

**IMPACT OF ETHICAL ADVERTISEMENT ON CUSTOMER LOYALTY**

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**Abstract**

*Nearly everyone in the modern world is influenced to some degree by advertising. The study tries to find out the impact of customer perception about ethical advertisement, the role of pricing and celebrity endorsement by the advertiser on customer loyalty. The study also tries to find out the impact of ethically responsible behavior as shown in the advertisement make on customer loyalty. Taking a sample size of 50 individuals from different economic classes residing in one location of Pune, India. The study used multiple regression technique for data analysis after confirming reliability of questionnaire with Cronbach alpha test. Result shows that customer loyalty has been positively affected by ethical advertisement, ethical pricing, celebrity endorsement and ethical behavior being depicted by the marketers through their advertisements. Further, the result explains that ethically responsible behavior shown in the advertisement by the markets affect on customer loyalty to a great extent and pricing, although is an important component in designing customer loyalty, have comparatively lesser impact on customer loyalty.*

*Keywords: Advertisement, Customer loyalty, Endorsement, Ethics.*

**INTRODUCTION**

Customer loyalty can be defined as the adherence of customers to a company. Even if businesses make mistakes, loyal customers will not leave. But sometimes it is observed that when the expectation of the customers did not match after using the product then there are some changes in consumer preferences. After observing these changes, it is interesting to investigate whether customer loyalty shuffle when expectation did not match. Now point is how expectation occurs in the mind of customer? Does Advertisement play a role in shaping expectation?

In particular, it is valid to explore impact of Ethical advertisement on Customer Loyalty. The term customer loyalty was widely researched in 1990's but considerably fewer investigations were conducted in later periods. The impact of Advertisement on Customer loyalty is important to investigate because there are rather few empirical evidences available on the changed behavior of Customer. Hence, this research will provide an important contribution to this area.

Nearly everyone in the modern world is influenced to some degree by advertising. Advertising is a very powerful institution and has been the target of considerable criticism regarding its social and economic impact. Critics always argue that advertising is deceptive and untruthful; that it is often offensive, irritating, or in poor taste; and that it exploits certain groups, such as children. Many people believe, advertising should be informative only and advertisers should be informative only and advertisers should not use subjective claims, puffery, embellishment, or persuasive techniques. Organization clearly understood that effective and efficient communication is inevitable for their success. However, it can be felt that the field of advertising is undergoing dramatic changes. Consumers are no longer responding to traditional forms of advertising; and new technologies that may reinvent the very process of advertising. Marketers are looking beyond the traditional media to find new and better ways to communicate with their customers. They no longer accept on faith and the value of conventional advertising placed in traditional media. There is a threat of crossing the thin line of ethical and unethical advertisement.

A holistic view is required to cultivate consumer loyalty. Companies who wish to build up Loyalty for their brand must note that--word of mouth communication, brand differentiation, element of emotional affection and ethical factors are essential. This study provides insights on foundations for ethical customer relationships, contingent knowledge about customers as stakeholders, and insights on establishing a balanced stakeholder orientation from a managerial perspective.

## **STUDY OBJECTIVES**

1. To find out the impact of Ethical Advertisement on customer loyalty
2. To measure impact of Ethical Pricing on customer loyalty
3. To analyze the role of Celebrity endorsement in loyalty building
4. To understand to what extent Ethically responsible behavior as shown in product advertisement affect the loyalty of customer

## **LITERATURE REVIEW**

Present business environment is characterized by the increase in rivalry and globalization (Cahill, 2007). Kincaid (2003) defines customer loyalty as "a consumer behavior, built on

positive experience and value, which leads to buying products, even when that may not appear to be the most rational decision” (Kincaid, 2003). Furthermore, the concept was later divided into behaviorist and neo-behaviorist dimensions where the latter is more focused on the underlying causes of customer loyalty and attitudes of consumers (Peppers and Rogers, 2004).

So, in the investigation of customer loyalty, it is valid to explore two fields: the behavior of consumers and their intentions (Schweizer, 2008). New age advertisers are redefining the notion of what an Ad is and where it runs? Many experts argue that “branded content” is the wave of the future and there is a growing movement to reinvent advertising and other forms of marketing communications to be more akin to entertainment. Companies such as BMW, Levi Strauss & co., Nike and sky spirits are among the marketers using “advertisement” as a way of reaching consumers, they create short films or commercials that are shown on their websites (Belch and Belch 2004). A number of factors are impacting the way marketers communicate with consumers. The audiences that marketers seek, along with the media and methods for reaching them, have become increasingly fragmented. Advertising and promotional efforts have become more regionalized and targeted to specific audiences. In recent year Marketers have recognized that consumers are tired of the myriad of advertisement and other forms of promotion. They are exposed to everyday and are becoming cynical about the sales pitches. Celebrities such as Amitabh Bachhan, Karthleen Turner, Beckham, Sachin Tendulkar etc use to frequently appear in praising particular products without revealing that the companies were paying them or making donation to their favorite charities in return for the endorsement. And Of course Marketers are hiring trendsetters to generate “BUZZ” for their products on college campuses and in trendy bars and night clubs as well as other places.

Many of the people who recommended products to us are actually pitchperson in disguise who are being paid to deliver subtle promotional message. The ethical perspective asserts the rightness or wrongness of specific firm actions independently of any social or stakeholder obligations (Ferrell 2004). While market orientation is considered a key strategic component of marketing strategy, the importance of customers in the development of ethical programs and social responsibility is not always clear. Although one study found the ethical climate of the firm to be positively associated with customer loyalty, there are many other determinants of customer loyalty. As companies engage in competitive markets, market orientation and a customer focus have been recognized as key drivers of marketing performance. However, intense competition sometimes breeds unethical behavior even when a customer orientation is in play. When Pizza Hut and Papa John's aggressively attacked one another in advertising campaigns, each declared that they provided the 'freshest' ingredients.

The matter was taken to court and resolved through civil litigation. The importance of creating customer relationships and creating value for the customer as a part of market orientation should lead to increased performance. False and misleading advertising is increasingly a key issue in organizational communications. Abuses in advertising can range from, exaggerated claims and concealed facts to outright lying (Ferrell, 2004). Brand Loyalty is existent in younger age groups as well as older generations, although there intensity of loyalty varies. One of the greatest challenges and wins for building up brand loyalty at a young age would be to get the consumer who uses the brand when they are young so that they stay loyal for longer period.

### **Brand Ethics Influential on Customer Loyalty**

Consumers are becoming more conscious about the ethical credentials of businesses, according to a new report from London-based. A survey of 1,000 adults from British agency 23red shows that more than 9 out of 10 (91 percent) shoppers consider the approach of the business to the local community, the environment and its terms of operation when purchasing goods or services. Nearly three-quarters (74 percent) of those surveyed expressed an interest in hearing more about the ethics of a firm before deciding on a purchase, which could give online marketing firms the chance to promote their healthy business ethics and in turn, receive more traffic (Bulldogreporter, 2011).

### **Ethical factor**

Ethical responsibility is beyond legal requirements by considering in terms of standards, norms, and expectations which in turn reflect a concern for doing what is right, just, fair and to avoid harms to others. Customer is driven not only by the product features and brand name, but he/she also takes decision on the basis of advertisement which appears to be ethical to him/her (as ethics may have different definition for different people)

**H1:** The more consumer favorably perceive on ethical advertisement, the greater customer loyalty.

### **Price Factor**

Marketing researches have suggested that price is a critical factor which enhances the customer satisfaction because whenever customer evaluates the value of goods or services they often think of price. The price is what the customer sacrificed to obtain goods or services. However, unreasonable changes in price caused customers to perceive unfairness and unsatisfactory. Pricing ethics involves examining what constraints are needed on the pursuit of market share and profits when the actions of a company affect others adversely. For example, a company that has a monopoly on a particular product with few, if any, directs competitor's

needs to think carefully about raising prices if the price change cannot be justified. Justification may be an increase in labor or material costs that can be demonstrated clearly to customers. Prior works showed that customers with perceived price fairness have significant influence on customer satisfaction, and customer loyalty. Hence, first hypothesis is

**H2:** The more customer favorably perceive on ethical pricing, the greater customer loyalty.

### **Celebrity Endorsement**

Celebrities' could bring in positive image among the masses for brand. The credibility and authenticity attached with Amitabh Bachchan has inculcated trust for ICICI, Nerolac Paints and many others. Celebrities are no doubt a good attention generating apparatus, and built positive attitudes towards the product being advertised provided they are supporting a good idea and there is an explicit fit between them and the brand.

**H3:** The more customer favorably perceive on the use of celebrity endorsement in the advertisement, the greater customer loyalty.

### **Ethical Behavior**

A company's reputation for ethical behavior can help it create a more positive image in the marketplace, which can bring in new customers through word-of-mouth referrals and also helpful in maintaining the customer base. When such ethical activities being done by the organization is shown through advertisement can create a positive image of the company and improve customer loyalty, which is one of the keys to long-range business success. Thus fourth hypothesis is

**H4:** The more consumer favorably perceive on ethical behavior shown in advertisement, the greater customer loyalty.

## **RESEARCH METHODOLOGY**

In order to comply with paper objectives and test hypotheses, authors gathered data through field research by administering a structured questionnaire on a sample of 50 customers of Hinjewadi, Pune area, during October 2013-November 2013. People from different economic background contributed to the present work. The questionnaire covered different aspects of ethical advertisement namely impact of ethical Advertising, importance of celebrity endorsement and ethical pricing etc. and measuring customer loyalty of different age groups. For the purpose of the present study, a customer is defined as one who purchases goods.

The task of data collection begins after a research problem has been defined and research plan has detected. For the present research, nature of data is both Primary and

secondary. Data collected from 50 individuals belonging to Hinjewadi, Pune area having different economic background. A questionnaire was given to respond.

### DATA ANALYSIS & FINDINGS

SPSS was used to apply multiple regression tests for the analysis of the data. In order to assess the adequacy of each multi-item scale in the measurement model, the exploratory factor analysis was conducted for checking the internal consistency before testing the hypotheses via multi-regression. Firstly, exploratory factor analysis of each construct was carried out with varimax rotation. The composite reliability was employed to measure the reliability of measurement. Eventually, authors used regression to test hypotheses.

Table 1: index of the result of reliability and factor loading score

<b>Variable</b>	<b>Composite</b>	<b>Factor Loading</b>
Ethical Advertisement	0.815	70.531%
Ethical Pricing	0.756	
Celebrity endorsement	0.783	
Ethically responsible behavior	0.873	
Customer Loyalty	0.836	

Table 1 presented reliability index of each factor range from 0.756 – 0.883 which has an acceptable ( $> 0.7$ ) Cronbach's alpha can be suggested that these constructs have adequate item reliability. Factor loading scores are 70.531% that mean all four variables explain satisfaction factor by 70.531%.

Table 2: The result of hypotheses test

<b>Variable</b>	<b>B</b>	<b>Sig.</b>
Ethical Advertisement	.315	.000
Ethical Pricing	.327	.000
Celebrity Endorsement	.160	.001
Ethically Responsible behavior	.212	.000

Dependent: Customer Loyalty,  $R^2 = .175$

For testing variable influence on customer loyalty, results in table 2 demonstrated that customer loyalty has been positively affected by ethical advertisement, ethical pricing, celebrity endorsement and ethical behavior being depicted by the marketers through their advertisements. Further, the result explains that ethically responsible behavior shown in the advertisement by the markets affect on customer loyalty to a great extent and pricing, although is an important component in designing customer loyalty, have comparatively lesser impact on customer loyalty. Finally, the involved variables accounted for 17.5% of the variance in customer loyalty.

## **DISCUSSION**

The paradox of the study is that the more successful a brand is in the marketplace, the more likely its branding strategy may become ethically questionable. We can understand it from the following cases:

- Targeting at children as young as five years old who are impressionable;
- Alcoholic soft drink advertising encouraging under-age drinking;
- Exaggerating non-existing benefits in a basically commodity product;
- False and misleading advertising dissatisfies customers;

Thus to retain the customer base, and to improve long term customer loyalty, ethical advertising can prove to be a great tool. Moreover when ethical behavior is suggested by celebrities, it further enhances the impact.

## **CONCLUSIONS**

Nearly everyone in the modern world is influenced to some degree by advertising. It is clear from the study that ethical advertisement focuses on the customer loyalty. Customer Loyalty will always be alive and well. It takes a lot of work to sustain in through years. Measuring customer loyalty is important. If one cannot measure it, then one cannot manage it. It renders continuous improvement in the brand building. It helps in raising the sales figure. The work explores the impact of practices of ethical advertisement on the customer's loyalty. Customers are no longer responding to the traditional form of Advertising so Marketers are always looking for the better ways to communicate with their customers. New-age advertisers always made an effort in redefining the notion of what an advertisement is, where it runs and how it can boost Customer's Loyalty.

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