

## INFLUENCE OF ADVERTISING ON CONSUMER-BASED BRAND LOYALTY

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Original Scientific Paper**Mihalj BAKATOR<sup>1</sup>, Slađana BORIĆ<sup>2</sup>, Mina PAUNOVIĆ<sup>2</sup>**<sup>1</sup>Ph.D. student, Republic of SerbiaE-mail: [mihaljbakator@gmail.com](mailto:mihaljbakator@gmail.com)<sup>2</sup>Ph.D. student, Republic of Serbia

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**This paper examines the relationship between advertising and brand loyalty. Further, mediating dimensions are included in the research: brand trust and perceived quality. The data was collected via online survey. The data processing included a t-test analysis, regression analysis, and correlation analysis. Next, the findings have shown moderate influence of advertising on brand loyalty. Overall, satisfactory results are achieved. Certain limitations with online surveys didn't affect the results of the research. Furthermore, the findings in this paper contribute to future research, offering a solid basis for a more complex investigation of the marketing environment.**

**Key words:** Advertising, Brand trust, Perceived quality, Brand loyalty.

### INTRODUCTION

Several studies examined the influence of advertising on brand loyalty (Chioveanu, 2008), brand trust (Shimp & Andrews, 2013), perceived product and service quality (Kotler, 2016), and overall brand equity (Christodoulides & Chernatony, 2010). In this paper the relationship between advertising and brand loyalty is addressed. Further, the mediating dimensions, brand trust and perceived quality are analyzed. There is a growing body of literature that examines the various aspects of consumer loyalty (Mazodier & Merunka, 2012), advertising (Wu, 2015), brand equity (Leone et al., 2016), consumer-brand relationships (Kim et al., 2014), and other important dimensions in a marketing environment. After addressing these findings, it is suggested to define concisely some of the relationships between specific dimensions such as advertising and brand loyalty.

The aim of this paper is indeed addressing complex marketing environment subjects in a simple, concise manner, but saturated enough to "backbone" the paper with sufficient data and significant research results. This was achieved through this research article, as two major

mediating dimensions are taken into consideration. The first mediating dimension is brand trust which can be viewed as a result of consumer behavior on the market, and the second mediating dimension is perceived product quality, as a crucial influence on future consumer behavior and business performance. Now, the data for this research is collected through an online survey. The survey was specially designed taking into consideration similar studies in this domain, (Buil et al, 2013; Chen & Ann, 2014; Kim et al., 2008; Mishra et al., 2014; Wilska, 2003; Zhang & Luo, 2016).

Furthermore, the paper begins with reviewing, and analyzing the existing literature in the domain of advertising, brand loyalty, brand trust, and perceived product quality. Additionally, credible books are examined and investigated (Hawkins & Mothersbaugh, 2010; Kotler, 2016; Kotler & Armstrong, 2012) on these topics. After the theoretical approach, the research methodology is presented. Next, the results are shown in the form of tables and figures. Following the results, a discussion is made regarding the mentioned results. In the end, conclusions are drawn and some guidelines for future research are suggested.

## THEORETICAL APPROACH AND HYPOTHESIS DEVELOPMENT

### Advertising, perceived product quality and brand trust

Chioveanu (2008) noted that advertising influences consumers into buying specific brands. Further, this leads into customer loyalty. Keller (2010) described that advertising as type of marketing communication, induces various effects on brand equity. In addition, Eng and Keh (2007) investigated that investments in advertising are crucial for brand equity. Undoubtedly, advertising plays a serious role in influencing consumers. Similar findings are presented in the works of Hameed (2013). However, in contrast, Hameed (2013) noted that there was only low to moderate influence of advertising spending on brand loyalty. Therefore, it is suggested that there is a certain effect of advertising on brand loyalty, and brand equity in a marketing environment. Now, this effect may be low to moderate, even high for some brands or market segments. These factors should be investigated.

Furthermore, brand trust can be defined as trust of the consumer that a specific brand will deliver the expected values, (Sahin et al., 2011). Next, companies can achieve better competitiveness through relevant marketing communications, (Đorđević et al., 2016). According to Doraszelski and Markovich (2007), advertising is viewed as a long-term investment for achieving good business performance. To sum up, as companies aim towards high competitiveness on the market, it can be observed that advertising has a big role in developing good business practice, and consumer loyalty. Based on these research findings the following null and alternative hypotheses are suggested:

$H_1$ : Advertising positively influences brand loyalty.

$H_A$ : Advertising doesn't affect brand loyalty.

Previous research of Moorthy and Zhao (2000) established that brand equity is not enough for achieving adequate business performance. Namely, advertising has an important role when it comes to developing brand trust and influence perceived quality. However, Shimp and Andrews (2013) described in their book, that advertising effectiveness is often uncertain, as companies practice reducing spending on advertising during

economic crisis. In contrast to Shimp's and Andrews' (2013) suggestions, Buil, de Chernatony and Martínez (2013) explained that advertising, and overall promotional activities have a significant role in brand loyalty, and brand trust development.

Next, Chen, Joshi, Jagmohan and Zhang (2009) investigated and noted that advertising is used to shift consumers towards the advertiser. This complex influence takes into consideration that advertising has a positive effect on perceived product or service quality, regardless of price and market share, (Moorthy & Zhao, 2000). In addition, recent findings of Akaka and Alden (2015) advertising is referred to as an important influence factor for perceived brand on a global scale (PBG). Hence, there can be strong assumptions that advertising influences not only consumer behavior but the global brand image as well.

Furthermore, the findings of Chen and Chen (2010) comment on perceive values as the result of what is given and what received by the consumer. This is important to note when defining perceived quality, as the two concepts are similar, yet distinctively explain consumer perceptions of products and services. Further, Tsiotsou (2006) investigated the importance of perceived quality on customer satisfaction. If carefully analyzed, it can be seen that advertising is an influencing moderator on consumer behavior. Next, advertising as part of marketing communication, distributes information about products, and services (Kotler, 2016). Logically, this information can affect perceived product or service quality.

The above mentioned findings gave significant insight on advertising as a marketing environment factor. Thus, taking into consideration these findings, the following auxiliary hypotheses are suggested:

$H_1$ : Advertising positively influences brand trust.

$H_2$ : Advertising positively influences perceived quality.

$H_3$ : Perceived quality positively influences brand trust.

### Brand loyalty

Kuikka and Laukkanen (2012) explained brand loyalty as repeated purchase of products or

services under the same brand. Early research of Alexandris, Douka, Papadopoulos, and Kaltsatou (2008) suggested that perceived product quality affects brand associations, which further positively influences brand loyalty. This can be a connection to previously examined findings of Buil et al. (2013) and Sahin et al. (2011). In addition, Forsido (2012) in his research, used the term perceived brand quality that referred to the consumers' perception of the products quality of certain brands. Undoubtedly, there is a connection between the measured constructs, meaning that advertising, as a marketing environment factor, and business performance enhancer, affects brand trust, and perceived quality.

Furthermore, Nguyen and Miller (2011) studied the effects of perceived quality on customer loyalty and concluded that perceived quality positively influences brand loyalty. Additionally, Hemsley-Brown and Alnawas (2016), performed a similar research regarding service quality, and brand loyalty. Their findings indicated that service quality positively influences consumer loyalty towards a brand. Next, the findings of Ha, Swinder and Muthlay (2011) provide enough basis to suggest a certain relationship between perceived quality, brand loyalty, and customer satisfaction.

In 2006, Moller Jensen and Hansen (2006) investigated brand loyalty, and noted that measuring brand loyalty is different for specific market segments, thus it is necessary to define the influential factors in a marketing environment that affect consumer behavior, and consumer loyalty.

However, in 2013 Severi, and Lin (2013) defined brand loyalty as a repeated purchase of a product or service under the same brand for a defined period of time.

Now, the majority of research papers view brand loyalty as a single dimension, however, brand loyalty can be viewed as behavioral loyalty, and attitudinal loyalty (Nam, Ekinci, & Whyatt, 2011). For the purpose of this research, brand loyalty is measured as the consumers' repeated purchase, and subjective opinion of their relationship with the brand. This gives an interesting view on how is brand loyalty affected by the measured constructs, such as advertising, perceived product quality, and brand trust.

Based on the above analyzed literature and the aims of this research, the following auxiliary hypotheses are suggested:

- H<sub>4</sub>: Brand trust positively influences brand loyalty.
- H<sub>5</sub>: Perceived quality positively influences brand loyalty.

### Research framework

The auxiliary hypotheses are presented through a structured research framework. This is presented on Figure 1. The connections between the measured dimensions are labeled according to the auxiliary hypotheses. However, the null hypothesis is not presented with a graphical connection line.

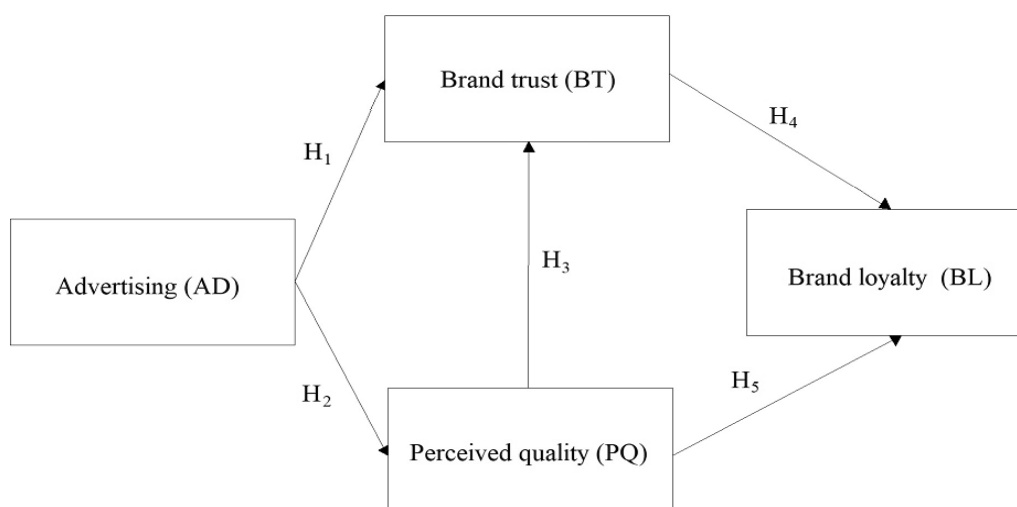


Figure 1: Structural research framework  
Source: Developed for this research

The next section describes the methodology used in this research. A brief description of the sample, survey, and data analysis will be given.

## METHODOLOGY

### Sample and survey

The research was conducted via online survey. Four hundred sixty-six (N=466) people responded to the survey. However, fifty-five (55) respondents didn't fill the survey as instructed. Therefore, four hundred eleven (N=411) respondents' data was processed.

The survey was designed as a seven-point Likert scale. A seven-point Likert scale was used over the five-point Likert scale, as it provides more depth to the answers (Brown, 2011). The labels of each of the Likert scale were: (1) – Totally Disagree; (2) – Mostly Disagree; (3) – Somewhat Disagree; (4) – Neither Agree nor Disagree; (5) – Somewhat Agree; (6) – Mostly Agree, (7) – Totally Agree.

Further, the survey included fifty seven (57) items which were grouped in 15 dimensions. The researched dimensions and items were obtained from similar research articles, (Chernatony, et al., 2013; Chen & Ann, 2014; Kim et al., 2008; Mishra et al., 2014; Wilska, 2003; Zhang & Luo, 2016). However, for this research, only the advertising, brand trust, perceived quality, and brand loyalty dimension were processed and analyzed. The reason behind this is that overall three major data analyses are being conducted with different dimensions and structured frameworks. Hence,

there are three main research papers investigating the relationships between the measured dimensions that are defined in this survey. As a result, the findings can support each other when addressing the suggested hypotheses and more significant conclusion can be made.

### Data analysis

The data was collected, and stored through the Google Forms service. Next, the data was exported in the form of spreadsheets. From here, descriptive statistics, t-test analysis, regression analysis, and correlation analysis was conducted. In the next section, the results from the fore-mentioned data analyses are presented.

## RESEARCH RESULTS

The first step was descriptive statistics. This included the measured dimensions' minimum and maximum scale values, the average values and the standard deviation values. The results of the descriptive analysis are presented in Table 1.

Furthermore, a t-test analysis was conducted. For every auxiliary hypothesis, the corresponding dimensions were put through the test. The results are shown in Table 2. It can be seen that based on the t Statistics and t Critical values, the corresponding auxiliary hypothesis is accepted or rejected. In this case, the results are satisfactory as all the auxiliary hypotheses are accepted based on the t-test results.

Table 1: Results of descriptive statistics

Descriptive statistics					
Dimension/Construct	N	Min	Max.	Mean ( $\mu$ )	Standard deviation ( $\sigma$ )
Advertising (AD)	411	1	7	4.62	1.55
Perceived quality (PQ)	411	1	7	4.88	1.60
Brand Trust (BT)	411	1	7	4.97	1.62
Brand loyalty (BL)	411	1	7	4.77	1.61

Source: Developed for this research

Table 2: Results of the t-test analysis

t-test analysis					
Tested pairs	Advertising/ Brand trust (H <sub>1</sub> )	Advertising/ Perceived Quality (H <sub>2</sub> )	Perceived quality/ Brand trust (H <sub>3</sub> )	Brand trust/ Brand loyalty (H <sub>4</sub> )	Perceived quality/ Brand loyalty (H <sub>5</sub> )
t Statistics	2.330	-2.444	-0.713	1.896	1.226
t Critical	2.582	2.581	2.581	2.582	2.581
Result	(H <sub>1</sub> ) accepted	(H <sub>2</sub> ) accepted	(H <sub>3</sub> ) accepted	(H <sub>4</sub> ) accepted	(H <sub>5</sub> ) accepted

Source: Developed for this research

A significant data analysis tool is regression analysis. In Table 3, the regression analysis results are presented. The results indicate a strong relationship between the measured dimensions. The p-value is adequate, and so are the F Significance values. R<sup>2</sup> is surprisingly high as human behavior and opinions don't always produce such values.

Furthermore, a scatter plot of the regression analysis is shown on Figure 2. On the x axis the values of brand trust are presented, while on the y axis the advertising values are given. Next, the

trendline presents a linear positive rise of brand trust values. It can be seen that some data points moderately scattered around this trendline and there are more extreme values on the lower end of the x axis. This can be explained by the nature of human opinion and factors that influence human behavior.

Next, in Table 4, the results of correlation analysis are presented. These results indicate a strong and positive correlation between the measured dimensions. Further, the significance value is set to 99%, thus giving more adequate results.

Table 3: Results of the regression analysis

Regression analysis							
Aux. hyp.	Variables		$\beta$	R <sup>2</sup>	p-value	F	F Sig.
H <sub>1</sub>	Advertising	Brand trust	0.795	0.765	p < .001	1511.39	F Sig. < .001
H <sub>2</sub>	Advertising	Perceived quality	0.906	0.880	0.006	3400.325	F Sig. < .001
H <sub>3</sub>	Perceived quality	Brand trust	0.826	0.774	p < .001	1595.44	F Sig. < .001
H <sub>4</sub>	Brand trust	Brand loyalty	0.929	0.768	p < .001	1540.56	F Sig. < .001
H <sub>5</sub>	Perceived quality	Brand loyalty	0.940	0.893	p < .001	3874.46	F Sig. < .001

Source: Developed for this research

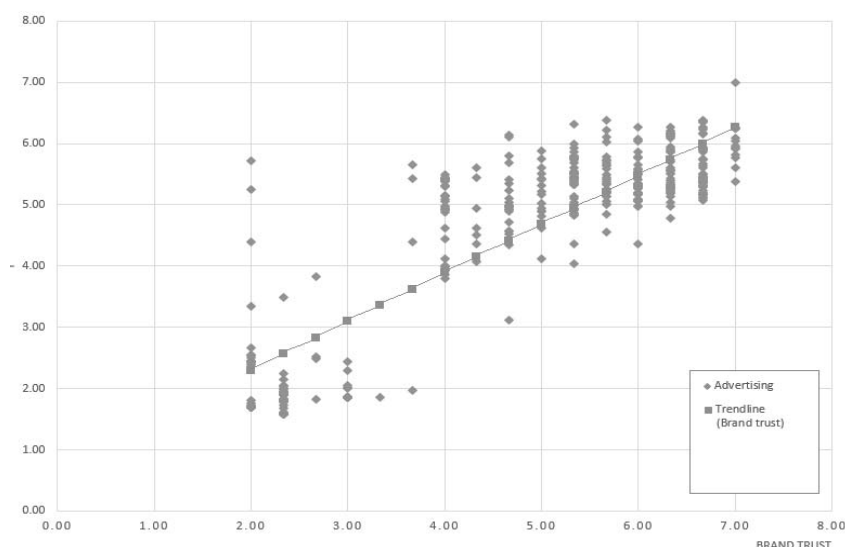


Figure 2: Scatter plot of the regression analysis

Source: Developed for this research

Table 4: Results of the correlation analysis

Correlation analysis (Spearman)				
	Advertising	Brand trust	Perceived quality	Brand loyalty
Advertising	1.000**			
Brand trust	0.763	1.000**		
Perceived quality	0.726**	0.806**	1.000**	
Brand loyalty	0.788**	0.808**	0.760**	1.000**

Source: Developed for this research

Furthermore, a correlation analysis scatter plot is presented on Figure 3. The x axis contains the

values of perceived quality, brand trust and brand loyalty. On the y axis the advertising dimension

values are presented. Similarly to the regression analysis scatter plot, a trendline of brand trust is presented. It is quite clear that the scatter plot

shows a strong and positive correlation between the measured dimensions.

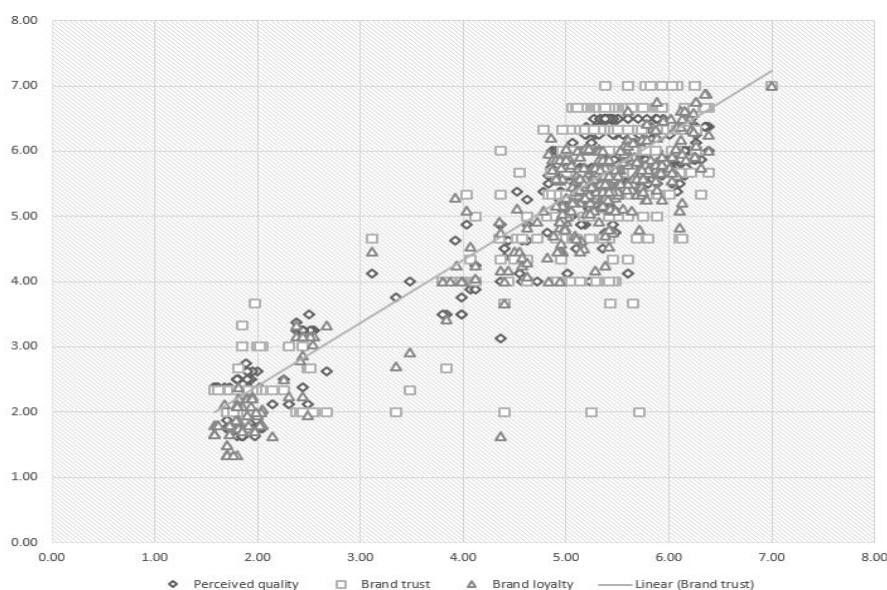


Figure 3: Scatter plot of the correlation analysis

Source: Developed for this research

## DISCUSSION

This study set out with the aim of assessing the importance of advertising influence on brand trust. The results of this study indicate that there is a positive relationship between the measured dimensions. Additionally, the regression analysis gave satisfactory result regarding the relationship of the analyzed data. Next, through the t-test, the suggested hypotheses are accepted. Further, the correlation analysis also gave adequate results. In contrast, the scatter plots contained a few values that are not complementary to the suggested hypotheses. However, this is easily explained by the nature of the measured dimensions, whereas human opinions and behavior are researched.

Furthermore, this research analyzed advertising as an influential factor on brand trust. In comparison to the findings of Maulani (2017), this research obtained similar results. However, Maulani (2017) addressed the influence of promotional activities overall, not just advertising. Now, in contrast to Sethuraman, Tellis and Briesch (2011) research, where they analyze advertising elasticity and therefore mention more complex influential factors, this paper suggests a more concise overview of how advertising affects brand loyalty through the relationships towards brand trust and perceived product quality. This is achieved through

a specifically designed survey, where the items define key dimensions for measuring consumer behavior.

In the research of Chen and Myagmarsuren (2011), results have showed that the main mediator between consumer loyalty and brand equity is relationship quality. This insight is important for further discussion. Comparatively, Zhang and Luo (2016) noted that perceived service and product quality positively influences consumer behavior. Next, Mishra et al. (2014) suggests in their findings that perceived value and product quality positively affects brand trust. In addition, Chioveanu (2008), described that advertising induces brand loyalty, especially when consumers tend to buy the cheapest alternatives of services or products. With these findings in mind, the following is clear: advertising as a marketing environment influencing factor, affects not only consumer behavior, but affects brand trust, brand loyalty, and perceived quality.

Furthermore, the regression analysis gave adequate results, where there is a positive relationship between the obtained data sets. In addition, the t-test showed how the auxiliary hypotheses are positioned in this research. It turns out that the t-test gave validation of the suggested auxiliary hypotheses. Next, this study was able to

demonstrate the relationship between advertising and brand loyalty as well as the relationships between the mediating dimensions such as brand trust and perceived product quality.

Figure 2 shows the regression between the advertising and brand trust data points. The scatter plot indicates a moderate relationship between the mentioned dimensions. In addition, the correlation scatter plot presented a positive correlation between all the measured dimensions. Next, the  $\beta$  values,  $R^2$  values,  $p$  values and  $F$  significance values indicated that the auxiliary hypotheses should be accepted.

Overall, the research conducted was successful. The data obtained proved the suggested assumptions about the relationships between advertising and brand loyalty. In addition, the research results are complementary to similar (but not identical) findings of Dens and De Pelsmacker, (2009), Anwar, Gulzar, Sohail and Akram, (2011) and, Muyammil, Haffey and Riaz, (2010).

In the next section, conclusions are drawn based on the research findings and discussed items.

## CONCLUSION

This paper has argued the influence of advertising on brand trust. Based on the results of the  $t$ -test, regression analysis and correlation analysis, the suggested null hypothesis " $H_1$ : Advertising positively influences brand loyalty." can't be rejected. Results are satisfactory as the regression analysis and correlation analysis showed a positive relationship between the analyzed data sets. For the correlation analysis, instead of Pearson's analysis, Spearman's was used, as it gives more adequate results when analyzing ordinal data.

It can be concluded that advertising indeed influence brand loyalty. However, this research is not without limitations. First, the online survey may have excluded people who don't want to participate in online surveys, but maybe if asked personally they might have participated. Second, brand loyalty is a complex dimension, and for this research brand loyalty is viewed only as a subjective opinion of users that have used or are using a specific brand. Third, advertising is taken into consideration without analyzing other factors of the marketing environment such as economic factors, consumer purchase power etc. However, these limitations don't mean insignificance of the

obtained results, but rather can be used as pathways for future research in this domain.

These findings have significant implications for the understanding of how advertising affects consumers' loyalty towards a brand. However, further research is recommended. Future research should focus on different elements of advertising and other brand concepts such as brand credibility and brand associations. Now, the result may have implications for companies that are developing new advertising projects, increasing market shares, and developing better relationships with consumers. Similar studies should be conducted, in order to comparatively analyze results from similar but various sample sizes and differently defined dimensions.

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## UTICAJ PRIVREDNE PROPAGANDE NA LOJALNOST POTROŠAČA PREMA BRENDU PROIZVODA

U ovom radu, istražuju se odnosi između privredne propagande i lojalnost prema brendu proizvoda. Dalje, u strukturnu jednačinu istraživanja uključeni su medijatori: poverenje u brend i opaženi kvalitet proizvoda. Podaci su prikupljeni putem onlajn upitnika. Obrada podataka je obuhvatila t-test, regresionu analizu i korelacionu analizu. Sledeće, rezultati su pokazali uticaj privredne propagande na lojalnost prema brendu. Ovaj uticaj je osrednje jačine. Međutim, dalja istraživanja se preporučuju, s tim da ovo istraživanje nudi stabilnu osnovu za buduća istraživanja. U međuvremenu, ovaj rad je dao zadovoljavajuće rezultate. Postoje određena ograničenja, naročito zbog vrste upitnika, ali ta ograničenja ne anuliraju rezultate istraživanja. Rad doprinosi budućim istraživanjima u ovom domenu i otvara vrata ka kompleksnijim analizama.

**Ključne reči:** Privredna propaganda, Poverenje u brend, Opaženi kvalitet proizvoda, Lojalnost prema brendu.