

Impact of Advertisement on Brand Loyalty Using Structural Equation Modeling Approach

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Abstract

Third millennium is the era of information explosion and severe competition among organizations for obtaining customer satisfaction and establishing long-term relationship with customers so as to obtain higher market share. Considering the fact that customers can have access to many products and services at a moment due to development of information technology, probability for selecting a new company for receiving services or products is very high, thus the customers may refer to the other companies for receiving service or product. To this end, it can be stated one of the main issues in marketing is making customers loyal. In fact, if companies can acquire customer satisfaction by adopting appropriate marketing strategies, they can prepare context for their loyalty and gain high profit in long term. The main aim of the current research work is investigating impact of advertisement on customer loyalty to a brand. Research data were obtained from a sample (n = 385) of students of management and accounting department in Qazvin University who are Iran cell customers through a structured questionnaire. They were analyzed using structural equations modeling techniques as well as LISREL and SPSS software. Results show that such factors as brand satisfaction and trust directly and factors such as advertisement and perceived quality, image, and brand associations indirectly through mediator variables influence customer loyalty.

Keywords: advertisement, brand loyalty, customer

Introduction

In the old era, there was a kind of relationship about awareness of availability and presence of goods and products. Some images carved on the caves are related to makers of primitive objects. Thus, advertising is not a new concept; rather it originates in human social life. However, new advertisement dates back to late 19th century and early 20th century. Advertisement in its today form entered business and it was developed gradually, since its necessity was felt.

After industrial revolution, the sale was not easy due to increasing volume of production, since distinction among products was eliminated due to mass production and most products became standard and similar. Also, because of increased distance between producer and consumer, information about products and services was not easily provided for the consumers as before, thus need for a new communicative channel was felt (Hu, 2011).

Advertisement developed more and more by invention of printing machine and then radio and TV and other mass media, so that today we observe advertisement bombardment. When we are watching TV or listening to our favorite program on radio or searching in internet or looking at different websites, we constantly are exposed to various Ads. Even when we are passing across the street, we face with \advertising billboards. In the conditions when we face advertisement bombardment, this question is raised: does Ad influence audience as before? in other words, in the conditions when all are advertising with high expenditures and advertising has become a fixed part of the organizations' activities, having understanding about consumers and consumption process

will bring various advantages for the organization and marketers should have proper understanding about factors affecting consumer's needs and demands for success in absorbing customer (Breuer & Brettel, 2012).

People search for information prior to have purchase and they obtain most part of such information through advertisement. Advertisement is relationship between message receiver and message sender, where message receiver receives information about the product, brand or service from message sender, and since the customer is the only profitability source of the companies in the present and future and a good customer which creates more profitability may be lost in a sever competitive space, thus advertisement should be specially considered (Dawes, 2013).

Recent decades witnessed deep changes in global economy. Competition in business arena has become increasingly complex and good production and sale is the axis of economic activities. Without doubt, those will win the future who outperform in competition with wisdom, prudence and using the most appropriate methods and tools. Thus, the companies should attempt for retaining current customers and creating long-term and profitable relationship with them and developing brand loyalty through appropriate advertising (Kirmani and Wright, 1989).

There is severe competition among producers in mature markets and there is low difference among the products offered by these producers. Hence, the organizations should have competitive advantage over others for success in such environment and advertisement may have significant influence in marketing and studying consumer behavior (Yoo et al., 2000).

Advertisement influences information processing processes, adjustment of reactions to motivational demands, reaction to marketing stimuli, and targeted behaviors and many other activities. Advertisement is an important part in creating consuming reactions in the customers and causes purchase repetition and loyalty to brand. Since advertisement affects expectations from products and service quality, its role should be associated to the brand loyalty (Moorthy and Zhao, 2000).

It seems there is no study investigating relative impact of variables such as satisfaction, brand trust, perceived quality on brand loyalty. Although many variables such as brand management are influential in brand loyalty, there is study for comparing simultaneous impact of image, perceived quality and satisfaction and etc. in investigating extent of Ad impact on brand loyalty (Ha et al., 2011).

Advertisement industry is yet considered as an emerging and novice industry in our country and it has not yet found its main functions. These problems are also evident in telecommunication industry. One decade after emergence of cell phone phenomenon in the world, Iran decided to use it in 1975-1976. With investigations by Iran Telecommunication Organization and foreigner experts it was concluded Iran can absorb 4000-5000 subscribers annually and needed equipment were purchased in 1993 and first phase of this project was started in summer 1994. However, despite of vital need for economic development in Iran, it is yet unknown and overlooked. Thus, it is attempted to investigate role of advertisement n the current competitive arena in telecommunication industry.

Theoretical Framework

Advertisement

Advertisement developed more and more by invention of printing machine and then radio and TV and other mass media, so that today we observe advertisement bombardment. When we are watching TV or listening to our favorite program on radio or searching in internet or looking at different websites, we constantly are exposed to various Ads. Even when we are passing across the street, we face with advertising billboards. In the conditions when we face advertisement bombardment, this question is raised: does Ad influence audience as before? In other words, in the

conditions when all are advertising with high expenditures and advertising has become a fixed part of the organizations' activities. Advertisement should be exposed, perceived, learned, memorized and acted. Basic theoretical principles of learning are used in designating effective communication. Packard's persuasion theory known as hidden persuader got popular in 1957. According to Packard, advertising companies which are active in telecommunication industry created Ads by implicit use of psychology principles which wonderfully were strong and effective. Market people were involved in finding implicit meaning of attraction and optimality of telecommunication services (Katler et al., 2005).

Advertising creates positive expectation which causes that experience of one product use is positive. Practitioners in telecommunication industry attempt to fulfill needs of the consumers regarding use of services; however, there are various reasons which cause purchase of a product. Determining and identifying motives of telecommunication service consumers is the main stage for assuring that related motives will be met by providing a new service. Describing this motive, which is created for meeting one of needs (e.g. needs which are classified based on Maslow's theory), is very difficult (Katler et al., 2005).

Customers, like directors, need information which provides suitable basis for their decision making. They often need to know unique benefits and characteristics of the respective telecommunication service and its optimal way of use. Of course, attractiveness of the informing approach is also determinant. Perfect marketing communicative plan of a telecommunication service company is called its marketing mix. This plan is composed of a combination of non-personal advertising, sale progress advertising, public relations and personal sale (ibid).

Brand Loyalty

Customer loyalty is the key for business success and a loyal customer means increasing profitability (value making) in low costs. Increased customer loyalty is an important issue which is focus of marketing strategies in recent years (Mcmullan, 2005).

However, concept of customer loyalty is defined and investigated in two different aspects. Some authors consider loyalty as an attitude factor and some other consider it as a behavioral factor. Some authors consider loyalty as a combined factor (ibid).

Concept of loyalty was initially developed in 1940s. That time, loyalty was a one-dimensional factor and then during 1944 and 1945 two separate concepts about loyalty were developed; "brand preference", which was introduced as attitude loyalty, and "market share", which was proposed later as behavioral loyalty. Since then, concept of loyalty was entered in academic literature and authors found that loyalty may be a combination of attitude and behavioral loyalty (Rundle, 2005). Area of brand loyalty is highly related to customer satisfaction and his doubtful behavior. Brand loyalty can be defined as positive attitude of the customer to a certain brand, his fidelity to the brand and intention for future purchase (Boulding et al., 1993).

Brand loyalty is directly influenced by satisfaction or dissatisfaction with the brand which is accumulated over the time. It is also affected by the product quality. Since retaining the old customers has four to six times lower cost than developing new customers. Managers should put higher priority to creating strategies which extent and retain brand loyalty (ibid).

Review of Literature

Janeo (2011) studied influence of brand value based messages on sustainable products and found value based messages are related to the brand and considerable quality reduction is faced.

Shum (2004) investigated basic beliefs of advertisements among young Chinese generation and found increased advertising activities all over the world has led to emphasis on importance of

perceiving advertisement effectiveness in international markets. Over recent years, economic development causes creating modern consumers of china.

Chioveanu (2008) studied impact of advertisement on customer loyalty and found advertisement influences loyalty of customers of new cars in southern Africa markets.

Schultz and Block (2012) compared effectiveness of internet advertising and analysis of samples in USA and France and found effectiveness of advertising channels on behavior of customers in USA and France is different and it is recommended attempt in two countries is done in different ways.

Considering role and importance of advertising in organizational development and improvement and because of importance of advertisement in people attitudes and behavior, current research work aims at investigating impact of advertisement on brand loyalty. Without doubt, addressing this issue would help enriching research literature on advertisement and brand loyalty and related variables. Thus, research conceptual framework seeks for answering following hypothesis.

Advertising influences customer loyalty to Irancell Co. brand.

Methodology

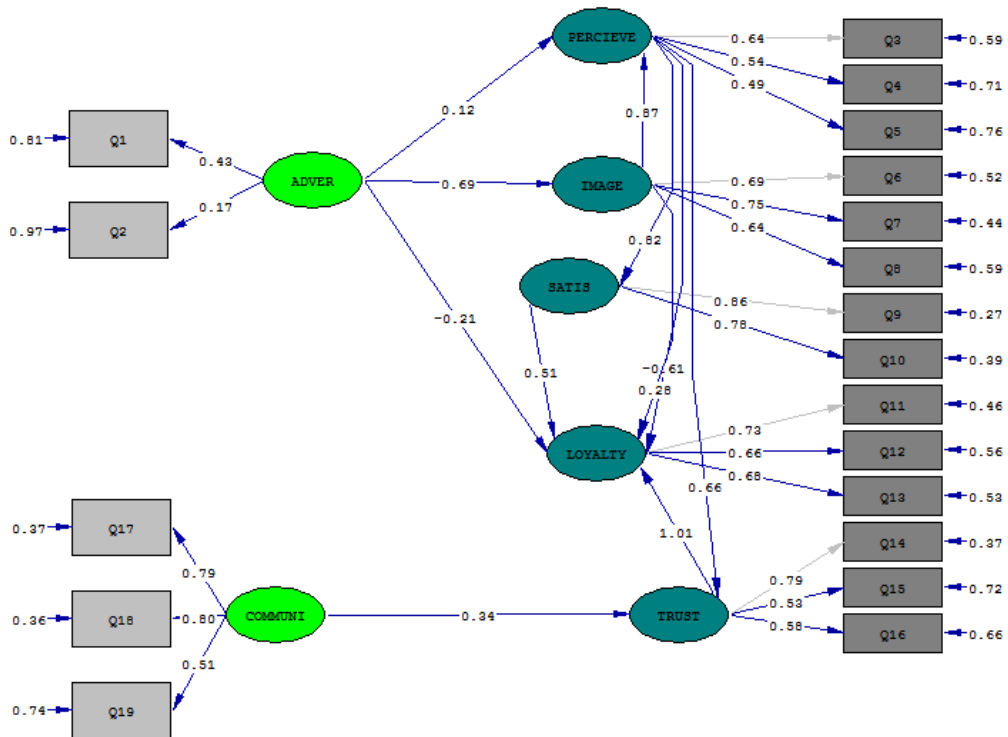
This work is an applied research study and its method is descriptive of correlation type. Statistical population includes all students of management and accounting department of Qazvin University who were customers of Irancell Co. The 385 of them were selected using simple random method. Data were collected using a structured questionnaire distributed among the sample. It included 19 items. Items 1 – 19 were closed type. Options were ordered based on five-point Likert scale as “highly agree” to “highly disagree”. Data analysis was done using descriptive statistics (frequency, percentage, mean) and inferential statistics (regression).

Findings

Hypothesis: research hypotheses are as follows.

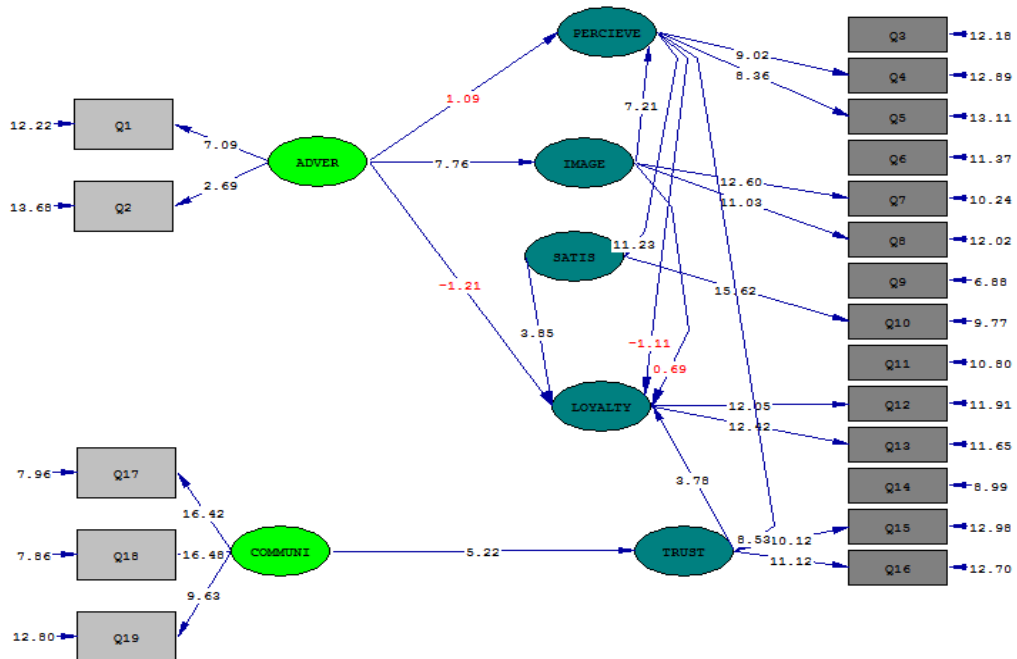
1. Advertising influences brand loyalty.
2. Advertising influences image.
3. Advertising influences perceived quality.
4. Image influences brand loyalty.
5. Image influences perceived quality.
6. Perceived quality influences brand loyalty.
7. Perceived quality influences satisfaction.
8. Satisfaction influences brand loyalty.
9. Perceived quality influences brand trust.
10. Brand trust influences brand loyalty.
11. Brand associations influence brand trust.

In order to test the research hypotheses and investigate relationship between dependent and independent variables, path analysis is used. The results are given in following.



Chi-Square=459.81, df=140, P-value=0.00000, RMSEA=0.077

Figure 1. General model of LISREL (path analysis model)



Chi-Square=459.81, df=140, P-value=0.00000, RMSEA=0.077

Figure 2. t value for investigating significance of path coefficients estimated in path model

Table 1: Path coefficients of total effects of constructs and significance of estimated parameters

Test result	t-value	Direct path coefficient	Path in model
Hypothesis Rejection	1.09	0.12	Advertisement → perceived quality
Hypothesis Support	7.76	0.69	Image → advertisement
Hypothesis Rejection	-1.21	-0.21	brand loyalty → advertisement
Hypothesis Rejection	0.69	0.28	Brand loyalty → image
Hypothesis Support	7.21	0.87	Perceived quality → image
Hypothesis Rejection	-1.11	-0.61	Brand loyalty → perceived quality
Hypothesis Support	11.22	0.82	Satisfaction → perceived quality
Hypothesis Support	8.53	0.66	Brand trust → perceived quality
Hypothesis Support	3.78	1.01	brand loyalty → brand trust
Hypothesis Support	5.22	0.34	Brand trust → brand associations
Hypothesis Support	3.85	0.51	Loyalty → satisfaction

** Sig level at 1 percent error or 99 percent confidence

Considering results of path analysis, it can be said:

According to the results of model, advertisement impact on brand loyalty was calculated as -0.21. t is smaller than 1.96 which shows there is no adequate reason for rejecting null hypothesis. Also, according to the model results, impact of advertisement on image was calculated as 0.69. t value, which is used for investigating significance of the parameter, is above 1.96 which shows rejection of null hypothesis at 99 percent confidence. According to the model results, impact of advertisement on perceived quality was measured as 0.12. t is smaller than 1.96 which shows there is no adequate reason for rejecting null hypothesis. Results indicate impact of image on brand loyalty is 0.28. t is smaller than 1.96 which shows there is no adequate reason for rejecting null hypothesis. Impact of image on perceived quality was measured as 0.87. t value, which is used for investigating significance of the parameter, is above 1.96 which shows rejection of null hypothesis at 99 percent confidence. Perceived quality impact on brand loyalty was calculated as -0.61 where t is smaller than 1.96 (-1.11). it shows there is no adequate reason for rejecting null hypothesis. According to the model results, impact of perceived quality on satisfaction was calculated as 0.82. t value, which is used for investigating significance of the parameter, is above 1.96 (11.22) which shows rejection of null hypothesis at 99 percent confidence. Satisfaction impact on loyalty was calculated as 0.51. t value, which is used for investigating significance of the parameter, is above 1.96 (3.85) which shows rejection of null hypothesis at 99 percent confidence. According to the model results, impact of perceived quality on brand trust was calculated as 0.66. t value, which is used for investigating significance of the parameter, is above 1.96 (8.53) which shows rejection of null hypothesis at 99 percent confidence. Impact of brand trust on brand loyalty was calculated as 1.01. t value, which is used for investigating significance of the parameter, is above 1.96 (3.78) which shows rejection of null hypothesis at 99 percent confidence. Impact of brand associations on brand trust was calculated as 0.34. t value, which is used for investigating significance of the parameter, is above 1.96 (5.22) which shows rejection of null hypothesis at 99 percent confidence.

Discussion and Conclusion

According to the research findings, advertisement has no statistically significant impact on brand loyalty and the more effectiveness of advertisement is considered in the form of a linear function, no change is observed in brand loyalty. These findings indicate attitude change regarding advertising is needed in the sample under study, because advertisement showed no significant impact on brand loyalty. Thus, this research hypothesis is rejected.

Also, results suggest that advertisement has significant impact on image. The more advertising is considered, image is increased in the form of a linear function. This finding indicates any strategy in relation with advertising will bring improved image.

Results also showed advertisement variable has no significant statistical impact on perceived quality and the more advertisement is considered in the form of a linear function, no change is observed in perceived quality. It shows attitude change is needed regarding advertising in the sample under study, because advertising shows no significant impact on perceived quality. Thus the research hypothesis is rejected. Results showed image has no significant statistical impact on brand loyalty and the more image is considered in the form of a linear function, no change is observed in brand loyalty. It shows image represents no significant impact on brand loyalty. Thus the research hypothesis is rejected.

Results suggest image has significant statistical impact on perceived quality and the more image is considered in the form of a linear function, perceived quality would be increased. This finding shows any strategy in relation with image would lead to more perceived quality. Thus, this hypothesis is supported.

Results showed perceived quality has no significant statistical impact on brand loyalty and the more perceived quality is considered in the form of a linear function, no change is observed in brand loyalty. This finding shows perceived quality is not so important in the sample under study that it can influence brand loyalty. Thus, this research hypothesis is rejected.

Results suggest perceived quality has significant statistical impact on satisfaction and the more perceived quality is considered in the form of a linear function, satisfaction would be increased. This finding shows any strategy in relation with perceived quality would lead to more satisfaction. Thus, this hypothesis is supported.

Results suggest satisfaction has significant statistical impact on loyalty and the more satisfaction is considered in the form of a linear function, loyalty would be increased. This finding shows any strategy in relation with satisfaction would lead to more loyalty. Thus, this hypothesis is supported.

Results indicate perceived quality has significant statistical impact on brand trust and the more perceived quality is considered in the form of a linear function, brand trust would be increased. This finding shows any strategy in relation with perceived quality would lead to more brand trust. Thus, this hypothesis is supported.

Results suggest brand trust has significant statistical impact on brand loyalty and the more brand trust is considered in the form of a linear function, brand loyalty would be increased. This finding shows any strategy in relation with brand trust would lead to more brand loyalty. Thus, this hypothesis is supported.

Finally, results show brand associations has significant statistical impact on brand trust and the more brand association is considered in the form of a linear function, brand trust would be increased. This finding shows any strategy in relation with brand associations would lead to more brand trust. Thus, this hypothesis is supported.

Recommendations

Considering results of hypothesis testing, following recommendations are given:

1. It is suggested marketers and companies pay more attention to the fact that they cannot make their costumers loyal only through advertisement; rather it is better to make them loyal through creating trust.
2. It is suggested marketers and companies attempt to absorb potential customers through application of such strategies as appropriate raw material, development of new products, and paying attention to customer needs.
3. It is recommended marketers and companies attempt to absorb potential customers through application of such strategies as discounts, incentives, development of new products, and etc.
4. It is suggested considering important role of image in consumer behavior, authors and marketers takes it more into account and perform more actions for promoting knowledge of people.
5. It is better companies firstly create trust and satisfaction through quality promotion so that they make the customers loyal by trust making and satisfaction.
6. It is recommended companies create satisfaction in customers through paying attention to customer needs and providing high quality products and thus intention for repetition of purchase is established.
7. It is suggested in order attract satisfaction of customers, their expectations and requirements are identified and considered. It is not achieved by guess and speculation; rather it is achieved only by referring to the customer and receiving his ideas. To this end, it is better than the organizations and producers utilize statistical techniques for receiving ideas of customers and use various mail or call or face-to-face methods.
8. It is recommended companies make trust incustomers with focus on their needs and proper accountability for their demands.
9. It is suggested customer trust to the company's brand is increased in long term by providing high quality products, reduction of costs, variety in products and continuing this trend.
10. It is suggested companies attempt to inform well and establish stronger marketing communication including wider advertisement about products through various media, implementing incentive actions for buying products, introduction in seminars and fairs, direct marketing, etc.

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