



THE IMPACT OF ADVERTISING SPENDING ON BRAND LOYALTY: THE CASE OF BANKING SECTOR IN KOSOVO

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Abstract

This study aims to analyse the impact of advertising spending on brand loyalty through analysing the impact of customer orientation and the perceived quality on brand loyalty. In order to accomplish the purpose, the conceptual model was established based on which hypotheses were raised. In addition to the part of literature review, the study was based on primary data, which was collected through the questionnaire delivered to 220 bank customers covering the whole territory of Kosovo. The study has found that advertising spending made by banks has an indirect effect on bank customer loyalty, with customer orientation and perceived quality of service by the customers as a mediator in this impact.

Keywords: Advertising, Advertising Spending, Perceived Quality, Customer Orientation, Brand Loyalty, Consumer Behaviour, Banking Sector

INTRODUCTION

Advertising is a very important factor, which is always a subject of interest in consumer research. In regards to advertising research, researchers differ on whether they are devoted to researching the efficiency of advertising, or its effectiveness. Advertising efficiency has been defined as the ratio of advertising spending and the financial results that the company benefits from sponsoring that advertising. On the other hand, advertising effectiveness is focused on examining how advertising changes customer's attitude, perception, impressions, conviction about a particular product or category of products. Moreover, the more effective the advertising

is, the more it affects the efficiency or the increase of financial benefits that the company may gain from its sponsorship.

The evaluation of the effectiveness of advertising is based on the analysis of different areas of consumer behaviour and advertising as well. This consists of analysing various aspects of advertising, such as the impact of advertising on consumer awareness, then analysing the different elements of the advertising, which are more easily memorized in the consumer's mind, the level of consumer confidence in the message transmitted by the advertising, the extent to which consumers change their perceptions and attitudes toward the products being advertised, etc.

How important consumer perceptions are to a certain product or brand, it is also highlighted by Kolter and Armstrong (2008), wherein, according to them, the brands we encounter in the market are more than simple names and symbols. Brands represent consumers' perceptions about a certain product and its performance. The true value of a brand lies on its ability to capture consumers' preferences and loyalty. Therefore, it is exactly the advertising a tool through which it is always aimed to come to the consumer perceptions, thus making the advertised product become part of consumer's preferences and the company have as many loyal consumers as possible.

From a marketing perspective, a thorough and detailed description of the impact of advertising on consumer behaviour is an extremely difficult task. Therefore, we try to simplify this issue by dividing and analysing consumer behaviour in specific segments. In this case, in order to achieve the primary goal of this research, which is the analysis of the impact of advertising on consumer behaviour, we focused on the concrete analysis of the impact of *advertising spending* on the *brand loyalty* of Kosovan consumers. This has been accomplished through inclusion of two very important variables in the study, such as customer orientation and perceived quality. These two variables have served as mediating variables in conducting the analysis of the impact of advertising spending on brand loyalty.

THEORY AND HYPOTHESES

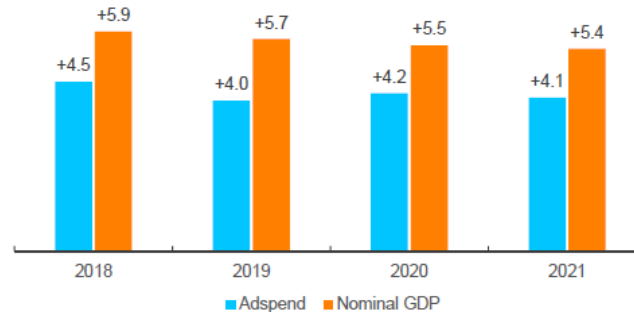
Advertising Spending

The perceived advertising spending for a certain product may influence consumer perceptions regarding the quality of the product, it may have impact on brand loyalty or it might be said that it may affect any change of consumer behaviour.

According to Zenith, advertising spending in global media reached the amount of 581 billion dollars by the end of 2018. Furthermore, Zenith predicts an increase of 4.0% in 2019, followed by 4.2% in 2020, and 4.1% in 2021. In general, Zenith anticipates that advertising

spending in global media should be increased according to the overall global economy (Figure 1).

Figure 1: Growth of advertising expenditure and GDP 2018-2021 (%)



Source: Zenith/IMF

Another important issue regarding advertising spending is the way such spending is allocated as per the media. According Zenith, one of the most powerful agencies in the world in regards to advertising, 2017 was the time when internet advertising reached the traditional television advertising, thus making the internet the largest advertising media in the world. Today, its growth is slower compared to previous years, however, it continues to grow yearly. In 2018, internet advertising grew by 12%, and it is anticipated to grow in average by 9% during the period from 2018 to 2021. By 2021, it is anticipated that internet advertising comprises 47% of the global advertising.

It should be noted that this study was conducted in the period before COVID-19, so the forecasts regarding advertising spending for 2021 have changed and that many companies around the world have cut advertising spending as a result of the pandemic.

Advertising Spending and Customer Orientation

Advertising spending has been defined in various ways by different scholars among the years. Here we will use the definition given by Kirman (1990), as it relates to consumer perceptions about company's advertising spending: "Perceived advertising spending refer to the general impression that costs for a particular ad are higher or lower than expected. Whereas, on the other hand, the term customer orientation describes a broad organizational emphasis on assessing and addressing customer needs. (e.g., Saxe and Weitz 1982, Luo and Seyedian 2004).

For many people, advertising spending and customer orientation may not have any relationship at first sight, but it is quite the opposite, especially when it comes to the services sector. Thus, in the case of the service sector, advertising can attract the customer's attention if their content emphasizes customer care (Ha and Muthaly, 2008).

Repeated advertising plays an important role in shaping the customer perceptions. And any repetition means spending. In general, customer perceptions regarding advertising spending should be related to customer orientation (Ha and Muthaly, 2008). This is also why such a link is seen as important for study even in the Kosovo context, where the service sector is considered to be vital to Kosovo's economy in general.

Hypothesis 1: Company's advertising spending affects customer orientation.

(Advertising Spending → Customer Orientation)

Advertising Spending and Perceived Quality

When speaking about advertising, its effect on consumer behaviour, respectively creating customer perceptions, an extremely important part of this aspect is the spending on advertising and how such spending affects the consumer behaviour in general. In general, there are considerable researches that talk about advertising spending as an indicator of perceived quality (Kirman 1997; Kirman and Wright 1989; Moorthy and Zhao 2000; Yoo et al. 2000). Nowadays, many companies worldwide invest huge amounts of money in advertising and promotional activities, because repeated advertising is closely related to the quality of the brand or product/service (Kirmani and Wright 1989).

According to Kotler (1997), "Perception depends not only on physical stimuli, but also on the stimuli's relation to the surrounding field and on conditions within the individual." In regards to customer perception about products/services, studies have been conducted, which were based on the research of external factors, such as price (Jacoby and Olson 1985), brand name (Andrews and Valenzi 1971), store's name (Szybillo and Jacoby 1972). Little attention was paid to the impact of advertising on creating customer perception, and in particular the part of costs and the relation of such part to the perceived quality by the customer.

Moorthy (2000) conducted a study, in which he included around 162 different brands. From the review of the relationship between the perceived quality of the product and the advertising spending, he found that the quality perceived by the customer is positively related to the advertising spending.

Customer awareness and perceptions regarding the product/service are very important and the role of advertising is thus very high. There are a lot of products that have narrow usage only in one segment or in a certain market, due to the perceptions created to the customers. For

example, peanut butter has been considered as a children product for years, and that was only due to erroneous perceptions of customers. Only through advertising this product managed to expand its usability and to establish new real perceptions, making aware the customers about the nature and the use of this product.

According to Sutton (1991), advertising increases the customer readiness to buy through alteration of his/her perception about the product quality. Brand awareness and perceived quality are naturally viewed as stocks that are built up over time in response to advertising (Nerlove and Arrow 1962).

Therefore, it often happens that a customer uses his/her perceptions regarding the amount of money spent for an advertisement as the main link to the quality of product that is being advertised. That was found by a study in 1989, by Kirman and Wright.

The main reasons why perceived advertising spending can draw conclusions about the quality of the product/service being advertised are: (1) the perceived advertising spending can serve as a signal or sign that the manufacturer of the product being promoted has made efforts to deliver a high quality advertisement, which demonstrates managerial confidence in the product; (2) consumers can perceive a correlation between advertising spending and product quality in the market; (3) the perceived advertising spending can indicate the financial strength of a company, leading to the conviction that powerful companies produce high quality products.

A study conducted by Clark, Doraszelski and Draganska (2009), found as the main conclusion that advertising spending had a significant positive effect on customer awareness, however, it was not observed to have a significant effect on the customer perceived quality. Therefore, according to this study, given that customer awareness of a particular brand is about having information about that brand, thus it can be said that advertising has the role of enriching the consumer with information about the brand. On the other hand, this study concludes that advertising is not likely to change customer perceptions regarding the quality of a particular brand or product. Therefore, there are contradictions as to the impact of advertising on the perceived quality to the brand by customers.

According to Nelson (1974b), when a product is advertised a lot, it is then very likely that the quality of this product is high. From the literature review, there are found empirical evidence that examines in more detail the relationship between advertising and the product quality.

What is worth emphasizing in this context is that in some circumstances it is noticed a positive relationship between advertising and product quality, however, such relationship is weakened in other circumstances. As an example, it can be taken the study conducted by Archibald et al. (1983), in the running shoes market, which included a total of 1718 brands. This study found a strong correlation between advertising and the product quality. On the other hand,

there are studies in the literature that prove that advertising and quality are generally not interrelated. This is proven by the study of Caves and Greene (1996), conducted for a total of 196 brands. Moreover, Tellis and Fornell (1988) explored the relationship between advertising and the product quality throughout the product life cycle. From this study, they came to the conclusion that this relationship is stronger at later stages of the product life cycle. Therefore, in order to summarize the entire above theoretical part, the following hypothesis has been developed:

Hypothesis 2: Advertising spending affects the perceived brand quality.

(Advertising Spending → Perceived Quality)

Linkage between Customer Orientation, Perceived Quality and Brand Loyalty

In the last part of this study, we will attempt to analyse the linkage between customer orientation, perceived quality, and customer brand loyalty. In order to test this potential relationship, two hypotheses have been raised aiming to test the impacts of two variables: customer orientation and perceived quality on brand loyalty.

More specifically, the possible customer orientation and brand loyalty relationship will be tested first. Terms like "customer orientation" and "customer focus" have been key terms for many companies for a long period of time, which allege of achieving the best results regarding customer brand loyalty through these two terms.

The significance of customer orientation and its potential impact on brand loyalty increases when it comes to the service sector. In fact, customer orientation is often also defined as the business philosophy of identifying customer needs and satisfying those needs better than the competition does. Customer orientation is considered the core of market orientation construct (Narver & Slater, 1990). According to Mohammad et al (2013), customer-oriented firms know all about their customers as individuals and as groups for the current period, and they also have their forecasts for the future periods. These companies have accurate and full information on everything that is of interest to their customers. A characteristic of companies that aim to establish and maintain good relationships with their customers is the fact that they are increasingly considering customer orientation as a strategic option, because, in their view, customer orientation means taking the customer into consideration as the main pillar of companies' marketing programs in general (Ruud, Peer & Paul, 2016). Narver & Slater's (1990) have considered customer orientation as an important driver of customer loyal behaviour towards the brand and the company in general (Ruud et al, 2016).

Hypothesis 3: Customer orientation affects brand loyalty.

(Customer Orientation → Brand Loyalty)

In addition, the potential relationship between the perceived quality and the brand loyalty will be analysed as part of the study. Brand perceived quality can be defined as the judgment of the customer regarding the advantage or excellence of a product/service. Various researchers have concluded that customer perceived quality affects customer satisfaction, and this leads to increased brand loyalty. Yee, et al (2008), concludes that perceived product quality is the most important variable that leads to customer brand loyalty. This led to the motivation of raising a hypothesis on the possible correlation between the perceived quality and the brand loyalty. It is intended to test the impact that the perception created on consumer's mind is going to have on his or her loyalty to the brand, in regards to which perceptions are created in his or her mind.

Hypothesis 4: Perceived Quality affects brand loyalty.

(Perceived quality→Brand Loyalty)

Conceptual model of the study

Figure 2: Conceptual Model of the Study



The relationships that are analysed in this study:

- Advertising Spending →Customer Orientation
- Advertising Spending →Perceived Quality
- Customer orientation→Brand loyalty
- Perceived quality→Brand loyalty

Advertising market and advertising expenditure in Kosovo

Regarding the advertising market, Kosovo and Albania are among the smallest advertising markets in the region due to the relatively low advertising prices compared to the countries in the region. Kosovo reaches \$ 46.7 million and Albania reaches \$ 86.9 million. Whereas, in terms of advertising spending per capita, Slovenia leads the regional chart by \$ 153 per advertising per capita, followed by Bosnia and Herzegovina by \$ 133 and Slovakia by \$ 130. Albania is the third country from the last, in terms of advertising spending per capita by \$ 30,

leaving behind Serbia and Kosovo spending the same value, \$ 26, and Romania having the lowest advertising spending per capita, by only \$ 21 (Axhami Zela , 2015, p. 168).

The latest study conducted in regards to analysing the advertising market in the Republic of Kosovo, at a comprehensive level, is the study carried out by the Independent Media Commission and the MDA (Media Development Associates) in 2013. This research included more than 600 local, Kosovan companies, part of all operating industries in Kosovo. According to this survey, 75% of Kosovan companies do not have a separate annual budget for advertising their products/services or the company, which means that only 24.5% of them paid attention to this part and have allocated funds for advertising the company (IMC, 2013).

In terms of analysing the budget allocation for advertising activities by Kosovan companies, 58.8% of them spend over 100,000 Euro per year on advertising activities; 29.4% of them spend 5,000 to 10,000 Euro; and 39.6% of them spend 1,000 to 5,000 Euro on advertising annually.

Due to the lack of a subsequent analysis in the advertising market, it can be assumed that the above figures have shifted, due to the increasing importance and use of the Internet by Kosovan companies. Once again, the literature review justifies the selection this topic for a detailed research.

METHODOLOGY

Purpose of the Study & Design

This study aims to analyse the effect of advertising spending on brand loyalty through analysing the impact of customer orientation and perceived quality on brand loyalty. These two variables (CO and PQ) were selected as intermediate variables in the study, due to the fact that the practice and the theory have proven to have a positive relationship with advertising spending, that is to say they are influenced by advertising and on the other hand they affect customer brand loyalty. The study is focused in the case of Kosovo, namely in the banking service sector. For this, a descriptive research design was adopted.

Scale Development

The four main constructs (variables) of the study were analysed through the fourteen (14) questions (statements) that the respondents answered using the Likert scale (1 = strongly disagree, 5 = strongly agree).

The statements in which respondents had to express their views were adjusted and adapted from prior studies. Advertising spending with a total of three statements included in the questionnaire was adjusted from Kirmani and Wright (1989) and Yoo et al. (2000). Then, the

second variable included in the study was Customer Orientation, and that three items were adjusted from Ha and Muthaly (2008). The third variable included in the study is Perceived Quality, and three of the four statements included in the questionnaire were adjusted from Yoo et al. (2000), while one statement was added by the author with the aim of adjusting the study as much as possible to the circumstances in which the study was conducted. The last variable included in the study was analysed through the four statements included in the questionnaire - two of these statements were adjusted from Ha et al (2011), and two other statements were added by the author for the purpose of adjusting the study to the circumstances in Kosovo. (Table 1 lists all the variables included in the study, along with the relevant items).

Data Collection

Data collection was carried out in the banking service sector in Kosovo. Initially, the focus was on the service industry in Kosovo, as compared to the manufacturing industry, this industry continues to be more profitable and perform better in the local economy. As such, the service industry is very convenient for conducting various studies, especially studies related to customers and their behaviour towards the services they receive. On the other hand, of all the sectors that are part of the service industry in Kosovo, the banking sector is rated as one of the best performing sectors in the economy. Bank deposits and loans are on the rise, while the rate of financial services is constantly expanding.

The questionnaire was distributed to a total of 220 respondents, who were customers and received banking services in one of the commercial banks in Kosovo (NLB Banka, Banka për Biznes, Banka Kombëtare Tregtare, Banka Ekonomike, Raiffeisen Bank, Procredit Bank, ose TEB Sh.A). The study was comprehensive, surveying individuals from the main cities of Kosovo (Prishtina, Mitrovica, Prizren, Gjakova, Ferizaj, Peja, Vushtrri, Podujevë and Skenderaj). The selection of respondents was made randomly. The main condition when selecting respondents was that individuals should have been clients of one of the commercial banks in Kosovo and have received services from these banks for at least 2 years. From a total of 220 distributed questionnaires, 214 were selected as valid for the study, and then the data collected was processed and fed into STATA for analysis

ANALYSIS

Item Reliability

The coefficient of reliability or otherwise known as Cronbach's alpha was calculated for the items of each of the four variables. The reliability level recommended for testing theories is 0.70 (Nunnally and Bernstein 1994; Hulland 1999, p.198). However, in the individual values of each

item, shown in Table 1, it is observed that one item (AS2: The bank's ad campaigns, in which I am a customer, seem to be more expensive compared to campaigns for competing brands), has a value lower than 0.4. This is one of the 3 items, through which efforts were made to measure advertising spending. This item has been excluded from inclusion in further data analysis because, in general, according to (Hulland, 1999; Nunnally, 1978), items that individually present reliability values lower than 0.4 and 0.5 should be removed from the analysis. These values of the reliability of the questionnaire indicate that the same results would be achieved if the questionnaire were redistributed to the same group of respondents or to another group. This indicates the reliability of the research instrument and the integrity of the obtained data.

Table 1: Summary of Result of Reliability Analysis of the Study Instrument

Variables/ Items	Values
<i>Advertising Spending (AS)</i>	
AS1: The ad campaigns for the bank in which I am a customer are seemed frequently.	.587
AS2: The ad campaigns of the bank in which I am a customer, seem to be more expensive compared to campaigns for competing brands	.336
AS3: The perceived ad frequency seems very persuasive.	.518
<i>Customer Orientation (CO)</i>	
CO1: Bank employees, in which I am a customer, go beyond obligations they have in order to satisfy customers.	.522
CO2: Employees are given adequate resources to meet customer needs.	.523
CO3: Employees understand customers' real problems.	.552
<i>Perceived Quality (PQ)</i>	
PQ1: The bank, in which I am a customer, is a bank of high quality.	.732
PQ2: The likelihood that the bank in which I am a customer is reliable is very high.	.680
PQ3: The quality of services I receive in my bank is very high.	.658
PQ4: The bank, in which I am a customer, is a leader in regards to quality in the banking market in Kosovo.	.683
<i>Brand Loyalty</i>	
BL1: I consider myself as loyal to the bank in which I am a customer.	.595
BL2: The bank, in which I am a customer, will always be my first choice.	.672
BL3: I will not be a customer of other banks while the bank I currently belong to operates in the market.	.593
BL4: I would continue to be a customer of the bank, in which I am currently a customer, even if the price of services of this bank is higher compared to other banks.	.503

The Spearman's rank order correlation was used as a statistical analysis to determine the degree and direction of the relationship between the variables included in the study. While the econometric model is constructed based on the "ordinary least squares (OLS)" method of regression analysis with the aim of determining the effect of the independent variables on the

dependent variable in the four cases of hypotheses raised in this study. Dunn's categorization (2001) was used to interpret the strength of the relationship between variables (Table 2).

Table 2: Range of Value and Degree of Relationship

<i>Range of value</i>	<i>Degree of relationship of r</i>
±0.80 to 1.00	Very strong
±0.60 to 0.79	Strong
±0.40 to 0.59	Moderate
±0.20 to 0.39	Weak
±0.00 to 0.19	Very weak

Source: Adopted from Dunn (2001) degree of relationship categorization

Analysis of the relationship among the variables included in the study

Advertising Spending and Customer Orientation

Hypothesis 1: Company's advertising spending affects customer orientation.

(Advertising spending → Customer orientation)

The analysis¹ has shown that the correlation coefficient of the relationship between advertising spending and customer orientation is 0.3729. This value indicates a positive relationship between these two variables, but based on the categorization of relationship strength between the variables expressed in Table 2, it can be said that this is a weak positive relationship. The positive sign of correlation implies that there is a positive relationship between the variables; that is to say that an increase in advertising spending is associated with an increase in customer orientation variable.

Table 3: Summary of Regression Result of the Effects of Advertising Spending (AS) on Customer Orientation (CO)²

Number of observations = 214		F = 34.24		R – squared = 0.1390		
Consumer Orientation (CO)	Coef.	Std. Err.	T	P> t	[95% Conf. Interval]	
Advertising Spending (AS)	0.4479018	0.0765479	5.85	0.000	0.2970092	0.5987944

- a. In the Table 3, it is noticed a value ($F = 34.24$), and which corresponds to a p-value lower than 0.05, specifically ($\text{Prob} > F = 0.0000$), which can be said that a statistically significant relationship exists between X and Y, in our case AS and CO, and we have to do with an excellent model.

¹ Table 1 in Appendix

² Table 4 in Appendix

- b. From the results, it is observed $R\text{-squared}=0.1390$. Given that R-square shows the amount of variance of Y explained by X, then in our case it can be said that Advertising Spending (AS) explains 14 percent of the variance in Customer Orientation (CO) scores. The other part (around 86%) may be attributed to other variables that are not included in the model.
- c. In the Table 3, it is also observed that two-tail p-values indicate a lower value than 0.05, specifically ($P>|t|=0.000$). In this case, Advertising Spending is statistically significant in explaining Customer Orientation.
- d. In interpreting t-values, you need a t-value greater than 1.96 or around 2 (for 95% confidence). In our case, it may be said that the variable of Advertising Spending (AS) is significant or has explanatory ability for the variable of Customer Orientation (CO), as the possibility of error at this variable is 0%, ($P>|t|=0.000$) and the value ($t=5.85$). This means that our model has been specified exactly and that the AS has effect on CO. Advertising Spending (AS): $P=0.0000 < 0.05$ & $t=5.85 > 2$.
- e. Finally, the interpretation of results in the case (Ceteris Paribus): For each one-point increase in advertising spending, customer orientation scores increase by 0.447 points.

Advertising Spending and Perceived Quality

Hypothesis 2: Advertising spending affects the perceived brand quality.

(Advertising spending → Perceived quality)

The analysis³ has shown that the correlation coefficient of the relationship between advertising spending and perceived quality is 0.3921. This value indicates a positive relationship between these two variables, but based on the categorization on the Table 2, it can be said that this is a weak positive relationship. The positive sign of correlation implies that there is a positive relationship between the variables; that is to say that an increase in advertising spending is associated with an increase in perceived brand quality by the customer.

Table 4: Summary of Regression Result of the Effects of Advertising Spending (AS) on Perceived Quality (PQ)⁴

Number of observations = 214	F = 38.53		R – squared = 0.1538			
Perceived Quality (PQ)	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Advertising Spending (AS)	0.426101	0.0686499	6.21	0.000	0.2907772	0.5614248

³ Table 2 in Appendix

⁴ Table 5 in Appendix

Below we will analyse step by step the results obtained after data processing in STATA. Specifically, there will be analysis of the impact of advertising spending of the banks on the perceived brand quality by the customers.

- a. In the Table 4 it is noticed a value ($F = 38.53$) and which corresponds to a p-value lower than 0.05, specifically ($\text{Prob} > F = 0.0000$), which can be said that a statistically significant relationship exists between X and Y, in our case, it can be said that the relationship between two variables AS and PQ is statistically significant, and that we are dealing with an excellent model.
- b. Afterwards, from the results in the Table 4, it is observed $R\text{-squared}=0.1538$. Given that R-square shows the amount of variance of Y explained by X, then in our case it can be said that advertising spending explains 15 percent of the variance in Perceived Quality (PQ) scores. The other part (around 85 percent) may be attributed to other variables that are not included in the model.
- c. In the chart it is also observed that two-tail p-values indicate a lower value than 0.05, specifically ($P > |t| = 0.000$), thus indicating that advertising spending is statistically significant in explaining the dependent variable, the perceived quality.
- d. In interpreting t-values, you need a t-value greater than 1.96 or around 2 (for 95% confidence). In our case, it may be said that the variable of advertising spending is significant or has explanatory ability for the dependent variable, in our case perceive quality since the possibility of error at this variable is 0 percent, ($P > |t| = 0.000$) and the value ($t=6.21$). This means that our model has been specified exactly and that the advertising spending has effect on perceived quality.
Advertising Spending (AS): $P=0.0000 < 0.05$ & $t=6.21 > 2$.
- e. Finally, the interpretation of results in the case (Ceteris Paribus): For each one-point increase in advertising spending, perceived quality scores increase by 0.426.

Relationships between Customer Orientation, Perceived Quality and Brand Loyalty

Hypothesis 3: Customer orientation affects brand loyalty. (Customer orientation → Brand loyalty)

Hypothesis 4: Perceived quality affects brand loyalty. (Perceived quality → Brand loyalty)

The analysis⁵ has shown that customer orientation is positively related to brand loyalty, by a correlation coefficient of 0.5151, and a positive relation resulted also between the perceived quality and brand loyalty, by a correlation coefficient of 0.6333. Based on

⁵ Table 3 in Appendix

categorization of relationship strength between variables based on Dunn (2001), the assessment is that a moderate relationship exists between customer orientation and brand loyalty. Whereas, the correlation coefficient of 0.6333 between perceived quality and brand loyalty indicates a strong relationship between these two variables, and this is the strongest relationship that has resulted from the analysis of all the relationships involved in the study.

In the first and second empirical part of this study, it was aimed to analyse the effect of advertising spending on customer orientation (*Hypothesis 1*), and in the second case, we aimed to analyse the effect of advertising spending on the perceived brand quality (*Hypothesis 2*). Now, in the last part of the empirical analysis of this study, there will be analysis regarding the effect of customer orientation (CO) and perceived quality (PQ) on brand loyalty (BL). In the previous stages of this study, it was assumed that advertising spending affects customer orientation and perceived quality. Now, there is interest to know how these two variables affected by advertising spending are related to or affect brand loyalty.

Table 5: Summary of the regression result of the effects of customer orientation (CO) and perceived quality (PQ) on brand loyalty (BL)⁶

Number of observations = 214		F = 78.58		R – squared = 0.4269		
Brand Loyalty (BL)	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Perceived Quality (PQ)	0.6080095	0.0788284	7.71	0.000	0.4526174	0.7634016
Customer Orientation (CO)	0.2198407	0.071308	3.08	0.002	0.0792734	0.3604079

- In the Table 5, it is noticed a value ($F = 78.58$) and which corresponds to a p-value lower than 0.05, specifically ($\text{Prob} > F = 0.0000$), which can be said that a statistically significant relationship exists between X and Y, in our case, it may be said that the correlation between variables CO, PQ and BL is statistically significant, and we are dealing with selection of an excellent model.
- From the results in the Table 5, it is observed $R\text{-squared}=0.4269$. Given that R-square shows the amount of variance of Y explained by X, then in our case it can be said that both independent variable, customer orientation and perceived quality, explain around 43 percent of the variance in brand loyalty scores. The other part (around 57 percent) may be attributed to other variables that are not included in the model.
- It is also observed that two-tail p-values indicate a lower value than 0.05, specifically, it is noticed that customer orientation has a p-value of ($P>|t|=0.002$), and perceived quality

⁶ Table 6 in Appendix

has a p-value of ($P > |t| = 0.002$), providing that these two independent variables are statistically significant in explaining the dependent variable, brand loyalty.

- d. In interpreting t-values, you need a t-value greater than 1.96 or around 2 (for 95 percent confidence). In our case, it can be said that the variable of customer orientation is significant or has explanatory ability for the dependent variable, brand loyalty, as the possibility of error at this variable is 0 percent, ($P > |t| = 0.000$) and the value ($t = 3.08$). Moreover, the other independent variable, perceived quality is significant or has explanatory ability for the dependent variable, as the possibility of error at this variable is 0 percent, ($P > |t| = 0.000$) and the value ($t = 7.71$). This means that our model has been specified exactly and that the customer orientation and the perceived quality affect brand loyalty. Therefore:

- Customer Orientation (CO): $P = 0.002 < 0.05$ & $t = 3.08 > 2$. and,
- Perceived Quality (PQ): $P = 0.0000 < 0.05$ & $t = 7.71 > 2$.

When dealing with more than one independent variable, it is important to mention the fact that t-values also show the importance of a variable in the model. Therefore, in our case, it can be said that perceived quality is a more important variable in this model, compared to the other independent variable, customer orientation.

- e. Finally, the interpretation of results in the case (Ceteris Paribus):
- For each one-point increase in customer orientation, brand loyalty scores increase by 0.219.
 - And, for each one-point increase in perceived quality, brand loyalty scores increase by 0.608.

DISCUSSION AND CONCLUSIONS

Brand loyalty derives from continuous efforts of a company to provide qualitative products and services, always at the same extent of success in order for the customer to exclusively choose that brand among other similar brands in the market. Service companies, in particular banks, pay special attention to customer service, trying to maintain or in the best case increase the existing grounds of their loyal customers. Therefore, one of the ways followed to achieve this is advertising, or investment in advertising.

In the Kosovo case, there are no studies regarding the relationship between advertising spending and brand loyalty. Collection of data on advertising in Kosovo, and any other aspect related to it, is a difficult issue, due to the lack of information, coming as a result of lacking studies, and on the other hand, companies are reluctant to give information of whatever type in regards to advertising.

However, findings of this study lead to several important conclusions that may serve as enrichment of literature in academic field, and they may also be applied in practical aspect, specifically in the sector of banking service in Kosovo.

1. In banking sector, advertising spending has direct effect on customer orientation and perceived service quality. Even though this effect is characterized by a weak positive relationship between these variables, it is observed that any increase in advertising spending by the banks, results in increasing of customer orientation and perceived quality regarding the service received.
2. Customer orientation has direct impact on customer brand loyalty. This impact is characterized by a moderate relationship between customer orientation and loyalty to the bank.
3. The perceived quality of the customer over the banking services he/she receives has a direct impact on that customer's brand loyalty. In this case, we have to do with a strong relationship between these two variables. Hence, we see that the biggest direct impact on customer brand loyalty comes from the perceived quality of the banking services he/she receives.
4. Advertising spending has an indirect effect on brand loyalty, with customer orientation and perceived quality as variables with a mediating role in this impact.

To sum up, advertising spending affects brand loyalty indirectly, by improving the perceived service quality of the customer, as well as through influencing the orientation of the customer who is interested and accepts banking services.

MANAGERIAL IMPLICATIONS

This research highlights the key role of advertising spending in increasing brand loyalty, indirectly through impact on customer orientation and perceived brand quality. Based on these findings, we propose that banks in Kosovo in particular focus on the development of advertisings whose primary focus is customer orientation and the impact on customer's perceptions of quality of the banking services, in order to strengthen customer loyalty to the brand or Bank. This is an approach consistent with the findings of previous studies, according to which advertising can be effective in increasing the volume of purchase by existing buyers, and less effective in acquiring new buyers (Tellis, 1988). Therefore, instead of investing in advertisings that aim to attract new customers, banks should focus on developing advertisings that influence the perceptions and orientation of their existing customers, and this leads to an increase in the number of loyal customers to the bank. It is assumed that this strategy may be

used also by companies belonging to other industries, with the aim of influencing or increasing customer brand loyalty.

LIMITATIONS AND FURTHER RESEARCH

A limitation of this study may be considered its context – the banking sector in Kosovo. Conducting the same study in other industries would be a very important contribution to such outcomes. These results may be generalized through implementing similar studies in different countries and different industries. Moreover, other variables may be included to improve the model used for accomplishing the purpose. For example, customer/client satisfaction may be one of rather important variables, always when dealing with customer brand loyalty.

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APPENDICES

Table 1: Correlation Analysis of Relationship between Advertising Spending (AS) and Customer Orientation (CO)

```
. cor AS CO
(obs=214)
```

	AS	CO
AS	1.0000	
CO	0.3729	1.0000

Table 2: Correlation Analysis of Relationship between Advertising Spending (AS) and Perceived Quality (PQ)

```
. cor AS PQ
(obs=214)
```

	AS	PQ
AS	1.0000	
PQ	0.3921	1.0000

Table 3: Correlation Analysis of Relationship between Customer Orientation (CO), Perceived Quality (PQ), and Brand Loyalty (BL)

```
. cor BL PQ CO
(obs=214)
```

	BL	PQ	CO
BL	1.0000		
PQ	0.6333	1.0000	
CO	0.5151	0.6128	1.0000

Table 4: Summary of Regression Result of the Effects of Advertising Spending (AS) on Customer Orientation (CO)

Source	SS	df	MS	Number of obs	=	214
Model	30.9177813	1	30.9177813	F(1, 212)	=	34.24
Residual	191.445666	212	.903045596	Prob > F	=	0.0000
				R-squared	=	0.1390
				Adj R-squared	=	0.1350
Total	222.363448	213	1.04395985	Root MSE	=	.95029

CO	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
AS	.4479018	.0765479	5.85	0.000	.2970092	.5987944
_cons	1.721361	.253605	6.79	0.000	1.221451	2.221272

Table 5: Summary of Regression Result of the Effects of Advertising Spending (AS) on Perceived Quality (PQ)

```
. regress PQ AS
```

Source	SS	df	MS	Number of obs	=	214
Model	27.9812953	1	27.9812953	F(1, 212)	=	38.53
Residual	153.977817	212	.726310457	Prob > F	=	0.0000
				R-squared	=	0.1538
				Adj R-squared	=	0.1498
Total	181.959112	213	.854268132	Root MSE	=	.85224

PQ	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
AS	.426101	.0686499	6.21	0.000	.2907772	.5614248
_cons	2.319994	.2274386	10.20	0.000	1.871664	2.768325

Table 6: Summary of Regression Result of the Effects of Customer Orientation (CO) and Perceived Quality (PQ) on Brand Loyalty (BL)

Source	SS	df	MS	Number of obs	=	214
Model	110.964858	2	55.4824289	F(2, 211)	=	78.58
Residual	148.98374	211	.706084077	Prob > F	=	0.0000
				R-squared	=	0.4269
				Adj R-squared	=	0.4214
Total	259.948598	213	1.22041595	Root MSE	=	.84029

BL	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
PQ	.6080095	.0788284	7.71	0.000	.4526174	.7634016
CO	.2198407	.071308	3.08	0.002	.0792734	.3604079
_cons	.1360692	.2412346	0.56	0.573	-.3394695	.6116078