



Effect of Advertising on the Brand Loyalty of Cosmetic Products among College Students

Abraham Gyamfi Ababio¹, Emmanuel Erastus Yamoah^{2*}

¹Department of Economics, Valley View University, Accra, Ghana, ²Department of Marketing, Valley View University, Accra, Ghana. *Email: yamoahemmlle@yahoo.com

ABSTRACT

This study explored the relationship between advertising and brand loyalty of cosmetic products. The multinomial logit model was used to ascertain the effect of advertising on different loyalty profiles for cosmetic products among college students. Based on a survey of 200 Ghanaian students drawn randomly, findings indicated that advertising plays no significant role on college students' loyalty for cosmetic products. It can be argued, however, that the most promiscuous buyer is more amenable to price dispersion and friends' recommendations.

Keywords: Brand Loyalty, Advertising, College Students, Cosmetic Products

JEL Classifications: M31, M37

1. INTRODUCTION

Marketers regard advertising as one of the most powerful and effective promotional tools to reach customers. Advertising gives information, persuades, reminds, corrects false impressions and convinces as well as creates a brand image for buyers of a product or service. Not surprisingly, advertising expenditures has shown astronomical growth in recent years. This is due to strongly held perceptions that advertising spending has direct as well as indirect effect on brand loyalty (Ha et al., 2011). Whereas some believe that advertising is effective when it generates sales, others are of the opinion that advertising is effective when it generates activity in the cognitive and affective stages of the hierarchy of effects model. The former belief can be interpreted to mean that advertising can develop brand loyalty and hence ensure repeated purchases which can enhance revenue flows.

Many scholars regard brand loyalty as an enormous asset for the business. As cited in Guráú (2012), studies by (Baldinger and Robinson, 1996; Hallowell, 1996; Mittal and Lassar, 1998; Rust and Zahorik, 1993) noted that loyal customers are less costly; they are not too responsive to changes in price, and hence ensures that there is a regular and smooth flow of income and revenue for the business. Guráú (2012) himself noted that such

customers make repetitive purchases and also recommend the brand to their friends.

The objective of this study was to investigate the relationship between advertising and brand loyalty of cosmetic products among college students.

2. LITERATURE REVIEW

The literature is replete with enormous evidence of the effect of advertising on brand loyalty. Lambin captures brand loyalty with a measure of consumer inertia. For the distributed-lag model, Lambin (1976) observes that the lagged-sales coefficient may be generally interpreted as a measure of consumer inertia. He finds significant inertia effects in most markets. Using various measurements of advertising intensity, however, Lambin fails to find a positive and significant relationship between brand inertia rates and brand advertising intensity. Tellis (1988) reports that experience is the strongest determinant of purchase behavior, and those other marketing variables like price are more important than advertising. Advertising appears to have only a small effect on brand choice. Kanetkar et al. (1992), also find that the direct impact of advertising appears small in comparison to other marketing variables like price.

Krishnamurthi and Raj (1985) reports that the demand for the brand becomes significantly more inelastic in the test panel of families once advertising is increased. Guadagni and Little (1983) report that brand and size experience are the most important attributes in explaining consumer brand-size choice. For 251 households in a test city, Tellis (1988) reports that experience is the strongest determinant of purchase behavior, and those other marketing variables like price are more important than advertising. Advertising appears to have only a small effect on brand choice. Kanetkar et al. (1992), also find that the direct impact of advertising appears small in comparison to other marketing variables like price. Deighton et al. (1994) find a large inertia (loyalty) effect, in that a buyer is likely to purchase the same brand as was bought on the previous shopping trip and that advertising does little to change the repeat-purchase probabilities of consumers that have just purchased the brand. Advertising can be effective, however, in attracting consumers who have not recently purchased the brand. Akerberg (2001) constructs a binary logit model to show that Advertising's effect on inexperienced consumers is positive and significant, whereas advertising has only a small and insignificant effect on experienced consumers. He also finds that the effectiveness of advertising declines as the consumer becomes more experienced (i.e., as the number of previous purchases increases). Erdem and Keane (1996) report that consumers are risk averse and that experience is much more informative than advertising. The model thus provides insight into how brand loyalty is formed: Due to risk aversion, consumers are loyal to brands that have delivered positive use experiences.

What has been an issue of contention in the literature (especially, marketing) relates to the definition of brand loyalty. As a solution to the problem, there has emerged a continuum of categorization characterized at one extreme by customers who are very loyal and the other extreme by others who are very brand promiscuous. There are however very few empirical studies on the effect of advertising on the brand loyalty using some of these categorization. This study seeks to understand the effect of advertising on the brand loyalty of college students using the categorization by Brown (1953). Our choice of college students is informed by the assertion of some scholars including (Noble et al., 2009; Rich, 2008; Bakewell and Vincent, 2007; Martin and Turkey, 2004) as cited by Guráú (2012) that this category of consumers are homogenous in their brand loyalty.

3. METHODOLOGY OF THE STUDY

The study used cross sectional data on 200 individuals drawn randomly from various departments in a college of a metropolitan area. The dependent variable used in this study is brand loyalty for a cosmetic product (*BrdLoyty*). We defined cosmetic product to include only hair and skin products. As already stated, in the marketing literature, it has been recognized that there has been a significant change in the pattern of customer loyalty (Griffin, 2002; Jones and Sasser, 1995; Rowley and Dawes, 2000) because as noted by Guráú (2012), postmodernism based on perpetual

change and forced obsolescence only encourages the use of new products. He observes as others like (Chandrashekar et al., 2007; Lam et al, 2004; Mittal and Kamakura, 2001) that customer satisfaction no longer can adequately measure brand loyalty. Against this background, in the marketing literature, there have emerged two measures of brand loyalty. As cited by Guráú (2012), whereas (McMullan and Gilmore, 2008; Oliver, 1999) developed a continuum scale of customer loyalty, others like (Brown, 1953; Dick and Basu, 1994; Knox, 1997) have defined several loyalty categories. In this study, as our dependent variable, we adopt the latter approach. We used Brown (1953) loyalty profile. He identified Promiscuous switcher who regularly switches between brands for various reasons. A constrained buyer has limited brands and faces some constraints to choose one of these brands. A habitual buyer buys the same brand out of habit and has no reason to change and is amenable to influence. An active loyalist buys the same brand and has some reasons to be loyal. The committed will buy no other brand. They are rare and extreme activists.

Our major explanatory variable is advertising exposure (*Advert*). Following the conceptual framework developed by Aamna et al. (2011), wherein likeability, persuasiveness and brand personality were identified as the key drivers which pushes the consumer in the direction of purchase, respondents were asked to tell their frequency of advert encounter on cosmetic products and to indicate the medium of the ad and whether they liked the ad, the personality used in the ad or were persuaded by the message in the ad.

We used as control variables price, friend's recommendation (as a proxy for experience), education (*Educatn*), age (*Age*), gender (*Gender*) and employment status (*Emplmt*). For price (*price*), the study used three states of consumer's perception of prices. We used relatively cheaper, relatively expensive and indifferent about price to capture the influence of price on consumers loyalty for a given brand of cosmetic product. We measured consumer's experience (*Recommtn*) as the external influence by friends/family/colleagues who have used the cosmetic product and who will be willing to make a recommendation to these consumers to buy such cosmetic products.

3.1. Statistical Techniques and Regression Model

We used both descriptive and inferential statistics for the data analysis. For the regression model, our choice of the dependent variable naturally tells which econometric technique to use. We used the multinomial logit model which is estimated with the maximum likelihood estimator. This regression model is suitable for studies as this where there is more than one dependent variable and where the dependent variable is just categorical. The multinomial logit model has the form:

$$Prob(Y_i = j | w_i) = \frac{\exp(w'_i \alpha_j)}{\sum_{j=0}^4 \exp(w'_i \alpha_j)} \quad j=0,1,\dots,4$$

($j=0,1,\dots,4$) is the set of categories including promiscuous switchers, habitual buyers, constrained buyers, active loyalists and

the committed. We set constrained buyers as our base outcome. is the vector of explanatory variables.

$$w_i = (price_i, recomntn_i, Age_i, Emplmt_i, Educatn_j, Gender_i, advert)$$

We expect all the coefficients to be positive, i.e., $\beta_1 > 0, \beta_2 > 0, \beta_3 > 0, \beta_4 > 0, \beta_5 > 0, \beta_6 > 0, \beta_7 > 0$ for the marginal effects. A positive coefficient marginal effect would mean the explanatory variable increases the probability of a given category occurring.

4. RESULTS AND DISCUSSION

To determine which media greatly attracts people on advertisements on cosmetic products, this study compared the different levels of attraction for five different media including television, radio, newspaper, billboard and the internet. Figure 1 provides the findings in the study. For the respondents sampled, over 61% admitted that TV attracts them the most. Strangely, this was followed by billboards with 17%. Radio followed with 12%. The internet and the newspaper recorded 6% and 3% respectively and just a little over 1% of the respondents were not influenced by adverts on cosmetics carried on these media.

This is partly as a result of the fact that cosmetic products need to be demonstrated and the best place to do this is to use television where the combination of sound and sight help generate the desired effect needed to be achieved with the advert.

One of the major implications that most people are attracted and influenced by advertisement carried on television is that the use of important personality, message content and the background music should matter to people. This study sought to find which elements of advertisement: the message, personality and background sound exerts the greatest influence on people who have encountered advertisement on cosmetic products. Close to 65% of respondents were greatly influenced by the message carried in the advert. The use of important personalities influenced 26% of the respondents and only 7% of the people surveyed admitted that they were influenced by the background song. This study was also very interested in uncovering which content of message: Rational, emotional or moral exerts the greatest influence on people who encounter advertisement on cosmetic products. Rational appeal messages emphasize the functional benefits of the product. Emotional appeal attempts to stir up either positive or negative emotions that can trigger a purchase whilst moral appeal messages are directed towards the consumer’s sense of good or bad or right and wrong. Figure 2 shows the level of impact of message, its source and format on people. Figure 3 shows the message content that generates the greatest impact on potential buyers of cosmetic products.

It was realized from this study that most people were attracted by the rational and moral appeals in messages carried in adverts on cosmetics. Of the respondents who submitted that they were influenced by messages, 54% were influenced by the rational

Figure 1: Levels of attraction of various media

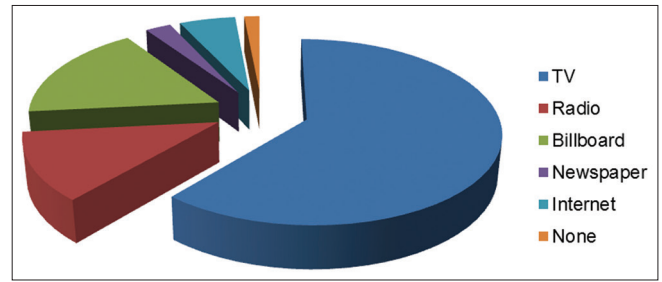


Figure 2: Influence of the message, personality and background song in cosmetic adverts

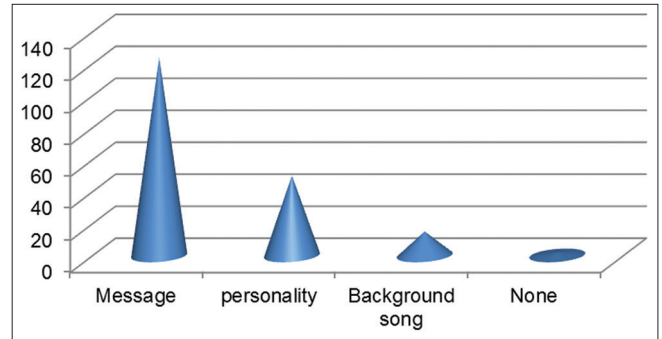
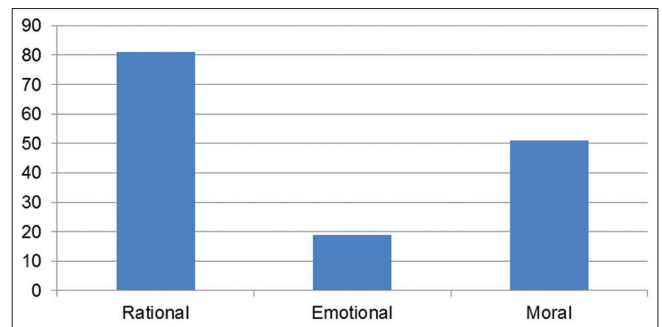


Figure 3: Influence of rational, emotional and moral messages in cosmetic adverts



aspect of the message. This was followed by the moral appeals in the message. In this study, we sought to find out whether the messages they encountered on cosmetics were environmentally friendly. Only 13% were influenced by the emotional appeal of the message. This is illustrated in Figure 3.

Which personalities whether as actors/actresses, TV/radio presenters, musicians or footballers greatly attracts the attention of people in cosmetic adverts is an important dimension to assessing the impact of adverts on people. We uncovered in this study that the use of actors/actresses in cosmetic adverts is quite catchy. 67% of respondents said they were influenced by actors/actresses. Musicians and footballers constituted the least influence of cosmetic adverts on people. For the background song used in adverts, people who were influenced say that they were mostly influenced by an unknown creative song specifically for the product. Their number represented 60% of the respondents who were influenced by the background music on cosmetic products.

Table 1: Model estimation: Advertisement and brand loyalty

Brand loyalty	Promiscuous		Habitual	
	Coefficient	P-value	Coefficient	P-value
Gender	-0.371 (0.542)	0.494	-0.275 (0.589)	0.67
Education	-0.221 (0.557)	0.691	-0.936 (0.574)	0.103
Age	0.099 (0.628)	0.874	-1.02 (0.762)	0.177
Employment	0.199 (1.00)	0.843	-0.86 (1.08)	0.426
Price	-0.63 (0.294)**	0.031	-0.071 (0.365)	0.844
Advertisement	0.08 (0.52)	0.8700	0.943 (0.667)	0.157
Recommendation	0.89 (0.591)	0.129	1.636 (0.639)**	0.010
Constant	0.505 (3.500)	0.885	2.16 (3.568)	0.545

Brand loyalty	Loyal		Committed	
	Coefficient	P-value	Coefficient	P-value
Gender	0.27 (0.455)	0.554	0.416	0.402
Education	0.167 (0.566)	0.768	0.599	0.30
Age	0.073 (0.468)	0.875	0.289 (0.505)	0.56
Employment	0.14 (0.726)	0.846	-0.947 (0.681)	0.16
Price	-0.234 (0.251)	0.351	0.353 (0.276)	0.201
Advertisement	0.580 (0.468)	0.216	0.891 (0.51)	0.081
Recommendation	0.038 (0.57)	0.947	0.521 (0.544)	0.338
Constant	-1922 (3.02)	0.545	-4.671	0.135

**Implies statistically significant at 5% significance level. Numbers in parenthesis are robust standard errors

We used constrained buyers as the base outcome. This means all other brand loyalty profile results are interpreted relative to these constrained buyers. Our results as shown in Table 1 show that consumers' perception of the price level significantly affects their buying decision of cosmetic products. However, this result is only true for promiscuous buyers. This is also highly expected as promiscuity corresponds with lower loyalty profile and price inducement may suffice to increase sales. More importantly, for promiscuous buyers, there is an inverse relationship between the price level and cosmetic purchases.

We also found that habitual buyers are significantly influenced by friend's recommendation. This is also expected as buyers in this category are amenable to influence. The interesting result is why they are not amenable to the influence from advertisement.

We found as expected that for loyal buyers, the decision to buy a cosmetic product is independent of any variable as none of the explanatory variables significantly explains the buying behavior of loyal customers. Consumers who are loyal to a product act independently of any underlying factor and this result is highly significant. Similar results also explain the behavior of committed buyers. Their decisions, as can be seen from the results are independent of any explanatory variable.

5. MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Using the five loyalty profile in the marketing literature, our results show that higher brand loyalty profile is independent of the effect of advertisement. The huge advertising expenditure which is mainly passed onto pricing cannot be justified. They only appropriate consumer surplus without any increase

in their welfare. We rather found friends' recommendation and price to significantly affect one's buying decisions. We recommend to managers to use other selling techniques rather than advertisement as the later appears not to be effective in inducing sales especially among college students. Government regulation in the form of the stipulation of how many adverts a company can run in a given period can help control excessive advertising expenditure.

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