The Mediating Role of the Brand Preference in Bank Advertising and Brand Loyalty

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The Mediating Role of the Brand Preference in Bank Advertising and Brand Loyalty

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ABSTRACT

Nowadays, it is always a good place to be searched by customers for doing their business and financial affairs and their decisions are constantly changing and comparing with various questions of themselves and the viewing and touching services and advertisements by banks in order to focus on financial and banking activities. Banks are attracting customers' satisfaction by providing effective and creative services and advertisements and focus their loyalty towards themselves. The effective factors on the effect of advertising on customer loyalty were tested and the mediator variable of brand preference was analyzed for a more in-depth study. A questionnaire was distributed among banking customers in Isfahan in order to test the hypotheses. The collected data were analyzed by path analysis model. Advertising and brand preference were identified as effective variables on customer loyalty to the bank. The Positive Role of the mediator variable of the brand preference on increasing brand loyalty was confirmed using the route analysis model, SmartPLS 3.2.10, the partial least squares method. According to the results of this study, although advertising can be introduced as an effective factor in relation with the effect of brand preference on brand loyalty, but the customers distinguish satisfaction with banking services and professionalism of the bank on its advertising. In this way, bank advertising in the long run can’t guarantee customers loyalty.

Keywords: The effect of bank advertising, the mediating role of the brand preference, brand loyalty, path analysis
1. INTRODUCTION

Providing the suitable context for strong and fair competition is considered as a key development in the banking industry in the countries. The expansion of commercial, public and private banks, as well as foreign banks in Iran and their competition to get more resources, will cause very close competition between banks to attract customers and maintain customers in the next phase.

The complexity levels of marketing of financial services organizations and the severity of competition resulting from it have significantly increased in recent periods [1]. High-speed development of services offered in non-face-to-face contexts such as Internet banking, cell phones, quick telecommunication codes, ATMs without boxes, and other services that are constantly changing and developing; have challenged the advertising of banks. Advertising with content of confidence, speed, and non-face-to-face contexts has attracted the attention of the bank's customers and considering the increasing use of smartphones by consumers and people, this has been more considered in advertising. According to recent evidences, consumers may change some or all of their activities to another supplier, even when they are completely satisfied [2].

The customer loyalty towards the centers that provides their services is considered as one of the marketing challenges. Loyalty to a brand and understanding its true performance by customers brings a sense of belonging to the brand. With increasing advertising costs, efforts have been made to promote advertising effectiveness in order to increase its impact. On the other hand, the use of advertising campaigns continuously by banks and to increase the level of trust and the providing services and products in parallel with performance is considered as a vital tactic for building the relationship between effective advertising, brand preference and customer loyalty.

This study was carried out aimed to:

Identifying effective factors of customer loyalty in bank advertising

Understanding the relationship between bank advertising and customer loyalty

Evaluation of the relative effect of advertising and brand preference on customer loyalty
2. THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

Effectiveness of advertising

The aim of advertising is to use advertising content with more impact on the depth of consumer behavior and different methods are used in this regard. The benefits of attractive emotional ads in relation with establishment of relationships with brand, especially the creative choice of using emotional content in advertising, show that they are more successful than reasonably appealing messages in the production of brand charms [3]. Advertising plays an important major in identifying products to target customers. Mistakes in Advertising and misuse of words, movements, colors and habits of each region and country are examined carefully. The same thing shows the importance of making a poster or a promotional video. As consumers increasingly are feeling frustrated with and more dependent on technology in their daily life, marketers have to suggest innovative marketing strategies to reach their target audience, which are increasingly skeptical and risky. [4] This has challenged marketers' activities in selecting the content that has the best impact on the audience.

According to information processing theory, information independently is processed by for different brands and then the values are compared among all relevant features [5]. This can be argued that consumers compare the impact of each ad independently with the same brand products.

Since the late 1990s, online advertising has increased symbolically and has occupied the place as an essential part of the advertising mix. The reason for this is that the Internet has more confidence than traditional media to achieve its advertising goals. [6] Being interactive is one of the most prominent features of online advertising. [7]. Recent studies on consumer engagement have focused on the importance of encouraging consumers to engage with products, brands, advertising and business, and pursues a goal beyond achieving the maximum possible number of people [8]. Advertisers have made their best to influence attitudinal and behavioral responses by creating strong brand positions to create brand preference and reinforcing emotional self-confidence in their brands through a deeper and clearer understanding of their target audiences. [9]
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For this reason, significant competition has been made to attract the audience's opinion and turn it into a consumer between advertising companies as product supplier consultants. While the theoretical changes to understand consumer behavior are increasing significantly, the prediction of the effectiveness of advertising messages has made the person is facing with a wide range of uncertainty [10]. Predicting human desires by having the most complex mental and emotional relationships in a world full of advertisements and needs is difficult. Some studies reported that the main reasons for advertising success include the creativity of the message, the choice of media, financial resources, and the relationship between the organization and the client [11]. Some researchers have introduced the invention and use of aggressive advertising as two main features of successful brands [12]. Also, the effectiveness of advertising is dependent on the use of a mixed media mix to maximize the impact of communication and this issue is studied by many researches [13].

**Brand preference**

The concept of brand equity has introduced as a major concept in marketing about two decades ago. The brand equity is related to a part of the brand value of the product, which is dedicated to the brand. Brand preference represents the balance that is shown by the consumer as a specific brand to others in the same product / brand category. Since the 1970s, brand preference has attracted the attention of many researchers [14]. The high brand equity can lead to product reputation, induce a high quality product to the buyer, create a very strong image of the product in the minds of customers and is considered as one of the most important assets of the company [15].

In another study, the concept of brand preference is defined as "the extent to which the customer prefers the service offered by the current company to the services provided by other companies." [16]. Also, brand preference is studied as a set of attributes of consumer features, product features, which makes a customer more interested in a brand than one else. [17].

From a managerial perspective, brand equity is a value added awarded by a brand to a product [18]. Also, brand equity is considered a set of assets and liabilities associated with
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a brand name [19]. Most academic studies on brand preferences often focuses on brand image, brand knowledge, brand awareness, brand associations as the basis for developing brand equity [20]. Marketers believe that sometimes the intention is considered as the most accurate predictor of buying behavior [21]. Consumers consider a lot of cases for their ultimate purchase intention, which forms their preference to buy. Brand awareness, brand connectivity, brand trust, brand experience, customer identification with brand, consumer risk, perceived quality, brand credibility, and so on. can be effective on brand preference.

Brand loyalty

Loyalty is defined as a strong commitment to re-purchasing a superior product or service in the future, so that the same brand or product will be purchased in the future despite the potential competitive effects and efforts of competitors. [22] Also, brand loyalty is defined as the consumer's attachment to the brand [23]. Loyal consumers are committed to a particular brand, and this commitment will lead to purchase of a brand for each time it is required [24]. Advertising can be seen as a defensive strategy used to create strong brand loyalty. Scientists have long recognized advertising as a prerequisite for customer loyalty [25].

Brand loyalty indicators refer to the amount that the consumer wants to pay more for a brand compared to other brands, and consumer satisfaction and intent to buy a particular brand. [26] Also, according to some researchers, loyalty is generally evaluated by behavioral measures rather than attitudinal measures [27]. And attitudinal actions are related to the general feeling of the consumer about the product and the brand, while behavioral actions are based on the visible response to promotional stimuli [28], [29]. Also, some research shows that the degree of commitment to buying a certain brand and the willingness to loyalty are two separate dimensions [30]. However, studies have reinforced the concept that behavioral loyalty does not necessarily reflect attitude loyalty, as there may be other factors such as distance and monopoly power that prevents customers from proposing alternative brands [31].
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According to the results reported by some studies, saving potential costs to maintain current customers is better than attracting new customers. Therefore, any advertising strategy that ensures customer loyalty can be used as a key tool by marketers to maintain customers and consumers of products.

Advertising has a significant impact on customer expectations of service quality [32], [33]. And customer expectations affect the customer priority and advertising has an indirect relationship with customer loyalty. Of course, the extent to which consumer expectations from advertising are met will have a significant impact on consumer satisfaction. This means that consumers are continuously reviewing the brand's performance and its advertising.

Development of hypotheses and conceptual model

Some research has focused on Turkish banks and their results showed that advertising efficiency is a determining factor in customer loyalty [34]. And in another study, the role of advertising in enhancing perceived performance and the experience of using particular brand was evaluated [35]. Banks 'advertising and customer loyalty have significantly changes in recent years due to banks' performance. So that banks are trying to attract customers by changing the shape and symbols and coloring of the logos and even the customer referral centers. On the other hand, along with the changes that have occurred in the field of economics, including the ups and downs in economic stagnation, new business way, the new generation with special thoughts and morals as customers and new consumers of banking services, growing virtual networks and hidden needs has faced marketers with new challenges.

The organizational structure of corporate banking, special and sometimes unique advertisements, which are often provided by banks, confirm this issue. Banks promotional measures, with their customers’ attitudes as well as the performance of banks in relation to the responsibilities and targets provided for customers has involved the consumers of these companies in a consistent decision making that can affect the attitudes and behavior of their customers.

According to theoretical foundations, the following hypotheses are proposed:
Hypothesis 1: There is a positive and significant relationship between advertising and brand preference.

Hypothesis 2: There is a positive and significant relationship between advertising and brand loyalty.

Hypothesis 3: There is a positive and significant relationship between brand preference and brand loyalty.

Hypothesis 4: There is a mediating between advertising and brand loyalty by brand preference.

3. RESEARCH METHOD AND FINDINGS

Research method

Structural equation modeling and SmartPLS software were used in order to study the relationships among the variables of research. A questionnaire has been used to collect field data. This study has been carried out on the mediating role of brand priority in bank advertising and customer loyalty. This study is in terms of the nature of the method is considered as a descriptive-survey research, and in terms of objective is an applied study. A quantitative study was used to test the research model. The questionnaires were pre-tested and minor corrections were made using a few respondents as a result of the pre-test. Respondents were asked to answer to each item by I agree (or I disagree) using Likert scale ranging from 1 (I completely disagree) to 5 (I completely agree).

Statistical population and sample size

The statistical population of this study includes the customers in Isfahan city. Random cluster sampling was used due to because a large population was studied, so that, firstly, all banking areas of Isfahan city were listed and four domains were selected among them randomly (Amin Foroughi and Esfahani, 2012). A total of 30 questionnaires distributed for variance extraction and the sample size was estimated to be 160 at 95 confidence level. A total of 185 questionnaires were distributed among clusters in different regions of the city and finally 170 questionnaires were collected. 162 questionnaires could be used from the collected questionnaires. Finally, analyzes were performed using the same number of
questionnaires. SmartPLS 3.2.7 software was used to test research hypotheses, which the high sample size is not required because of the use of least squares method.

**Method and tool for data collection**

In this study, field method was used to collect data and a questionnaire was used for this purpose. The questions of the questionnaire were designed based on five point likert scale range (completely agree, agree, somewhat, disagree, and completely disagree), and questionnaires were distributed in face-to-face and non-face-to-face as a special link between respondents.

**Validity and reliability of the research**

A copy of questionnaire was given to the professors to confirm the validity. Then some of the questions that were inaudible or unrelated to the subject, spatial domain and the population, were expressed in a more expressive and better way.

The reliability test (internal consistency of the model) of each item is extracted from Table 1. Acceptable load factor for each variable is 0.7 and a significant level is 0.1.

*Table 1: Reliability Study (Internal Modeling)*

<table>
<thead>
<tr>
<th>Item</th>
<th>Brand preference</th>
<th>Ads</th>
<th>Brand loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 &lt;- Advertising</td>
<td></td>
<td>0.763</td>
<td></td>
</tr>
<tr>
<td>Q2 &lt;- Advertising</td>
<td></td>
<td>0.779</td>
<td></td>
</tr>
<tr>
<td>Q3 &lt;- Advertising</td>
<td></td>
<td>0.803</td>
<td></td>
</tr>
<tr>
<td>Q4 &lt;- Advertising</td>
<td></td>
<td>0.814</td>
<td></td>
</tr>
<tr>
<td>Q5 &lt;- Brand preference</td>
<td>0.897</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q6 &lt;- Brand preference</td>
<td>0.898</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q7 &lt;- Brand preference</td>
<td>0.884</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q8 &lt;- Brand preference</td>
<td>0.858</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q9 &lt;- Brand loyalty</td>
<td></td>
<td></td>
<td>0.809</td>
</tr>
</tbody>
</table>
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| Variable | T Statistics (|O/STDEV|) |
|----------|----------------|
| Q10 <- Brand loyalty | 0.721 |
| Q11 <- Brand loyalty | 0.845 |
| Q12 <- Brand loyalty | 0.877 |
| Q13 <- Brand loyalty | 0.828 |
| Q14 <- Brand loyalty | 0.768 |

Also, table 2 shows the significance of factor loads, in which t statistics related to factor load of each item is recorded. The numbers above 1.96 at a significant level of 0.05 and above 2.58 at a significant level of 0.01 are significant.

Table 2: Significance of factor loads of items

| Variable | T Statistics (|O/STDEV|) |
|----------|----------------|
| Q1 <- Advertising | 10.470 |
| Q2 <- Advertising | 13.681 |
| Q3 <- Advertising | 13.886 |
| Q4 <- Advertising | 12.196 |
| Q5 <- Brand preference | 31.623 |
| Q6 <- Brand preference | 28.430 |
| Q7 <- Brand preference | 30.027 |
| Q8 <- Brand preference | 23.019 |
| Q9 <- Brand loyalty | 22.658 |
| Q10 <- Brand loyalty | 11.967 |
| Q11 <- Brand loyalty | 23.152 |
| Q12 <- Brand loyalty | 21.713 |

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In order to validate the credibility with the help of column values in Table 3, hidden variable is listed. Values greater than 0.7 are acceptable, which these values are above 0.8 in this model, so they are acceptable.

The average value of the extracted variance (AVE) is related to the structures. The acceptable value for this criterion represents the valid validity for measuring instruments, all of which are greater than 0.5.

**Table 3: Composite validity of Variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>AlphaCronbach</th>
<th>rho_A</th>
<th>Composite reliability</th>
<th>average value of the extracted variance (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q13 &lt;- Brand loyalty</td>
<td>0.800</td>
<td>0.806</td>
<td>0.869</td>
<td>0.624</td>
</tr>
<tr>
<td>Q14 &lt;- Brand loyalty</td>
<td>0.907</td>
<td>0.910</td>
<td>0.935</td>
<td>0.782</td>
</tr>
<tr>
<td>Hidden</td>
<td>0.894</td>
<td>0.901</td>
<td>0.919</td>
<td>0.656</td>
</tr>
</tbody>
</table>

Table 4 is used to study the quality of the measurement tools. The SSO represents the sum of squared of the observations for each block and SSE represents the sum of square of prediction errors for each variable block and the SSE / SSO is subscription index or CV-com. If the indicator of subscription index is positive, the measurement model has a good quality.

**Table 4: Quality of Measurement Tools**

<table>
<thead>
<tr>
<th>Variable</th>
<th>SSO</th>
<th>SSE</th>
<th>Q² (= 1-SSE / SSO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>648/000</td>
<td>410/522</td>
<td>0/366</td>
</tr>
<tr>
<td>Preference</td>
<td>648/000</td>
<td>269/419</td>
<td>0/584</td>
</tr>
<tr>
<td>Brand loyalty</td>
<td>972/000</td>
<td>487/370</td>
<td>0/499</td>
</tr>
</tbody>
</table>
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The structural modeling test examines the research hypotheses by examining the factor load of the path (Beta), ie, numbers on the path and the amount of R2 or the variance explained, which is listed in the figure 1.

Figure 1: Factor load of paths and average value of the extracted variance (AVE)

![Factor load of paths and average value of the extracted variance (AVE)](image)

Advertising
Brand preference, advertising, brand loyalty

Fig. 2: T statistic and R2 coefficient of determination of variables

![T statistic and R2 coefficient of determination of variables](image)

Brand preference, advertising, brand loyalty

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Fig. 2 contains the t-statistics of the paths, as well as the $R^2$ coefficient of determination of the variables. The values of t greater than 2.56 represent the quality of the model and the confirmation of the path and the effect of the variable.

The values of t greater than 2.56 represent the quality of the model and the confirmation of the path and the effect of the variable.

**Analyzing the data and testing the hypotheses of the research**

Structural equation modeling is used to analyze the data. Table 5 shows the results of the data test and the hypothesis test. According to t statistics, all hypotheses are confirmed. Also, the Sobel test was used in order to test the fourth hypothesis and the indirect effects output of SmartPLS 3.2.7 has been extracted and interpreted. It should be noted that the software in the new version also evaluates the effect of the mediator variable.

<table>
<thead>
<tr>
<th>Hypothesis (path)</th>
<th>The statistics t</th>
<th>Factor load of the path</th>
<th>Sobel Z</th>
<th>P</th>
<th>Test result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hypothesis 1:</strong> There is a positive and significant relationship between advertising and brand preference.</td>
<td>15.320</td>
<td>.662</td>
<td>.44</td>
<td>-</td>
<td>Confirmation</td>
</tr>
<tr>
<td><strong>Hypothesis 2:</strong> There is a positive and significant relationship between advertising and brand loyalty.</td>
<td>4.882</td>
<td>.265</td>
<td>.63</td>
<td>-</td>
<td>Confirmation</td>
</tr>
<tr>
<td><strong>Hypothesis 3:</strong> There is a positive and significant relationship between brand preference and brand loyalty.</td>
<td>13.179</td>
<td>.668</td>
<td>.63</td>
<td>-</td>
<td>Confirmation</td>
</tr>
<tr>
<td><strong>Hypothesis 4:</strong> There is a mediating between advertising</td>
<td>10.505</td>
<td>.441</td>
<td>.65</td>
<td>9.989</td>
<td>0.000</td>
</tr>
</tbody>
</table>
4. CONCLUSION

This study was carried out aimed to study the relationship between advertising, brand preference and brand loyalty. Also, the mediating effect of brand preference was analyzed for a more in-depth study. The results of this study strongly confirm the hypotheses. The advertisement of the banking industry, given that this industry is considered as infrastructure of any economy, can lead to the proper economy development of each country.

Therefore, effective advertising can earn customers' trust, and balance the power among the bank's competitors in attracting resources and reluctant to relocate resources by the customers between banks. This means that by creating an appropriate image of the bank in advertisement, the customer loyalty has been influenced, and customers will focus their business activities on the bank without multiple choices, and ultimately leads to the stability of the desired bank's activities and the development of macro projects.

Considering the factor load and the t-statistic in the mediating variable of the brand preference, it can be concluded that distinguish satisfaction with banking services and professionalism of the bank on its advertising. In this way, bank advertising in the long run can’t guarantee customers loyalty. Although advertising can be considered as a variable that strengthens brand loyalty, satisfaction with banking services in micro and macro activities is considered as customers’ preference for advertising. If such cases are observed by marketers and promotional campaigns during providing ads with relevant content for increasing brand loyalty, it will lead to enhance customer loyalty.

Improving the quality of banking services significantly at the macro level and using advanced standards in relation with banking and business services to attract customers who, quickly get acquainted with the services of competing banks and even banks in the international community through social media, and making efforts to prioritize and identify them at the desired bank can not only consider the quality of providing service as...
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a competitive tool between banks, but also leads to improve the quality of service and innovation at the macro level.

Like other previous studies, this study has constraints that provide a suitable context for future research. Firstly, although Isfahan is considered as one of the major industrial cities, this issue can be tested on the national level. Given the high speed of technology in social media and business and banking activities, and the rapid familiarity of the younger generation in the near future, entering the variables such as demographic structure, as a mediator to model can provide a better field for researchers.

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