials, either on TV or while browsing the internet. A great example is the increased popularity of the applications which stop advertisements from showing up, as well as pay-to-stream platforms such as Netflix, where people are actually willing to pay to not have to see advertisements. This trend is believed to have cost the publishers up to \$22 billion in revenue for the year 2015 alone, which should give the advertisers to change their tactic.⁷

A study by Forbes has pointed out that consumers are less trusting of commercials recently. Mostly because the majority of the purchases relies on the millenials, who are however according to this study the most skeptical ones when it comes to advertisements. Survey revealed 33% of those asked prefer to search for a review online before deciding for a

⁶ Vysekalová, J. a Komárková, R. 2002: *Psychologie reklamy*. Praha: Grada Publishing.

⁷ Davey, L. 2017. "The History and Evolution of Advertising." TINT Blog, [ONLINE] Available at: <https://www.tintup.com/blog/history-evolution-advertising-marketing/>. [Accessed 18 March 2017].

purchase, since they believe that those reviews represent more legitimate proof of the quality of the product than an advertisement would. This way, brands have to prove themselves in order for consumer to even consider purchasing their product.⁸

Eventually, an idea to incorporate the consumer into the advertisement and thus create a more user-generated content. While brands collaborate with the people who want to purchase from them, the consumers are actively participating in creation of advertisement. The case of GoPro is an excellent example. The popular brand is well-known for sharing the creations of their own customers on regular basis to help sell their products. This way the brand is promoting what the product can do, instead of just the product itself.

Marketers have already realized that people started to trust other people more than the commercials. The need for loyal followers over one-time buyers has compelled them to slowly build trust and loyalty via word-of-mouth marketing, because a group of raving fans is one of the best advertising tools a company could have.

1.3 Consumer Behavior

Consumer behavior is described as a set of activities involving consumption and possession of products and services. Before the consumer intends to purchase a specific brand, he needs to assess all other available brands. Variety of assessment criteria are being used while making a purchase decision, such as brand, price, features, quality, performance and convenience. The impression a brand leaves the customer with is crucial for two reasons. Firstly, if a person benefits from his previous purchase, he is more likely to tell others about the brand, as well as repurchase himself. Secondly, when a person decides for a purchase based upon his past experience, his intention for purchase in the future can also be predicted.

Consumer decision making is to a big extent influenced by the knowledge in memory. The principles of brand knowledge are crucial to understand for it influences what comes to a consumer's mind when thinking about a brand. The important measures that distinguish brand knowledge and affect consumer response are the awareness of the brand and the favorability, strength, and uniqueness of the brand associations in consumer memory.

⁸ Newman, D. 2017. "Research Shows Millennials Don't Respond to Ads." Forbes, [ONLINE] Available at: <https://www.forbes.com/sites/danielnewman/2015/04/28/research-shows-millennials-dont-respond-to-ads/#661ba25a5dcb>.

1.3.1 Decision-making process

Before the actual purchase, consumer goes through five stages of decision-making process. Throughout this process, consumer recognizes his need, gathers the information, evaluates the alternatives and finally, makes the purchase decision. Actual purchase is then followed by post-purchase behavior, where the consumer evaluates his level of satisfaction. It is possible however, to sometimes skip a few stages of this process during the routine purchase. Therefore, these five stages are only fix in the case of new and complex purchase situation.



Figure 1, Decision Making Process (Kotler and Armstrong, 2009)

This process begins with the identification of need. The acknowledgement of problem or need can be triggered by internal or external stimuli. Internal stimuli include basic human needs, such as food and drink. An example of external stimuli is an advertisement that makes people think about buying things they don't really need. Although his need recognition can occur casually, marketers are usually able to trigger it by creating demand and convince consumers to choose their brand instead of others.

Second stage of the process involves the search for information. There are multiple sources of this information the consumer can search from, for instance magazines, internet research or TV commercials. However, the most effective source tends to be more personal, such as recommendation of family or friends. Any way, consumers obtain the necessary information, increase their awareness towards available brands and are therefore able to drop some of the options.

After gathering the information, the consumer is able to evaluate. The evaluation of alternatives can be limited or completely skipped in case of impulse purchase, or in case of habitual decision process. However, this step usually includes careful evaluation of among several brands. These brands that are being actively considered during this process are called consumers' evoked set. This set includes brands that are already in consumer's memory, as

well as significant ones in the retail environment. The evoked set is usually narrow number of brands which share some common features.⁹

Next stage of the process is the purchase itself. Typically, this process ends up with consumer purchasing his most preferred brand. Some of the factor affecting consumer's decision can be the attitude of others or the beliefs about the brand created by marketers. There are however mental shortcuts that speed up the decision making, including repurchase of the same brand as last time or purchase made depending on the logic that more expensive brand also signify higher quality.¹⁰

The last step of the buying process is post-purchase behavior. After the actual purchase follows the evaluation of the satisfaction level. If consumer's expectations have been met, he is satisfied and more likely to repurchase, or perhaps to spend even more in the future. In case the expectations have been exceeded, it could lead to brand loyalty.¹¹

1.4 Factors affecting consumer behavior

According to Kotler and Armstrong, there are four main factors that influence the buying behavior of consumers. For this research, the following ones are relevant.

1.4.1 Social factors

A consumer's behavior is broadly influenced by social factors, as he usually belongs to one or more smaller groups, called membership groups. However, an individual can be influenced by a group he does not belong to, the so called reference group which forms individual's attitudes. It is often a group the individual aspires to belong to.

Nowadays, the advertisements and commercials are not such a trusted source of information as it used to be anymore. Since people started to rely more on recommendations of trusted friends and family, word-of-mouth became new powerful influence on consumer buying behavior. This comes as a part of casual conversation, while consumers discuss the brand they feel confident about, which cannot be intervened. Marketers can however try to create a ground for positive conversation about their brand.

Generally, every reference group has an opinion leader, also called the influential – someone with special skills, knowledge or personality with the ability to influence others.

⁹ Kotler, P. and Armstrong, G. 2009. *Principles of Marketing*. Pearson Education. 13th Edition. New Jersey.

¹⁰ Kotler, P. and Armstrong, G. 2009. *Principles of Marketing*. Pearson Education. 13th Edition. New Jersey.

¹¹ Khan, M. 2006. *Consumer Behaviour and Advertising Management*. New Age International.

Marketers aim to link their brand to these opinion leaders and make them the brand ambassadors, in order to create the so-called Buzz and spread the word about their products.

Part of our modern society and social interaction are also social networks. These include blogs, message boards such as Tripadvisor, social networking websites such as Facebook or Instagram, as well as virtual worlds. These online communities serve not only as a new form of social interaction, but also a way of exchanging the information, either consumer-to-consumer or business-to-consumer.

Marketers try to grasp the opportunity of this fairly new type of marketing tool to promote their products and tighten the relationship with the consumer, so instead of one-way commercial messages they hope to interact with the consumer and become a part of his conversations and life. For instance, according to the newest trend, fast food chains have their official Twitter accounts, where they usually add funny comments about their competitors and witty replies to other users' Tweets directed at them. When the answers are amusing enough, they get shared also on Facebook, Instagram and thus become viral within one day. This interconnectedness of all of the platforms help to spread the word very easily and is the reason why the word-of-Web might be more powerful tool than the word-of-mouth.

Similarly, YouTube is another video-sharing site for low-cost marketing idea. Simplest way to capture social influence here is again, to produce some creative and entertaining video that gets people talking and sharing. If the advert is innovative enough, it can go viral within a day and get millions of views.

Nevertheless, marketers have to be careful, as the results of this type of promotion are difficult to measure and control. Ultimately, the users are the ones regulating the content, and the social media marketing attempts can easily backfire.

1.4.2 Personal factors

Another important factors influencing the buying behavior are personal characteristics, such as age, life-cycle stage, occupation, economic situation, lifestyle and personality.

Throughout their lifetime, people change their tastes in goods and services they consume. Therefore, their buying behavior and brand selection is also shaped by their *age* and the stage of their *family life-cycle*. Marketers must define their target markets in terms of this life-cycle and develop appropriate products and marketing strategy plans for each stage.

A consumer's *occupation* determines his income level and thus his purchasing power. It affects what he can afford and his perception of money. People with similar occupation

socialize with each other, share the same values and ideas and tend to have similar buying behavior and purchasing decisions.¹²

However, even people sharing same subculture, occupation or social class can have different lifestyles, influencing person's purchasing pattern. One's *lifestyle* includes his major AIO dimensions:

- Activities – describe how consumers spend their time, e.g. work, hobbies, sports, social events
- Interests – describe consumers' preferences and priorities, e.g. food, fashion, family, recreation
- Opinions – describe how consumers' feel about social issues, businesses, products

The lifestyle concept can help marketers understand how do the consumer values along with their buying behavior change over time. Therefore, rather than product itself, marketers focus on promoting values and lifestyle the product represents.

Personality is a set of traits that distinguish a person or a group from another. These personal traits include confidence, sociability, adaptability or dominance. A good brand also has its own personality, and consumers are more likely to choose the brand with personality that matches his own, or at least the personality he would like to possess too. This *brand personality* is a group of human traits attributed to a particular brand. Most of the top brands in the world have a strong association with some specific trait. For instance, CNN with competence, Jeep with ruggedness, Apple with creativity.¹³ Connected to personality is also the self-image of the consumers. People believe that their possessions reflect their identities and who they are.

Apple applied these concepts in its successful and famous "Get a Mac" advertisement series. They simply depicted two people personifying computers – one represented Apple's mac, the other Personal Computer (PC). There was a clear distinction between their personalities and self-image. The man representing PC was rather boring, dorky and corporate, whereas Mac representative was young, slick, laid back and cool. That gave the impression that if someone is young and trendy, he needs to own a Mac.¹⁴

¹² Solomon, M. 2004. Consumer behavior. 6th edition. Prentice Hall.

¹³ Aaker, J. 1997. "Dimensions of Measuring Brand Personality," Journal of Marketing Research

¹⁴ Reisinger, D. 2016. "A Look Back at Steve Jobs and Apple's 'Get a Mac' Ads." Fortune, [ONLINE] Available at: <http://fortune.com/2016/12/09/apple-get-a-mac-ads/>. [Accessed 18 March 2017].

1.4.3 Psychological factors

A consumer's buying choices are further influenced by main psychological factors. First one is *motivation*, something that drives a person to seek satisfaction. It can be a biological need, such as hunger or thirst, or psychological need, such as need for recognition, esteem or belonging. People's purchasing preferences are said to be unconscious and shaped by higher psychological forces. Therefore, consumers themselves don't usually know why they act the way they do. Many companies conduct their own motivation research to discover the concealed emotions and attitudes towards a brand, in order to develop better marketing strategies.

Many psychologists, anthropologists and social scientists sought to uncover these triggers hidden in consumer's subconscious, but out of all of them, Abraham Maslow has probably been the most successful one. He tried to explain why people are driven by different needs at different times. He arranged human needs in a hierarchy, from the most pressing at the bottom, to the least pressing at the top, as seen on the figure. He explained, that a person will strive to satisfy the most important needs first before proceeding up the ladder. When the need is fulfilled, it stops being a motivator and the person will focus on the next most important need.

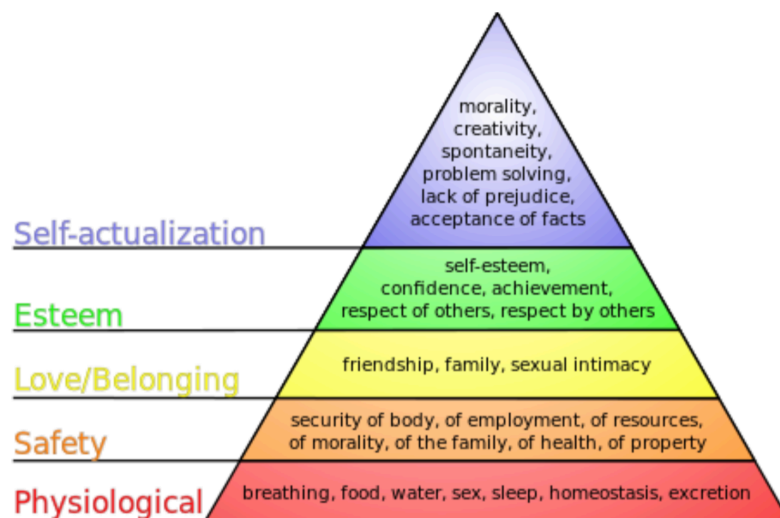


Figure 2, Hierarchy of Needs (Maslow, 1954)

Once a person is motivated, he proceeds to act. His action however is influenced by his *perception* of the information he receives through five human senses: sight, hearing, smell, touch and taste. Though we all receive the same information or message, everyone interprets

the stimuli differently. We go through so-called perceptual processes. Since average human is being exposed to 3,000 to 5,000 messages every day, it is impossible for him to pay attention to all of them. Therefore, a tendency to leave out most of this information has developed, called *selective attention*. It is the reason marketers have to come up with something very special to draw consumers' attention.¹⁵ Consumers usually shift their attention to messages related to their current need. After the message has been noticed, the consumer assigns it to an existing mind-set. This process, also called *selective distortion*, describes consumers' tendency to interpret the information received in the way that supports what they already believe. Even after the advertisement successfully gets through these two stages of perceptual process, consumers keep only the information supporting their attitudes. *Selective retention* ensures that consumers will remember only the benefits of the brand they prefer while neglecting the benefits of the competing brand.

¹⁵ Story, L. 2007. "Anywhere the Eye Can See, It's Now Likely to See an Ad." *New York Times*, [ONLINE] Available at: <http://www.nytimes.com/2007/01/15/business/media/15everywhere.html> [Accessed 18 March 2017].

2 The Psychology of Advertisement

Psychology is broadly used in all types of commercial communication. In the beginning of the 20th century, advertisement was meant to catch people's attention. Psychologists were focusing on the right position of the flyer, how to frame and highlight it, what motives to use so that it would stand out the most. Promotion tools were designed to be conspicuous, therefore sexual motives were broadly used in order to raise attention.

One of the most fundamental models which is being used till this day is called AIDA. This model represents individual steps the recipient has to go through, as a part of the impact of advertisement during the commercial communication. The advertisement has to first attract recipient's (A) attention, either by large title in newspaper or amusing message. However, it is important not to overdo it, or else the customer might not remember, what was the message promoting. After it the advert rouses one's (I) interest in a good or service, he will pursue his (D) desire to own that product and thus, take an (A) action in purchasing it.

Though we don't realize it, every day we make purchasing decisions based upon unconscious beliefs and preferences. Many would claim that advertisement has no effect on them, believing their decision making is not influenced by it. However, a good marketer can convince someone to buy a product without him even knowing it. As Dave Lakhani suggested in his book *Subliminal Persuasion*, one can choose to believe he is immune, but he can't choose not to be persuaded. Controlling consumers through their subconscious is how great marketers stand out in an overstimulated market filled with loads of insignificant messages. The consumer seduction process includes leveraging their emotions, beliefs and desires and therefore are more liable to be influenced by the messages.¹⁶

2.1 Brand

Kotler described a brand as "a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors"¹⁷. Each of these individual attributes are recognized as brand identities and altogether they form "the brand". Consumers perceive a

¹⁶ Lakhani, D. 2010. *Subliminal Persuasion: Influence & Marketing Secrets They Don't Want You To Know*. 1st Edition. Wiley.

¹⁷ Kotler, P. H. 1991. *Marketing Management: Analysis, Planning, and Control*. 8th edition Englewood Cliffs. New Jersey: Prentice-Hall, Inc.

brand as something they can trust and rely on. They try to identify with it and see more than just a tangible product or service. It contains consumer's feelings and perception towards that product. It reflects who the consumer is as a person, or rather, what he wants to be. A brand should provide values, personalities, stories and slogans for consumers.¹⁸

2.1.1 Brand Equity

Brand equity provides companies with long-term competitive advantage. It creates value for both firm and the customer, because it can be expressed by name or just a symbol. After all, that's just what a brand is – a distinguishable name or symbol, intended to identify goods or services of a certain seller and protect the customer as well as the producer from competitors. Brand equity is a set of assets directly linked to a brand's name or logo, adding a value to the product presented by the company. Most of them are carefully built over many years of company's life.¹⁹ The main assets are:

- Brand Awareness
- Brand Loyalty
- Perceived Quality
- Brand Association

According to Keller (1998), a consumer's response to marketing activity a brand alters when he is familiar with that brand. The more a brand is known, the more are its advertisements noticed and remembered. Therefore, a brand equity provides a company with potential for future growth. He also suggested that strong brands can afford to ask price premiums. People are willing to pay way more for that extra little apple sign on their gadgets.²⁰

Brand equity also facilitate consumers' search for product. It creates an expectation about the product and makes consumers assume the same quality of the product as they experienced with the brand before. It is what tendency of repurchase and brand loyalty is based on. It is one of the essential intangible assets of the company, not reflected in the

¹⁸ Kotler, P. and Armstrong, G. 2009. *Principles of Marketing*. Pearson Education. 13th Edition. New Jersey.

¹⁹ Aaker, A.D. 1991. *Managing Brand Equity; Capitalizing On the Value of a Brand Name*, the Free Press, New York.

²⁰ Keller L.K. 1998. *Strategic Brand management; Building, Measuring, and Managing Brand Equity*, New Jersey.

balance sheet but in the competitive advantage. A competitor can copy the product, but the brand is unique.

2.1.2 Brand Awareness

This key dimension is related to the strength of trace a brand left in memory, as a reflection of consumers' ability to identify the brand under different circumstances. Therefore, it is a proof of how well do the brand identities serve their function. The brand awareness is composed of brand recognition and brand recall performance.

Brand recognition associates with the consumers' ability to recognize a brand's name as heard or seen before. Brand recall, however, relates to the ability of consumers to correctly evoke a particular brand of an associated product from their memory when given the product category.

Increasing the brand awareness increases also the chances of being in the closer group of brands receiving serious consideration before purchase, since the consumers have proven to be more inclined to a purchase of a brand they are familiar with. Moreover, it affects the consumer decision making by influencing the creation and strengthening of brand associations in the brand image. While forming a brand image, essential part is to establish a brand nod in a memory, affecting the ease with which different kinds of information attach to the brand in memory.

2.1.3 Brand Image

Brand image is a perception of a consumer about a brand he holds in his memory and the associations he makes with the brand. Advertisement, especially the public relations strategy, is being used as a tool for creation and adaptation of such image. Subsequently, brand image is directly related to brand loyalty, which is ultimately influencing purchase behavior.

A good product can have a strong brand image corresponding with consumers' personality. They strive to express themselves through their brand choices and build a perception of their ideal self. Marketers attempt to strengthen these brand images by advertising, promotions and packaging. Brand image is closely connected to the product, that way when a consumer purchases a product, he is also purchasing brand image. It can be combined with brand personality corresponding to a set of human attributes.²¹

A big part of building a brand image is positioning. Marketers try to position their brands in order to reach consumers' minds. There are generally three levels of positioning.

²¹ Aaker, J. 1997. "Dimensions of Measuring Brand Personality," Journal of Marketing Research

The lowest level a brand is positioned by product attributes. However, there is a risk of competing brands duplicate the same attributes and gaining the benefits for it instead. Another way to position a product is to link its name to desirable benefits. For instance, Volvo is connected to safety, Coca-Cola to happiness and Maserati to quality. Consumers can associate these benefits with a brand name without having to actually see the product. The highest level of brand positioning requires the creation of strong beliefs and values. Successful brands appeal to consumers' emotional side and create excitement and passion for that brand.²²

2.2 Artificial Needs

Advertisement is what makes us choose between endless range of products and brands, what makes us choose Coke over Pepsi, Apple over Samsung, and is the reason why people willingly and enthusiastically wear propaganda shirts with corporate logos. Moreover, it makes us believe that we actually need any of these goods in the first place. With a good marketing, after seeing a brand logo, we immediately associate it with a name, commercial or a jingle.

The propaganda is however selling more than just a product - it is selling an idea. Along with the product you are purchasing a package of dreams, experiences and status. Naomi Klein in her book *No Logo* aptly states, that brand isn't created in the factory anymore, but rather in the office. She claims it has become a reflection of what the marketing department wants it to stand for, rather than a reflection of a quality, its former purpose.²³

It is essential to properly research the target audience, to fully understand how they see themselves and leverage their beliefs about who they are in the message. If who they see themselves as is not powerful enough, there is a space for creating a new one.

In his influential book *Propaganda*, E. Bernays, America's most innovative social engineer and a nephew of the famous Sigmund Freud wrote: "The conscious and intelligent manipulation of the organized habits and opinions of the masses is an important element in democratic society." He believed that those who are in control this invisible mechanism of persuasion and manipulation are the true ruling power of our society. They govern our minds, form our tastes and suggest our ideas, while we have never heard or seen "them". He also claimed that the best way to maintain the democracy and keep people away from dangerous political thoughts was to make them believe that their choices and decisions are made by

²² Kotler, P. and Armstrong, G. 2009. *Principles of Marketing*. Pearson Education. 13th Edition. New Jersey.

²³ Klein, N., 1999. *No Logo: Taking Aim at the Brand Bullies*. 1st ed. Canada: Knopf Canada.

themselves. This led to development of consumer-driven market of today. In the materialistic world we live in, people define themselves by things they own, and the marketers who realize it are more likely to address their audience effectively. ²⁴

²⁴ Bernays, E. L., 2004. *Propaganda*. 2nd edition. New York: Ig Publishing.

3 Case Study of the Apple Brand

Consumer behavior is affected in many ways by various factors and understanding them is essential for marketing management. Apple Inc. has been tremendously successful in this sphere, which reflected also in their sales and profit results. The company has come a long way ever since it introduced its first iPhone in 2007. Already the first generation has brought innovative features, such as touch screen and a virtual keyboard, revolutionizing the whole phone industry and driving the smartphone market. Since then, Apple has released seven more generations so far, each with new features and updates, each more successful than the one before.

3.1 Identity of Apple

Kapferer (2004) created a hypothesis about brand identity, comprising of features such as physique, personality, relationship, reflection and self-image. He suggested, that these form a complete entity and together they reflect the strength of a brand.²⁵

A physique represents a tangible added value, the prevailing physical traits that the brand is defined and characterized by. In the case of Apple, it is the simple design and clean features that the brand is so famous for.

Brand personality is described and measured by human personality traits and basically describes, what a brand would look like if it were a human. According to Marketing Minds (2012), Apple's branding strategy focuses on the emotions and feelings. It recognizes brand personality as lifestyle, imagination, innovation, passion, hopes, dreams and aspirations, and tries to identify with its customers through them. Apple as built their brand personality on simple design, stylish but innovative technology and high price products. Its core values lie in user friendliness and people-driven products. Thanks to these attributes, Apple has created a strong brand, achieved a concrete brand loyalty and transformed from a brand to a lifestyle.²⁶

The positioning of a brand and its products is one of the most useful tools for marketers. It is all about perceptions, therefore it may differ from one person to another. Perceived quality, value for money or design are part of it. Apple is positioned as a premium

²⁵ Kapferer, J. N. 2004. *The strategic Brand Management: Creating and sustaining brand equity Long Term*, London: Kogan Page

²⁶ Marketing Minds. 2012. [ONLINE] Available at:
http://www.marketingminds.com.au/apple_branding_strategy.html

brand in the minds of consumers. They strived to target a less price sensitive consumers and attract those who care about their status and prestige of the brand.²⁷

3.1.1 Value of Apple

Due to its strong brand awareness, Apple has the competitive advantage and effective positioning, making consumers choosing their brand over similar product of the competing company, subsequently leading to increased market share.

According to Forbes (2016), Apple is by far the world's most valuable brand with incredible \$154.1 billion in brand value, almost twice as much as the next most valuable brand – Google, and \$233.7 billion in revenue. Meanwhile, their biggest rival, Samsung, lacks behind with “only” \$36.1 billion in value and \$177.4 billion in revenue. Impressive is, that while Samsung is putting maximum effort to promote their brand by spending \$3.3 billion on advertising, Apple's advertising costs amount mere \$1.8 billion.²⁸

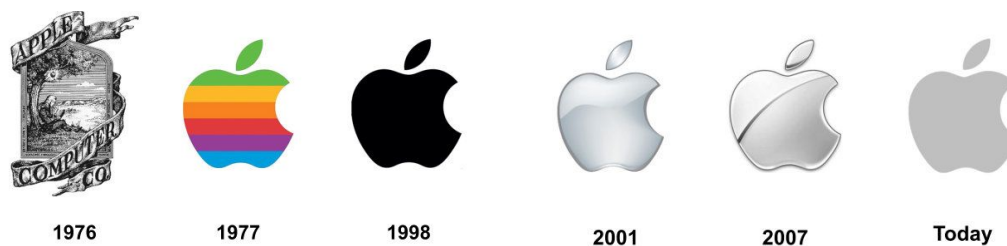


Figure 3, Evolution of Apple Logo

As seen on the picture, the first Apple logo was depicting Sir Isaac Newton getting inspired to create his theory of law of gravity by an apple. This was supposed to represent the creative thinking and innovation. Later, when the need for simplicity arose, the logo became just an apple, also said to be inspired by Alan M. Turing, who is considered to be the father of computer science and who died by eating a poisoned apple. First being colorful, symbolizing the introduction of colors to the IT world, later becoming monochromatic. Over the years, the company has been loyal to their bitten apple, only changing patterns and shades of it. That is also why this logo represents a unique and fascinating background story and is closely connected to best quality.

²⁷ Kotler, P. H. and Armstrong, G. 2009. *Principles of Marketing*. Pearson Education. 13th Edition. New Jersey.

²⁸ Forbes Ranking. 2016. The World's Most Valuable Brands. [ONLINE] Available at: <https://www.forbes.com/powerful-brands/list/#tab:rank>



Figure 4, Evolution of Samsung Logo

Apple's biggest rival is Samsung in terms of market share and increasing popularity. Samsung's logo hasn't changed much either. Since 1993 it is keeping the same blue color, which stands for reliability and dedication in service. The figure is leaning 10 degrees from the x-axis, presenting the dynamic nature. Most important feature of the logo is the actual name of the brand flashing out from the figure, creating the impression of spotlight.

3.2 Strategy

Annually, hundreds of people wait in line for hours before the release of a new Apple product, just to make sure they will be the first ones to own the brand new iPhone, convinced that this one is definitely going to be better, faster, stronger. Of course, this update comes at a price, which these fanatics are more than happy to pay.

There is a reason all Apple's products are so broadly desired. Apple's brilliant marketing strategy is the explanation to their customers illogical buying behavior, and to why they wouldn't simply switch to a cheaper option after the tremendous increase in price. The following can be withdrawn from the observation of the Apple's marketing activities:²⁹

1. Offer limited amount of products

Apple is known for imposing strict controls on how and where its products are being sold. It is very rare to find Apple products outside the official Apple store or certified sellers, and thus extremely difficult to find them for discounted prices. Even the retailers receive only a small wholesale discount margin and can't therefore possibly afford any relevant price reductions. This price maintenance approach encourages retailers to sell Apple's products at the company's recommended price, enabling them to maximize their returns.

²⁹ Kulkarni, C. 2016. 10 Things You Need to Learn From Apple's Marketing. Entrepreneur, [ONLINE] Available at: <https://www.entrepreneur.com/article/280692>

2. High-end

Apple has managed to create a perception of a premium brand and is therefore able to charge premium prices. Their clientele is interested in design and prestige, rather than the price of the product. This makes them willing to buy brand's products almost at any price.

3. Profits over market share

Apple and Samsung have been the leading vendors of smartphones for some time now with their double digit market shares. The brands have been going back and forth with the number one position, and due to latest development in the 4th quarter of 2016, the two have never been so close before. Though Samsung sells higher quantity of smartphones, Apple sells them at much higher price, generating enormous profit on the sales and hence accounting for incredible 92% of global smartphone profits.³⁰

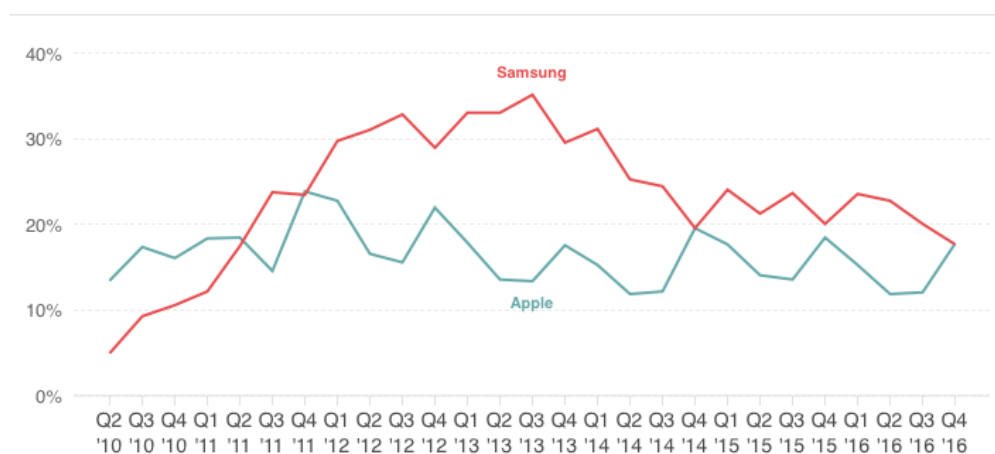


Figure 5, Smartphone Global Market Share (Forbes, 2016)

4. Addiction

Some of the few exceptions to the universal economic rule of price elasticity of demand are addictive products, such as cigarettes and alcohol. Apple underlies the same principle with increasing demand for their products in the whole world, despite the increasing prices, and could therefore in this sense be inferred as addictive.³¹

³⁰ Richter, F. 2015. "Apple Claims 92% of Global Smartphone Profits" Statista, [ONLINE] Available at: <https://www.statista.com/chart/4029/smartphone-profit-share/>

³¹ Doran, D., Blome, C. 2015. "Our addiction to Apple is why its profits are soaring" The Conversation, [ONLINE] Available at: <http://theconversation.com/our-addiction-to-apple-is-why-its-profits-are-soaring-36854>

3.3 Price Elasticity of Demand

The uniqueness and high differentiation of Apple products are the main attributes responsible for the enormous sales and revenues of the company. It is also one of the reasons this brand is an exception to a typical consumer response to a price change. A fundamental economic theory called Price Elasticity of Demand states, that the quantity demanded for products will simply decrease once the price for that product increase. However, in the case of such an outstanding brand as Apple, it is not necessarily true. Apple has over the years acquired very strong reputation and the exceptionally high demand for its products makes them more price inelastic, e.g. less sensitive to price changes.

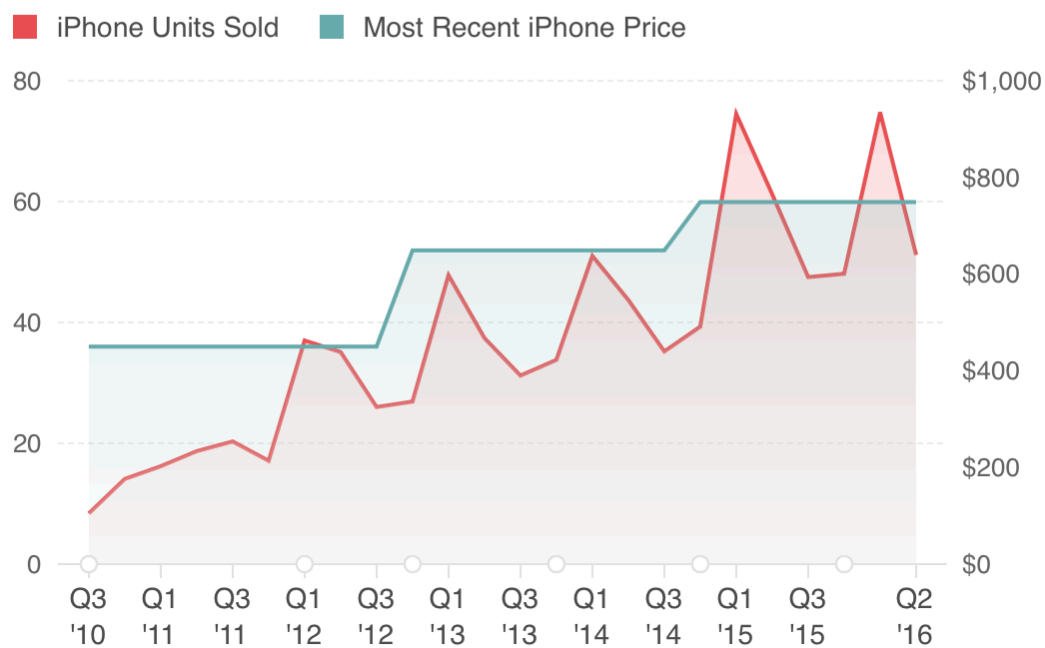


Figure 6, iPhone Quarterly Sales and Price (Forbes, 2016)

This graph represents the units of Apple's iPhone sold globally each quarter of the years 2010 till 2016. First quarter of every year, a radical increase in sales can be observed, caused by seasonal promotion during Christmas, as well as a release of a new model in the preceding quarter. As seen on the graph, though Apple significantly increased its prices by \$100 in 2014 with a release of iPhone 6, following quarter it experienced the most drastic increase in sales over the past few years.³²

³² Jones, C. 2016. "Apple's iPhone: Market Share Vs. Profits" Forbes, [ONLINE] Available at: <https://www.forbes.com/sites/chuckjones/2016/02/21/apples-iphone-market-share-vs-profits/#66ddd665183d>

3.4 Cult Following

Apple has one of the most fanatically loyal consumers who have incorporated the brand itself into their lifestyle and use it for self-expression. The brand evokes intense loyalty and devotion. Kotler and Armstrong split Apple users into two groups. The quietly satisfied ones, and the ones obsessed and fanatically devoted to Apple products – there is no between. When questioned, Apple customers claim that Apple's products simply work better and are easier to use. However, the buyer behavior of these loyal customers is way more complex. Apple has been carefully studying behavior of their customers and understood, that their products represent much more than just an electronic equipment. It depicts who the customer is as a person, and Apple has managed to create an unconscious connection of their products to innovation, originality, creativity and independent thinking.³³

All of Apple's activities motivates the customer and stimulates his buying needs. They have acquired a following of fans with cult-like behavior. These customers consider Apple products imaginative, pleasing to the eye and fun to use. It appears that the brand's creative skills and the unique ability to get into consumer's imagination helped Apple realize what enchants them. They have subsequently built their whole brand around "Apple user's experience". Even their retail stores are more of an experience rather than just a shopping trip. Apple stores are much like their products, soothing to the eyes, with a simple and clean design. They provide there their products at disposal and encourage the public to get acquainted with their usage. They gave these stores a perception of a social gathering or an event.³⁴

3.5 Advertising Style of Apple

As already established, advertising is meant to communicate the brand's value position by using various media to inform, persuade and keep reminding consumers of the brand. The biggest companies spend millions each year to create a positive awareness and knowledge of the brand, reflecting in their fortunes.

3.5.1 Examples

Throughout the years, Apple has released number of successful advertisements and campaigns. Among the top, there is an advertisement for Macintosh personal computer

³³ Lakhani, D. 2010. *Subliminal Persuasion: Influence & Marketing Secrets They Don't Want You To Know*. 1st Edition. Wiley.

³⁴ Kotler, P. and Armstrong, G. 2009. *Principles of Marketing*. Pearson Education. 13th Edition. New Jersey.

released in 1984 during the biggest and most watched sports event in USA – Super Bowl. It was based on a dystopian world described in G. Orwell’s novel, Nineteen Eighty-Four, depicting life of totality where human individuality becomes crime. It is still considered the greatest TV commercial of all time and it is in the Clio Awards Hall of Fame. After its release, Apple have sold 72,000 computers in 100 days, twice as much as anticipated.³⁵



Figure 7, Apple's remake of the 1984 ad, with added iPod (2004)

In 1996, Apple has started to use their product placement, as well as having Hollywood stars promoting their brand, with the collaboration with the first “Mission: Impossible” movie, starring Tom Cruise. A year later, just when Steve Jobs returned as a CEO of the company, he successfully rebranded Apple after its slight fallback during his absence in the company. With the beginning of the “Here’s to the Crazy Ones” he managed to label Apple as a product of independent thinkers. Apart from a TV commercial narrated by Jobs himself, Apple bought full-page advertisement space in newspapers and magazines and covered them with black and white photos of revolutionary figures, such as Albert Einstein, Muhammad Ali or Gandhi, along with the caption “Think Different”, which is believed to be direct response to IBM’s “Think” slogan at that time. It is believed to be one of the most successful ad campaigns of all time.³⁶

³⁵ John, A. S. 2012. After 1984: The Super Bowl Ad That Almost Killed People. Forbes, [ONLINE] Available at: <https://www.forbes.com/sites/allenstjohn/2012/02/02/the-super-bowl-ad-that-almost-killed-apple/#66229f0e488>

³⁶ Hiner, J. 2011. Steve Jobs narrating „Here’s to the Crazy Ones“ tribute. TechRepublic. [ONLINE] Available at: <http://www.techrepublic.com/blog/tech-sanity-check/video-steve-jobs-narrating-heres-to-the-crazy-ones-tribute/>

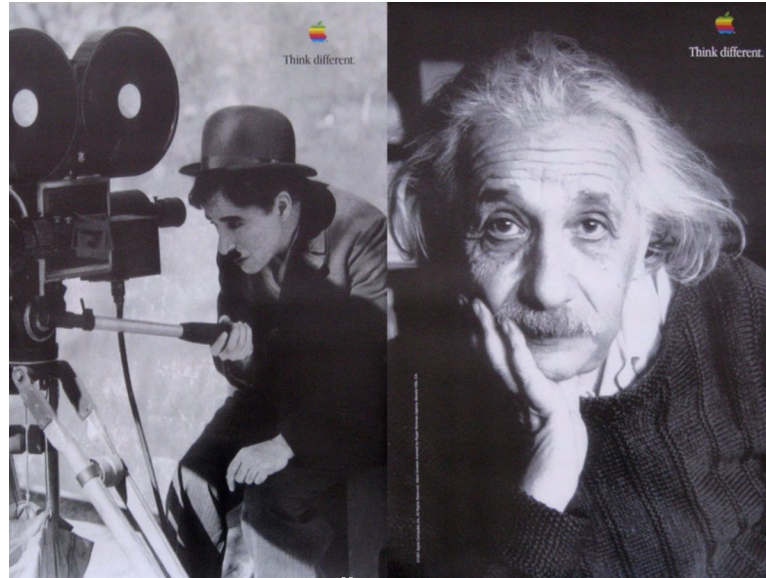


Figure 8, "Here's to the Crazy Ones" campaign (1997)

Next decade followed an aggressive advertising tactics, directly targeted at Windows PC's. The advertisements were implying that compared to boring and tasteless PC's, Apple's Mac was original and stylish. Apple has also used the opportunity of approaching millennium and rumored fear of all computers crashing at the break of the midnight 1999. He used the famous character from Stanley Kubrick's "2001: A Space Odyssey.", Hal 9000, who gives an apocalyptic monologue about when the computers started to misbehave, saying that only Macintosh was designed to function perfectly, saving billions of monetary units.³⁷

Sorry, no beige.



Figure 9, "Un-PC" advertisement (1998)

³⁷ Heilpern, W. 2016. *The best ad Apple produced from each year since it watershed 1984 Super Bowl hit.* [ONLINE] Available at: <http://www.businessinsider.com/apple-history-through-advertising-40-years-anniversary-2016-3/#1999--hal-2000-16>

Probably one of the most recognizable advertisements is the series of stylish silhouette music videos, playing Jet's "Are You Gonna Be My Girl?" in the background. Due to the success of this campaign, the relatively unknown Australian band sold 3.5 million copies of their first album "Get Born". The videos followed also similar silhouettes pictures in all the stores.³⁸



Figure 10, "Jet - Are You Gonna be my Girl" ad (2003)

After these honorable mentions, year 2016 has brought a 40-year anniversary on April 1st, along with the 40 second video, remembering company's most remarkable moments chronologically. Other advertisements featured celebrities like Drake, Taylor Swift, James Corden or Stephen Curry, promoting the iPhone 6.

3.5.2 Apple and Czech Republic

Czech Republic has recently played a significant role in the world of Apple advertisement. Two of the latest Christmas spots for iPhone 7 were filmed in Czech towns named Žatec and Libochovice. The question remains, if filming their commercials in the Czech Republic and making multiple local newspapers write about it increases the awareness of the brand in the country, or if it appeals on the emotional side and raises the sympathy of Czech people with Apple.³⁹

Apple was first introduced to Czech people in 1993 and it took a great deal of a time for them to accept it. At that time, people usually owned PC, if any computer and having

³⁸ Heilpern, W. 2016. *The best ad Apple produced from each year since it watershed 1984 Super Bowl hit.* [ONLINE] Available at: <http://www.businessinsider.com/apple-history-through-advertising-40-years-anniversary-2016-3/#1999--hal-2000-16>

³⁹ Hron, L. 2016. „Česko se zalíbilo i Applu. Natočil u nás nové vánoční spoty” iDnes, [ONLINE] Available at: http://mobil.idnes.cz/apple-reklama-iphone-7-ceska-republika-zatec-libochovice-pjr-iphone.aspx?c=A161206_150419_iphone_LHR

iMac was for them inconceivable. Former Czechoslovakia was once famous for its digital disposition, being on the frontier of computing, and so the potential for new technologies and gadgets have been recognized. Yet, the country hasn't really been keen on Apple products at first. After living under communist regime for over 40 years, a certain nature developed in Czech Republic that wouldn't allow people to buy something so overpriced, and so inconvenient that they can't take it apart. It was later, with the introduction of iPhone when Apple enchanted Czech people. Prague became one of those cities where people would stand hours-long lines to store on the day of the release, just to get the newest iPhone. People who'd buy this overpriced device would either be Apple enthusiasts, or so called Brand Ambassadors following the brand's newest trends, or people who incorrectly connect Apple with luxury. They buy it for the prestige and just to show off they have the money for it. Apple has managed to address their original target group in Czech Republic too. They appeal on people with creative professions with their sleek design and simplicity.⁴⁰

However, there are still no official Apple stores in the Czech Republic, only the Premium Apple Resellers. These are required by Apple to have specific furniture and layout in the stores, which makes them resemble the official Apple store and still promote the exclusivity and uniqueness of the brand.



Figure 11, Frankie's Holiday (2016)

3.5.3 Advertising iPhone

Ever since inventing iPhone, Apple has been improving user's experiences by adding features and improving design with each model. They already established their image and perception of the best smartphone on the market, so it is already expected from them to keep

⁴⁰ Miller, W. 2013. "Apple's Czech Presence." Expats, [ONLINE] Available at: <https://www.expats.cz/prague/article/czech-companies/apple-computers-Czech-Republic/>

being the most innovative one too.

With brand awareness of this scope, one would expect Apple to be spending enormous amounts of money on advertising. However, the opposite is the truth in this case. In fact, Apple is spending minimum efforts and money for promoting their iPhones. As soon as they launch new model on their yearly press conference, Apple followers take care of the rest by more than willingly spreading the word. Moreover, Apple has a deal with the main network operators, making them actually paying Apple to be able to promote their iPhones and offer them as an option in their mobile plan. If an operator wants to offer iPhone, not only he has to fully pay for the advertisement, but also follow strict rules about how the advertisement must look like. Others who do not advertise for Apple's iPhones do not have the possibility to offer them and lose on their competitiveness, since iPhone is the bestselling smartphone each year.

Even before this press conference, a lot of attention is dragged to Apple without any intended promotion from Apple's side. It is in the form of rumors and curiosity around the new iPhone all over the internet and social media. People are impatient to see what the new model will look like, and simple 'wants' will very quickly become 'needs'. Every year, months before the launch there are alleged leaks and estimations about its new look and features. This way, there is no need for Apple to promote their iPhones, because the market does it for itself.⁴¹

3.5.4 Advertising Wars

What started as rival brands simply challenging each other through wide range of advertising mediums later escalated into comparative advertising strategies where competing brands openly make fun and ridicule their rival. However, only giants like BMW or Apple can afford to engage in these advertising war campaigns, otherwise it could easily backfire on a smaller company.

A textbook example of such advertising is the "Get a Mac" campaign that was already suggested in the Consumer Behavior chapter. As mentioned, campaign started in 2006 and featured two characters, a Mac and a PC, represented very simply by two men on a white background. The one portraying Mac was young, laid back and cool, while the one for PC suggested, that similarly to their users, PCs are dorky, dysfunctional and unfashionable. The

⁴¹ McCormack, F. 2013. *Apple's iPhone Marketing Strategy Exposed*. Business 2 Community. [ONLINE] Available at: <http://www.business2community.com/marketing/apples-iphone-marketing-strategy-exposed-0661613#t27COFdl4ScXOgtH.97>

whole point of the series of advertisements was to stress out the advantages of Apple's Mac and to degrade Microsoft's Windows-based PC. They depicted Mac as a superior brand as compared to outdated and inflexible PC. The campaign proved to be very successful, as it resulted in up to 6% increase in the US computer market in less than 2 years. It also improved the customer value perceptions of Apple. At this point, though perceived as more expensive, Apple scored 70 points on the BrandIndex which is the analytical website tracking consumer perceptions of a brand on a value scale from -100 to 100. At the same time, Microsoft was somewhere below zero. However, their constant mocking backfired at them very quickly. Microsoft released its own campaign called "I'm a PC" as a parody to "Get a Mac" advertisements. It also starred a look-alike of Apple's PC character from the videos, dressed in the same boring outfit, saying "I'm a PC, and I've been made into a stereotype.", followed by clips of everyday PC users, bloggers, DJ's, designers and Bill Gates himself, all claiming "I'm a PC". This unexpectedly creative move has surprised the consumers. They have put a face on their user, who no longer had to take the constant mocking from Apple's side. They have portrayed Apple as too expensive and too cool. It had resulted in the improvement of Microsoft's BrandIndex, from nearly zero to 46.2, while Apple's dropped to only 12.4.⁴²



Figure 12, Get a Mac (2006)

3.5.5 Subliminal Advertising

One of Apple's ultimate subliminal advertising tricks is product placement in the vast majority of US movies and TV shows. Apple is apparently in a very good relationship with Hollywood and again, though their devices appear on multiple shows and movies, they don't pay for their products to be featured. Instead, they supply an endless amount of computers, iPhones and iPads. Especially in the case of iPad, it appeared on the TV show Modern Family

⁴² Kotler, P. and Armstrong, G. 2009. *Principles of Marketing*. Pearson Education. 13th Edition. New Jersey.

even before its release, making it a surprising way of promotion.⁴³

Studies have shown, that simply seeing the Apple logo can cause an unexpected psychological side effect. According to the research, even subliminal exposure to Apple logo caused students to perform a task more creatively, compared to students who were shown the logo of IBM. The authors suggest, it is partially due to the motivation. After seeing the little bitten apple, people felt more eager to think creatively, to “*Think Different*”. This shows, how deep into our psyche can the brand identity get.⁴⁴

⁴³ Stamper, L. 2012. “12 Excellent Examples Of How Apple Product Placements Rule Hollywood.” Business Insider. [ONLINE] Available at: <http://www.businessinsider.com/apple-product-placements-in-tv-and-movies-2012-8>

⁴⁴ Fitzsimons, G. M. Chartrand, T. L. and Fitzsimons G. J. 2008. *Automatic Effects of Brand Exposure on Motivated Behavior: How Apple Makes You “Think Different.”* Journal of Consumer Research. Oxford University Press

4 Research

This research focused mainly on Millennials, also called the echo boomers or Generation Y. It is the generation following the X generation, born between 1977 and 2000. They account for even larger segment than the baby boomers and with the total purchasing power of \$733 billion, they represent a very attractive market.⁴⁵

This generation has the substantial advantage of being the first one to live their whole life in a modern world filled with computers, cell phones, TVs, iPods and social networks, which resulted in their fluency and comfort with digital technology. Today, you give an iPhone to a 6-year-old child and he immediately know how to operate it. Study shows, as much as 91% of Millennials are using the World Wide Web, and incredible 77% are regularly using social networks. For them, technology is their way of life, part of their lifestyle.⁴⁶

As a consequence of this incorporation of technology to their lives, marketers use any kind of media they can to reach out to Millennials segment. However, rather than letting this mass of information being targeted at them, Millennials prefer creative approaches and engage in two-way brand conversation. Customers like to have the feeling of control of their relationship with a brand and to be able to customize and personalize.

On the other hand, there is the Generation X. This is the generation of 49 million born between 1965 and 1976. Unlike the Generation Y, the so-called MTV generation is less materialistic and stresses out the experience and family more. They tend to be more skeptical and less receptive to advertisements, don't usually shop impulsively and spend money more carefully.⁴⁷

4.1 Methodology

There are basically two methods of researching, qualitative and quantitative. Qualitative research is usually used when in-depth information about focus groups is being analyzed. This method allows researchers to study people's environment and their interaction with it. It focuses more on people's feelings and thinking. On the other hand, quantitative research is more data and numbers oriented and is often referred to as hypothesis testing

⁴⁵ Miller, R. K. and Washington, K. 2009. Consumer Behavior 2009; and Piet Levy, "*The Quest for Cool*," Marketing News

⁴⁶ Tsai, J. 2008. Who, What, Where, When, Y. Customer Relationship Management

⁴⁷ Miller, R. K. and Washington, K. 2009. Consumer Behavior 2009; and Piet Levy, "*The Quest for Cool*," Marketing News

research. The hypotheses are created based on the theory part, subsequently, the data is collected and analyzed according to the hypotheses. The conclusion is drawn from findings and either confirms or contradicts the hypotheses.⁴⁸

This thesis is using the quantitative research method. All the data has been collected from a survey distributed through the internet using Google forms. Before the distribution, different variables have been chosen to be compared to each other and potentially reveal some relationship, mainly questions related to decision-making processes such as the search for information of evaluation of alternatives, as well as social and demographical factors like age and occupation.

Questions in the survey were structured and formulated to analyze the concept of consumer behavior based on the theory in the previous chapters. All the data was collected via an Internet survey, using Google forms due to its flexibility, in addition to easy and fast collection of anonymous responses. In order to get a broader scope of responses, the questions were written in English and published on Facebook, as well as administered through E-mail on 14th and 15th of April 2017. The survey consisted on multiple-choice, as well as open-ended questions, based on the theory part of the consumer behavior and the decision-making process.

The following hypotheses can be formulated based on the objectives that have been set for this research:

- Apple has the strongest Brand Awareness out of all smartphone brands
- Apple appeals mostly to Millennials (Generation Y)
- Apple's followers have a strong brand loyalty

4.2 Results

The questionnaire generated the total of 113 responses. The survey started with an open-ended question, asking respondents to write down the first brand of smartphone that comes to their mind. This was meant to measure the unaided brand awareness of this market. Interestingly enough, nearly half of the respondents stated Apple as a top of their mind brand for smartphones, followed by Samsung. Moreover, almost 8% of those who mentioned Apple

⁴⁸ Jha, N.K. 2008. Research Methodology. Abhisek Publications.

owned completely different brand. This indicates very strong brand recall and impression the brand left, as a result of effective advertising.

By following question, respondents were asked about the smartphone brand they currently use. In this case, Apple's iPhone was owned by more than a half, again, followed by Samsung. Subsequently, the respondents were asked what is the reason they use exactly the brand they use. Out of all 62 users of Apple, majority said they chose iPhone for it's design, quality, and operating system, representing the user friendliness and the ease to operate, which Apple is so famous for. Next big reasons were the brand image and prestige it symbolizes.

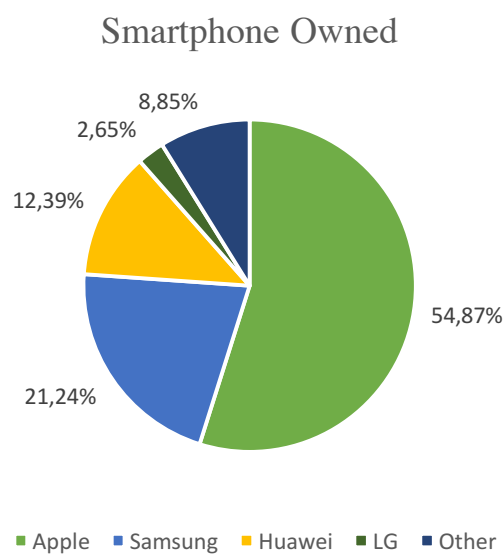


Figure 13, Proportion of Smartphone Brands Owned (Own source)

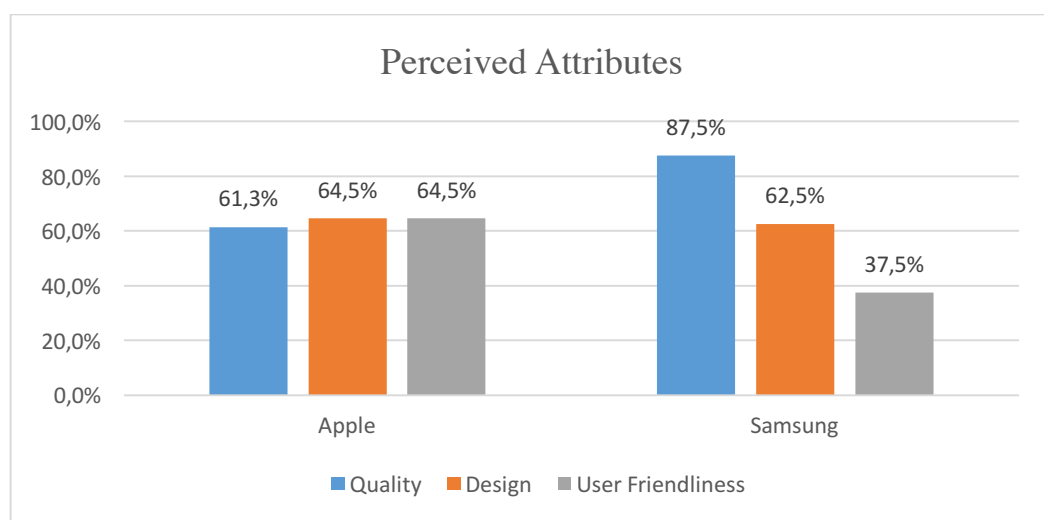


Figure 14, Perceived Attributes of Apple and Samsung (Own source)

As seen on the Figure 14, the main attributes of each Apple and Samsung were judged by their own users. As expected, Design and User Friendliness are perceived outstandingly higher by Apple than by Samsung, while Samsung scored more in terms of Quality.

In order to measure to what level the respondents are loyal to their brand, two things needed to be analyzed. Firstly, for how long the respondents have been using their smartphone brand. Secondly, how many smartphones of the same brand have they already used before. The results showed that astounding majority has been using their brand for more than 3 years, out of which 40 respondents have been using it for more than 5 years. Out of these 40 however, incredible 31 were Apple users. This outcome indicates that major part of the most loyal respondents was the customers of Apple. Furthermore, more than a half of the iPhone owners have owned 3 or more iPhones prior to their current ones, which suggests a very strong repurchase tendency of the followers of this brand.

As already mentioned, one of the most important steps in the decision making process is the information search. Following table shows the respondents' sources of information about the smartphone brands.

Age	TV Commercials, Advertisement	Public Relations	Word of mouth	Internet, ratings, blogs	Retail Stores
17-24	33	14	50	61	9
25-34	6	4	8	11	0
35-45	2	2	3	4	1
Total	41	20	61	76	10

Figure 15, Sources of Information Search (Own source)

The table proves the assumption that most of the youngsters will depend on the internet and the reviews of other users as a reliable source of information. Surprisingly enough, even the remaining age groups showed higher trust in this source than anything else.

Another way to measure the efficiency of advertising of particular brand is to test the recognition of the brand's logo or slogan. Since we already established that both Apple and Samsung, along with their logos are globally well-known, more effective way was to test the

knowledge of something less obvious – their slogans. Out of 113 respondents, 36 were aware of Apple’s iconic slogan – Think Different. However, only 10 knew the slogan of Samsung. It is useful to point out, that these 10 answers consisted of different slogans from different timelines of the brands history. Notably, some owners of Samsung who didn’t know the slogan of Samsung knew the one of Apple. This could indicate that lack of knowledge of Samsung’s slogan is caused by its constant changing. When questioned about their loyalty, nearly half said they consider themselves a loyal customer and again, out of these 53, 33 were the loyal customers of Apple.

Last part of the questionnaire was dealing with the fundamental information about the respondents. The ratio of male and female respondents was almost 1:1. The age groups were divided into 5 categories, which granted responses from several generations. Two of the categories were meant to cover the Millennials, i.e. the generation Y. The aim of this division was to prove that particular age groups react to advertising differently than others. While none of the respondents was under 17, 77% fell within the 17-24 group and together with 15.9% of the 25-34 group, forming the Millennials, accounted for the strong majority of respondents. These numbers reflected also in the occupation, with 80.5% of the respondents being students.

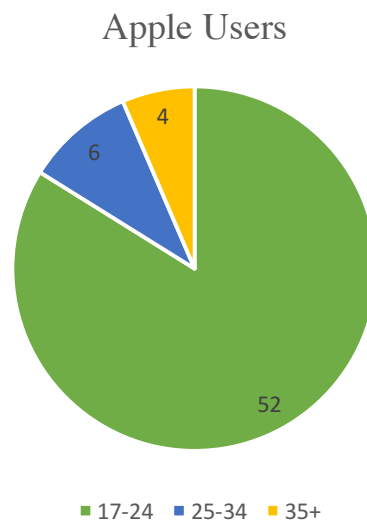


Figure 16, Age Groups of Apple Users (Own source)

As expected, out of all 62 users of Apple, incredible 52 were respondents within the age group of 17-24. This confirms the hypothesis, that Millennials out of all age groups are most likely to purchase an iPhone. Only 10 people out of the total of 26 respondents older than 25 said to have an iPhone, and even those stated in their answers that the reason for having it was

either it being a gift, or someone else chose it for them, which is again not a result of their own decision making. Mere 3 of them had a managerial or higher position, in which case having an iPhone could actually be a display of prestige.

Even though the question about the income was not compulsory, all of the 113 respondents answered, resulting in 44,2% of them not having a stable income and 32.7% earning less than 700€ a month, which is less than average wage in both Slovakia and Czech Republic. Only the remaining 23.1% said to be earning more than 700€ per month.

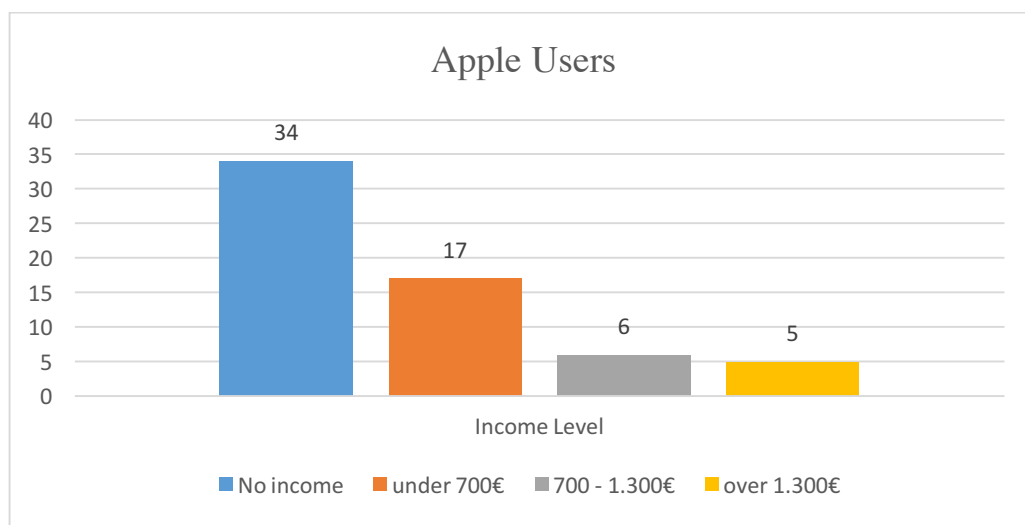


Figure 17, Income Levels of Apple Users (Own source)

Figure above shows, that even though Apple is perceived as a prestige and premium brand backed up by its premium pricing, mainly respondents with no to low income said to be having an iPhone. Only 11 of Apple holders had an income to actually be able to afford it. This again shows, how an addiction to brand like Apple can make it price inelastic.

Broad spectrum of nationalities took part in this questionnaire. While most of the responses came from Slovakia and Czech Republic, many also arrived from all over the Europe, like Germany, France, Ukraine, Turkey, as well as many from Asia and America, for instance India, Russia, Latin America or USA.

Conclusion

In the past few years there has been a significant development of advertising in terms of increasing competition and constantly increasing costs. Consequently, the need for understanding what the main drivers of consumer purchase behavior are and using the knowledge correctly while building the marketing strategy arose.

The aim of this study was to explore the effects of advertising on the brand equity and its awareness, which in turn influences the brand preferences and buying behavior of the consumer. Apple Inc. has been taken as an example of such process. After analyzing the empirical data collected from a questionnaire by employing the theory, following conclusions were drawn:

Both brand equity and brand identity dimensions of Apple have amounted in higher scores than any other smartphone brand. Compared to Samsung, their brand awareness was almost 4 times higher. Moreover, Apple had also higher score in the means of perceived quality, design, Software and user friendliness among the respondents. That contributed to the brand loyalty, which was also significantly higher among iPhone users. The research proved, that Apple appeals mostly to Millennials, as they care about the image and prestige the most. They are however mostly students and young adults with none or under-average income. Their “addiction” to Apple products is the reason why they are still willing to pay extra for a seemingly prestige product. The research therefore proved, that by building the name of the company through creative and innovative advertising, the brand becomes an attractive trendsetter, mostly for the youth following the newest trends and flows. The brand is using their visuals to appeal to emotions, namely the need for belonging and self-actualization. They also create a mystery and excitement around their products, appealing to natural human curiosity which slowly converts to obsession and finally, the need to have it.

The great success of Apple is clearly the result of their brilliant advertising efforts combined with their innovative technologies and design. They managed to exploit the willingness of the customers to pay a premium price for their products by building a perception of exclusivity and prestige of their products. Apple’s clever advertising ideas has over the years built a very strong brand name and trust, creating a direct linkage of the name “Apple” to creativity and innovation. They have successfully created their own community, a cult following of sorts, which through word-of-mouth and word-of-web represents the best

kind of advertising they could possibly get and speaks louder than any TV commercial could. This has contributed to the strong brand preference that Apple disposes of.

Apple builds their brand on the consumer experience. Starting from the advertisements which through consistency became very apparent and distinguishable from others, store layout which is the same everywhere in the world, turning the shopping for their products into a fun event, through shiny product carefully designed and packed in equally good looking packaging, all the way to reliable customer service. They turned their customers to an audience, a loyal fan base, carefully watching every single step of the company and spreading the word for them. They justify their high prices with exclusive features and benefits that no other brand could possibly offer. Most importantly, how better to promote the brand than make the name of the brand identical to the product type. In other words, people less aware of the technological world would say iPod instead of MP3 player, iPad instead of tablet or iPhone instead of Smartphone. Since Apple wasn't the first one to come up with any of these products, they simply knew how to promote it better and make people think it actually is first of its kind.

In conclusion, brand equity and brand identity in the form of loyalty, awareness, perceived quality and brand associations are the fundamental attributes influencing the consumers' brand preference, and can be empowered by the right advertising measures.

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Annex - Questionnaire

Dear all,

I am a student of University of Economics in Prague and I am currently writing my Bachelor thesis about the influence of advertising on consumer behavior. In my practical part I am analyzing the brand preferences and I have chosen to compare rival smartphone brands. Please take a few minutes of your time to answer following questions about your personal smartphone. Thank you for your cooperation!

#	Question	Purpose
1.	Name a first smartphone brand that comes to your mind.	Unaided Brand Awareness
2.	Which phone brand do you currently use?	Filter Question, to tell the Apple and non-Apple users apart
3.	Why do you use exactly this brand?	Determination of perceived attributes
4.	How do you receive information about smartphone brands?	Information search
5.	How important is the recommendation or information received from one of the following while purchasing a smartphone? (1=not at all, 5=very important)	The relevance of the source of information for consumers
6.	What is the slogan of Apple?	These two questions were supposed to measure the brand recognition and awareness.
7.	What is the slogan of Samsung?	
8.	How do you judge the these attributes of Apple?(Very Bad=1, Excellent=5)	Comparative advantages
9.	How do you judge the these attributes of Samsung?(Very Bad=1, Excellent=5)	
10.	How long have you been using this brand?	Brand loyalty

11.	How many smartphones of this brand have you used before?	
12.	Would you consider yourself a loyal customer?	
13.	If you were to change your buying preferences and purchased another smartphone brand instead of yours, what would be the reason for it?	
14.	What is your age?	Identification question, in order to differentiate the Millennials and Gen Xers
15.	What is your occupation?	Identification question, to help identify the students and people on different positions.
16.	What is your income?	Identification question, to
17.	What is your gender?	Identification question, designed to grant a diversity of the respondents.
18.	What is your country of origin?	