

The Effectiveness of Advertising Strategies on Amazon

Kexin Huang *

College of Art and Science, New York University, New York, USA

* Corresponding author: kh3148@nyu.edu

Abstract. Advertising has long been recognized as a prominent strategy for enhancing sales and bolstering the reputation of a business. Numerous studies have consistently demonstrated its efficacy in achieving these objectives. In recent years, Amazon, a prominent international technology corporation, has exhibited a consistent upward trend in its advertising expenditures, concurrently intensifying the frequency of its advertising efforts. The brand's worth, conversely, has also seen a positive growth trend. The primary objective of this study is to examine the underlying factors driving Amazon's heightened emphasis on advertising and to investigate the potential correlation between the augmented advertising frequency and the resultant change in brand value. Previous studies have indicated that augmenting the frequency of advertising not only yields favorable outcomes in terms of brand recognition and brand perception but also influences customers' attitudes toward the brand in a positive manner. These three variables collectively contribute to an increase in sales, resulting in elevated brand value.

Keywords: Advertising, Brand, Priming, Mere exposure effect.

1. Introduction

1.1. Research Background

Advertising is paid communication designed to convince individuals to purchase a product or service from a recognized brand, and it can effectively affect consumer purchasing decisions [1]. It has always been a significant method to promote sales, and the usage of advertising can be dated back to ancient times. In ancient and medieval times, any existing advertising was primarily spread through oral communication. The foundation for contemporary advertising was laid with the advent of printing during the 15th and 16th centuries. By the 17th century, weekly newspapers in London started featuring advertisements, leading to a thriving advertising scene by the 18th century. Advertising has now become an indispensable marketing tool, and the expenses of advertising, public relations, and related services in the United States have been constantly growing. In 2022, overall spending will reach 94.91 billion dollars. This number indicates the importance and effectiveness of advertising [2].

According to Kumar and Raju, advertisements can influence purchasing decisions, and they are likely to watch more of the advertisements which could affect their original opinions [3]. Since advertisements are additional information about the product or service, an advertisement that reaches out to a potential customer when they're actively looking for information is more effective. It saves the consumer the effort of searching for the details independently and reduces the chances of them consulting competitors' ads for more information. Essentially, when consumers are in the process of gathering information about brands, they are more receptive to advertisements from various brands.

Nonetheless, despite several studies on the efficiency of advertising, we still need to know what traits an advertisement must have in order to successfully raise sales. However, analysis of actual banner advertisement data using econometric models reveals that banner size, animation, message length, and brand logos, as well as media aspects such as campaign duration, number of hosting websites, incorporation of offline media, and campaign cost, can affect the target audience's direct response, as measured by click-through rates [4].

1.2. Research Gap

Although much research has been done on the effectiveness of advertising, there are still many factors regarding the determinants of successful advertising that have not been explored yet. For example, the frequency of advertising

Amazon is one of the largest multinational technology companies in the world. Over the years, Amazon has continuously adapted its business strategy, now offering a diverse range of products and services. In 2022, Amazon will become the most advertised brand in the United States, as it has spent over 6 billion dollars on advertising [5]. However, no one has investigated the reasons on why Amazon increases the intensity of advertising.

To ascertain the underlying rationale for this marketing strategy, the present study will concentrate on investigating the correlation between aggressive promotional efforts and the subsequent fluctuations in sales and profitability within a company context. This study will initially analyze the historical sales performance of Amazon before its significant investment in advertising. Subsequently, it will explore the potential factors contributing to the observed change in sales. Finally, it will assess the potential challenges that Amazon may face in the future and provide recommendations for its forthcoming marketing strategies.

2. Case Description

Amazon was founded in 1994 by Jeff Bezos, a former Wall Street hedge fund executive. It began as an online bookstore; however, the company quickly expanded its boundaries to go into multiple industries. Amazon is now renowned not only as the world's leading online retailer but also as a provider of products such as Kindle e-readers and Echo speakers, cloud solutions via Amazon Web Services (AWS), digital content streaming, and even physical storefronts. Amazon has successfully altered the e-commerce and retail landscapes and established new benchmarks while remaining committed to consumer pleasure. The corporation occupies a vital position in various sectors and is a cornerstone in the global tech arena due to its broad reach and diverse services.

According to the data, Amazon began increasing its advertising budget in 2021. Amazon's advertising spending in the United States has risen from 6.8 billion US dollars in 2020 to 10.4 billion US dollars in 2021, eventually reaching 13.48 billion US dollars [5]. Its annual advertising costs have increased by 60%, from 10.9 billion US dollars to 16.9 billion US dollars. Furthermore, it is constantly increasing, with the cost reaching 20.6 billion US dollars in 2022 [6]. According to this data, Amazon has maintained a continuous growth trend in its global advertising spending. This surge in promotional intensity is visible not only in digital ads and campaigns but also in television commercials. Data from 2019 shows, for example, that Amazon's TV commercials were broadcast 7.8 thousand times on the day before Prime Day, a shopping event hosted by Amazon that provides special offers and discounts exclusively to Prime members, nearly doubling the frequency of ads aired before Prime Day in 2018 [7].

Meanwhile, Amazon's brand worth has steadily increased, particularly since 2020. It has climbed by more than 69% in the last two years, from 415.86 billion to 705.65 billion [8].

3. Analysis on Problem

3.1. Reasons for Brand Awareness

The allocation of resources towards advertising endeavors has the potential to significantly enhance the level of brand awareness. The prominent display of Amazon's emblem on their delivery boxes and trucks serves as a means to capture the attention of customers and enhance brand recognition. Furthermore, it is vital to preserve a persistent presence in the industry.

Hence, consistent brand exposure serves the dual purpose of introducing the brand to potential customers and reinforcing the brand image among existing customers. This phenomenon would

ultimately result in a rise in both brand recognition and brand recall, which are the primary components of brand awareness [9].

Consequently, the achievement of effective brand awareness implies that one's brand is widely acknowledged and easily distinguishable. Developing this consciousness is crucial for differentiating your product from similar services and competition. The correlation between consumer awareness of a product and brand and the probability of their purchase inclination is positively significant. According to research, there is a positive correlation between customers' familiarity with a product and brand and their likelihood to engage in a purchase [9].

3.2. Reasons for Brand Image

Amazon increases its exposure by placing more advertisements, it emphasizes the bond between the brand and its customers and stimulates the positive image of the brand, which eventually leads to an increase in sales. The purpose of advertising is to craft symbolism and visual imagery surrounding a product, fostering a bond between the brand and the customers. Customers are perceived as engaged, informed, astute, and instrumental in ascribing significance to brands [10].

Brand image is the primary force behind brand equity, which encompasses a consumer's overall impression and perspectives towards a brand, influencing their actions. For marketers, irrespective of their company's specific marketing tactics, the core purpose is to shape consumers' views and attitudes about a brand. They strive to solidify the brand's image in the consumer's mind, motivating actual purchase decisions. This, in turn, boosts sales, augments market share, and enhances brand equity. With the increasing number of brands in the market, consumers base their buying choices more on brand image than the product itself. Furthermore, it is also crucial for brands to constantly assess the alignment between brand image and consumers' self-perception since consumers are more inclined to favor a brand when its image resonates with their self-view. The brand image would also contribute to customer loyalty, especially in e-commerce. People tend to favor brands that have a more positive and consistent brand image, and it would be more likely for them to continuously purchase from the brand and thus generate profits for the company [11]

3.3. Reasons for Attitude towards Brand

Brand attitude, like brand awareness, is an important communication outcome for a brand purchase to occur. Brand attitude is made up of both cognitive and emotional components. When a customer is more positive about a brand, the customer relationship is regarded as strong and good, which implies he or she is more likely to make a purchase. In today's market, developing strong consumer ties is critical. Maintaining a positive rapport is critical for client retention. The ability of the organization to create trust with its customers is essential for long-term, lucrative relationships. Once this relationship is broken, retaining the customer becomes difficult, as customers wield considerable power and firms must prioritize maintaining good ties with them [12].

Amazon's high advertising intensity is also attempting to leverage the mere exposure effect to enhance customers' positive opinions toward the company. The mere exposure effect describes the phenomenon in which one's preference for a stimulus rises with repeated exposure to it. As previously stated, Amazon boosted its television commercial display on the day before Prime Day by about 3,500 times between 2018 and 2019. The continuous broadcast of its commercials would expose clients to repeated stimuli, increasing their familiarity with the brand and generating a good attitude about the company.

4. Suggestions

4.1. Suggestions on Brand Awareness

As previously said, the establishment of adequate brand awareness may significantly contribute to the enhancement of sales for a company. Consequently, it becomes imperative for Amazon to ensure the presence of appropriate brand awareness in the contemporary market. Given that Amazon has

already established a strong brand presence, the current objective would be to sustain public awareness of this brand. Integrated Marketing Communications (IMC) is a contemporary marketing approach that encompasses advertising, public relations, and marketing across several media platforms [13].

With the increasing prevalence of social media, a growing number of advertisers are opting to utilize these digital channels as a means of promoting their products or services. Social media has emerged as a very accessible means of global communication, facilitating widespread outreach to diverse populations. The utilization of social media platforms for advertising purposes would significantly contribute to Amazon's ability to both sustain and enhance its brand recognition. TikTok emerges as a compelling option due to its current status as one of the most widely embraced social media sites.

4.2. Suggestions on Brand Image

The brand image has the potential to influence customers' impressions of the brand, hence having a direct impact on their purchase behavior. The act of conveying a brand's identity to consumers holds significant importance in the development of a positive brand perception. It is imperative to establish a congruence between the brand identities presented during the process of brand image building and how consumers perceive and derive significance from them [14]. Hence, it is imperative for Amazon to establish a distinct and indelible brand identity for its clientele. The foremost consideration is the necessity for this identity to exhibit coherence, thereby accentuating the brand's image.

Additionally, Amazon has the potential to leverage the priming effect as a strategy to establish a favorable brand perception. The phenomenon known as the priming effect occurs when an individual's response to a subsequent cue is influenced by their prior exposure to a specific stimulus, even in the absence of conscious awareness of the connection between the two. Hence, it is recommended that Amazon consistently associate its brand image with positive stimuli, such as pleasant music or visual assistance.

4.3. Suggestion on Customer's Attitudes towards Brand

Customer attitudes are directly related to customer loyalty; a loyal customer would perform re-purchasing behaviors and bring more sales profit to the brand. According to existing research, it has been found that stimuli that are sensed at a subconscious level tend to produce exposure effects that are considerably more pronounced compared to stimuli that are consciously acknowledged. Later studies have found more evidence to back up this claim. For example, the phenomenon of "mere exposure effects" still happens even when people see brand names and product packaging by accident, without trying to understand what the brand is about [15].

Hence, it is recommended that Amazon use a more understated approach in its advertising strategies. Banners on websites, such as those seen on streaming platforms, are a suitable option due to their unobtrusive nature that does not typically impede content consumption, therefore minimizing user awareness of their presence. Additionally, it is recommended to enhance the frequency of advertisement displays, thereby ensuring their integration into the customer's implicit memory.

5. Conclusion

In further research, the authors will read more literature in both English and Chinese in order to more accurately understand the concepts conveyed by these scholars. In addition, the authors will conduct more internships in the future to gain more professional experience so that this author can analyze more deeply and make better suggestions for brands as much as possible.

This article analyzed Amazon's advertising intensity and the value of its brand. The paper found that increasing the frequency of advertising would raise brand awareness and improve brand image; additionally, regular exposure to favorable brand image would lead to higher consumer attitudes and reinforce consumer loyalty.

This report also stated that using social media channels to promote a brand is an efficient strategy to increase brand awareness. Furthermore, using the priming effect and regularly associating its positive brand image with pleasant stimuli would build its positive brand image and improve sales. Amazon should also boost the frequency of its subtle commercials, which would benefit customer attitudes and ultimately nurture consumer loyalty.

This article uses an increase in TV advertisements the day before Prime Day to illustrate the rise in advertising frequency. Future research can look into different sorts of advertising frequency, making it more plausible to generalize the findings. Furthermore, future research can concentrate on the effects of shifting advertisement frequencies across platforms and attempting to apply other psychological theories to the brand's marketing efforts.

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