Determining the effect of ethics on advertising effectiveness with Mellat Bank customers

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Abstract

Today commercial advertising has become a reality that has imposed itself on all and has profound impact in the different fields of economical, social, political, and cultural aspects of community. Especially as one of the main sources of commercial financing. And has raised competition to attract and publish messages in the media business. In this study we have attempted to according to the instructions of commercials in the Islamic Republic of Iran Broadcasting (Esmaeili, 2006), Ethical conduct be classified in several main dimensions and the effect of this dimensions be determined at Mallat bank. This is a descriptive-survey study. The population is customers of Mellat bank, the number of sample are 232. The theoretical topics collected by means of the library and the Internet. And the data was obtained from researcher made questionnaire. In this study structural equation modeling and path analysis was used to test the hypothesis and analyze the data. The results present that first the theoretical models predict a strong influence of ethics on the effectiveness of advertising. Secondly, the influence of external variables, respecting the privacy, providing accurate information about the product or service, and observance of religious and social norms on the effectiveness was confirmed. But the effect of testimony and resorting to ethnic factors on effectiveness wasn’t confirmed.

Keywords: Advertisement, Advertising effectiveness, Ethical principles management.

Introduction

Today commercial has become a reality that imposes itself on all and have a profound impact on economic, cultural, social, and political dimensions of community. Especially as the commercial media has become one of the main financial sources of and has motivated media competition in the uptake and release of commercial advertisement. On the other hand with respect to traditional and Islamic position of Iranians, ethical principles and esteeming these factors in the commercial advertising is very important. These religious beliefs have provided
a framework for the custodians of the advertisement. It should be noted that today, advertisement as one of the most important tools to advance the promotional activities, is one of the four components of the marketing mixture which has imposed very expensive costs on firms. So that industries and firms in the West have paid more attention to introduction of their products or their organizations through advertising in recent years. (Tripathi & Nair, 2004)

Evaluating the effectiveness of advertising has been under considerate in our country and there are limited companies that evaluate effectiveness of their advertisement (Mohammadian, 2002). advertising can't survive and grow unless with focuses on effectiveness, all advertisers expect specified results on the basis of defined goals (Mortimer, 2008).Effective advertising can be characterized in two specific areas, first satisfying costumer needs through fascinating them and offering relevant messages to them, and the other: advertising should meet the goals of advertisers(Ramalingam et al,2006).The surprising effect of advertising on people's lives necessitate the carefully studying this scientific, social, and communicational branch. Today promoting the reputation of firm is very important for any business. Especially in advertising by the advertisement campaigns is gaining more importance(Friedman et al,2000).Unfortunately, some evidences show most of these ads hurt consumers(Wells et al,1998),although the advertising agencies are concerned about the large amounts of advertising practices that are inconsistent with norms and ethics, continue to exploit and enhance their company reputation. Thus, advertising agencies have developed their own ethical principles. For example in the book of advertisement federation of USA this issue is noted which provide ethic guidelines for managers. Indeed identification the factors that are ethical to community is very important for advertisers, these factors are dependent on any community culture and must be codified appropriate to ethical principles of that community (Friedman et al, 1962).in this study with respect to discussed theoretical basis, investigated effective ethical principles on attitude about advertisement and its effectiveness in specific population to be a base of act for advertising agencies. Generally commercial advertisement is associated with ethics through two perspectives: first it should respect the accepted ethics of community and next, create new ethical principles and behaviors' in community. Advertisement even for achieving to their professional goals and functions are required to adhere to accepted ethical principles of community (Smaeili, 2006). Advertising goods and services, per se, does not conflict with the ethics, but two problems would destabilize this sentence. One is about the tools and consequences of advertisement, and other is about the vulnerable groups of society to advertisement. It creates ethical problems. Also lower strata of society affected by the desire to get the goods advertised may commit to unethical behaviors (Mohammadi, 2000).another problem is about advertising the special cases which may have ethical inhabitations. Manner of television advertising is also one of the ethical issues that even has been mentioned in many of the Islamic texts (Hoseini, 2001).Generally, the most important ethical issues that are raised on television advertising include deception and misdirection, disrespect to tastes, racial discrimination, violation of privacy of private life, dismay, adhering to superstition, contempt and neglect of people's expertise. (Mohammadi, 2000). There is little research on consumer attitudes towards ethicality of advertisements. (Treise et al, 1994) Also, according to researches, ethical principles must be evaluated with respect to culture and religion of community. (Treise et al, 1994)

In this study we have attempted on the basis of guidelines on advertising in the Islamic Republic of Iran Broadcasting (Esmaeili, 2006) to categorize ethical factors in several main categories and to evaluate and its effect on the effectiveness of commercial advertisement of
the Mellat Bank. The proposed research model which is inspired by the above instruction is shown in Figure 1-1

Advertisement:
In the competitive world of today, especially with regard to economic conditions, investment on advertising is essential. But this point should be noted that such as other issues of investment, if a reckless move is necessary in this field, the losses of the company's financial structure (Mofidi Tehrani, 2000). Most managers agree that more than 50 percent of the cost of advertising is wasted. However the advertising budget is increasing from year to year. Neither in stagnation nor in boom period has its volume not been reduced relatively. Advertising is perhaps the only industry with the coming crisis will not only reduce the volume but it may also be added to its value. But its nature, form and content will change and on rational and logical view, correct advertising and notification is the exclusive tool which can rose as fundamental base of crisis management. Advertisement also in boom period is the most important principle which has a role to attract competent providers and loyal customers. Indeed advertisement move itself toward up of the organizational pyramid and has become a part of culture of today’s successful managers. Today’s leading managers have sufficient information about advertisement knowledge, and its details. The world's biggest brands, are paying the most advertising costs, range of this figure is from maximum 40% of sales compared to at least half of yearly budget of governments. But on average, companies about 10 percent of their sales and governments on average of about 1/5 percent of their annual national income spent on advertising. (Balaghe Noor Advertisement Co, 2008). Advertising and promotion is one of the most common tools which the firms use to encourage and stimulate transfer of information. Advertisement includes all actions required to transfer a advertisement message about a product to a specific group. This message transferring may be to non-attendance, may be visual or auditory, such a message is called an ads and will be published through mass media and sponsor organization pay its costs. Marketing manager to start for developing an advertisement plan should always work with the identified target markets and customer motivations. The next step is making decisions about goals, budget, message, media and their evaluation. (Ranjbarian, 1999)

**Ethics in management and marketing**

Today with respect to the cultural diversity that managers are faced with them, ethic management has a huge importance. But so far about ethics in general and ethics issues specifically raised is rooted in studies of philosophers, religious scholars and social critics not in managers' studies. And as a result what today is written about work ethics, can't meet operational and functional needs of organizations. Organizations to institutionalize ethics in their organizational members, have appealed too many and varied techniques and tools. Ethical charter is one of these techniques. Experiences in the use of the charter indicate a serious problem that one of these problems is lack of attention to organization stakeholders in the charter. (Alvani and Rahmati, 2007). In social view ethics, as regulating the relations between humans, have had very importance always. Also in the management, this internal mechanism without the need for external leverage is able to ensure ethical functions in staff and create a spiritual organization. On organizational view, managers with reliance on the ethics are able to decide what is true and what is wrong. Who is on the right path and who travels the wrong way? Therefore, the manager in carrying out their duties as decision-making, supervision, encouragement, punishment without a ethical system in the organization cannot act decisively (Alvani, 2000). The role of ethics in the performance and behavior, in making decisions and choices, and the attitudes and communication is important and crucial. For this reason ethics has become one of the major issues in management field. Ethics is defined as a system of values, norms and prohibitions. (Alvani, 2002)
Ethical aspects of managers work

One of the influencing factors on the human expectations of his/her role or of others roles of human is ethics. The manager must adhere to these principles in decision making and behavior. In West, three perspectives and three approaches to the ethical aspects of manager work are seen which gentility of utility, human rights and justice are.

Ethics in Islamic perspective

"Tendency to ethics or ethical mould" is one of the innate aspects which Islam is respect for human. The mission of this innate aspect; is distinguishing between good and evil which will independent of the personal financial interests and the disadvantage of being harvested. This innate aspect, is an inner messenger like other messengers is faithful and true internal. Strengthening this internal innate dimension will lead to domination of Islamic ethics and humanities in organizations and ultimately in Islamic societies. Truthfulness and honesty with the reverence and dedication to client service organizations will develop and progress.

Marketing from the perspective of Islam

Commercial marketing has always faced criticism. Because most of these criticisms, the immoral and non-conventional areas of marketing activities. In this part criticism of the marketing has been discussed. And we will discuss how mentioned principles in Islamic teachings can play role in social and ethical marketing of managers, specially marketing managers who face with a high level of ethical and spiritual sensitiveness. As we know, marketing in some aspect is same to belief marketing: whether our purpose of marketing is general idea about selling a drug (or any other useful products), or meet a human need our serving the people. But there are many criticisms from marketers. Consumers reminisce the marketing as the cause of losses in many cases. If we compare the current business culture with business culture of our ancestors and our fathers, we find that business in the past have been a worshipful practice but now disregard the principles of respect for the customer, and the foundations of ethics violations in the market is dominated. Many people believe that Islam and the religion are in conflict with business and commerce while in many of the Islamic traditions and books this rule is rejected generally:

Each person believed to religious foundations who is attempting to meet his/her needs or needs of family or society, is attempting a kind of worship to God. (Motahari, 2006)

Business Ethics

Today with the development of human communication and human communities' communications and with elimination of many commercial boundaries, the issue of business ethics in terms of both size and importance has expanded largely. Because one of the tasks of ethics is districting between ethical business and unethical business. However the decision in this regard is not easy and involves clarifying the concept of ethical standards of ethics and moral philosophy is clearly (Khanijozni, 2003). From the viewpoint of Smith (1993) Ethical dimensions of the marketing activities that should be considered include: Consumer empowerment, the ability to access information and quality of information available, and the ability to opt out of options. From this perspective, marketing should attend to its consumers abilities and offer required information to consumers for judgment about whether the purchasing has fulfilled their expectation or not. And they have a lot of available options to free choice between different options. In general we can say that in this model of ethical criteria of marketing activities, is sovereignty of the consumer And to what extent the marketer allows to consumers to own commodities is dominated thus the sovereignty of the consumer is very important.(Kanie et al,2002). In another model Nwachukava has offered three important variables for judgment about ethical nature of advertisement. (Nwachukava et al,2001) A - Individual autonomy: the ability of consumers to determine the impact of advertising.
Method And Results

Conceptual Framework and Research Hypotheses

The conceptual framework linking ethical principles and advertising effectiveness is presented in Figure 1, where we treat Construct of the ethical principles as a second-order latent construct as reviewed in the literature. It is intended to explain the five antecedents that affect advertising effectiveness. The dimensions from the model are used as the lens to examine advertising effectiveness. Recent research revealed that the measures of perceived ethical treatments as antecedents of advertising effectiveness.

Based on the foregoing review of the relationships between the ethical principles and advertising effectiveness suggests that the following hypotheses may be posited:

**H1:** Respect for privacy will have a significantly positive impact on Advertising effectiveness

**H2:** Providing correct information will have a significantly positive impact on Advertising effectiveness

**H3:** True testimonials will have a significantly positive impact on Advertising effectiveness.

**H4:** Religious observance and social norms will have a significantly positive impact on Advertising effectiveness.

**H5:** Resorting to ethnic factors will have a significantly positive impact on Advertising effectiveness.

**SAMPLE AND MEASUREMENT**

The data was collected by survey from 232 participants with usable questionnaires. The participants included 61.2% males, of which 71% in the range of 21 to 50 years old, 90% having at least college degree.

To examine the associations among the constructs and to test the hypotheses mentioned above, a survey questionnaire was established on bank mellat customers, where the interested
people can complete the survey. SPSS 16.0 and AMOS 18.0 procedures were used to analyze the data.

Since outliers often have dramatic effects on the fitted model, the researchers identified outlying observations first.

In order to test the hypotheses, this study relied on three sets of constructs and their indicators. All indicators came from the items in a survey questionnaire designed with a 5-point scale from strongly disagree (1) to strongly agree (7).

The model was conceptualized as a second-order model of five constructs, which were assessed by five dimensions: Respect for privacy (measured by four items, RFP1 ~ RFP4, Cranach's alpha \( \alpha = 0.864 \)), Providing correct information (four items, PCI1 ~ PCI4, \( \alpha = 0.895 \)), True testimonials (four items, TT1 ~ TT4, \( \alpha = 0.910 \)), Religious observance and social norms (four items, ROS1 ~ ROS4, \( \alpha = 0.939 \)) and Resorting to ethnic factors, (four items, REF1 ~ REF4, \( \alpha = 0.897 \)).

The reliability of measures (Cranach's alpha) for the constructs ranged from 0.864 (Religious observance) to 0.939 (Providing correct information), exceeding the generally accepted level of 0.7 (Nunnally & Bernstein, 1994) and demonstrating high internal consistency and hence reliability of each dimension.

After examining the data, no severe cases were identified as outliers from multivariate perspective with the Mahalanobis D2 measure (all ratios of D2/df_4.0) (Hair et al., 2006). The maximum likelihood method used in this study can be deployed for the data with minor deviations from normality (Wisner, 2003), even when the data deviate moderately from a normal distribution (Chou & Bentler, 1995). Consequently, a simple check of normality, i.e., a PP plot for each variable used in the model, was conducted and the data appeared to be approximately normally distributed. Besides, the univariate skewness and kurtosis for all items in the sample were checked and they were ranging from –0.180 (RES2) to –1.492 (RES4) for skewness and –0.759 (RES2) to 3.180 (REF4) for kurtosis, within the maximum limits of an absolute value of two for skewness and seven for kurtosis recommended by West et al (1995). We also checked the multivariate normality when a total of 35 indicators for eight constructs in the questionnaire were analyzed together in the model. The results indicated that the variance of inflation factors (VIFs) ranging from 1.99(AE1) to 8.16 (PCI2), which did not exceed the recommended threshold of 10 (Kline, 2005; Kutner et al., 2005) and all variables were kept in the proposed model for further analysis.

Although the items used as the indicators to measure the constructs in this study were based on related literature review, tests of convergent validity, discriminant validity, and reliability were important for establishing construct validity (Ahire et al., 1996; Tu et al., 2001). Anderson and Gerbing’s (1988) recommendations were followed first in evaluating and refining the measurement model prior to the simultaneous estimation of the measurement and structural models. Then, confirmatory factor analysis (CFA) was used to check construct validity of the measurement model, combining the six constructs with more precise test (Byrne, 1998).

A confirmatory factor analysis (CFA) was conducted to assess the measurement model, including eight constructs with multiple indicators and refined according to the modification indices allowing some pairs of error terms to have non-zero covariance. Since the generally used goodness-of-fit indices such as CMIN(chi-square \( \chi^2 \)), Goodness-of-Fit Index(GFI) and Adjusted Goodness-of-Fit Index (AGFI) are considerably influenced by variations in sample size and nonnormality of the variables, current researchers recommend that a model reporting the relative chi-square \( \chi^2/df \) and the more robust measures such as Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), and the Root Mean Square Error of Approximation
(RMSEA) will often provide sufficient unique information to evaluate a model (Varki and Colgate, 2001; Hair et al, 2006). The measurement model fit showed that the ratio $\chi^2/df=2.762 (<3)$, CFI=0.91, TFI=0.90, IFI=0.91 (>0.9), and RMSEA=0.052 (<0.07), met the generally recommended threshold levels. The results revealed that all standardized factor loadings were statistically significant at $p<0.000$ and each individual item’s coefficient was greater than twice its standard error, reflecting that the items represent their corresponding underlying construct. The composite reliability values, weighted by factor loadings, ranging from 0.83 (Religious observance and social norms) to 0.95 (Respect for privacy), exceeded the often used practical level of 0.70, indicating an acceptable internal consistency for each construct (Nunnally & Bernstein, 1994; Hair et al., 2006). The average variance extracted estimates (AVE), ranging from 0.61(Religious observance and social norms) to 0.81(Providing correct information), exceeded the 0.50 lower limit (Fornell & Larcker, 1981; Hair et al., 2006). All the three evidences supported the convergent validity of the items as measures of their respective underlying constructs.

To test discriminant validity, each possible pair of constructs by constraining the estimated correlation parameter between them to 1.0 was assessed. All the differences in $\chi^2$ values for the fixed and free solutions were significant at $p<0.000$ indicating the existence of discriminant validity of any two constructs. However, this is a necessary condition; a complementary method was also used to assess the discriminant validity. In the measurement model, the confidence interval (± two standard errors) around the correlation estimate between any two constructs did not include 1.0; the discriminate validity is evidenced (Anderson & Gerbing, 1988). The results of the CFA model suggest a high statistical measurement quality associated with the eight constructs.

One-factor confirmatory factor analysis was used to test the potential common method variance in survey research. The results of one-factor model yielded a $\chi^2=5423.63$ and df=780 compared with the $\chi^2=1706.93$ and df=729 for the measurement model. The significant difference $\Delta\chi^2=3716.7$ with df=51 ($p<0.000$) indicates that the fit is considerably worse for one-factor model than for the measurement model suggesting that common method variance is not a threat to the analysis and interpretation of the data.

Results

Hypotheses Testing

A structural equation modeling (SEM) using AMOS 18.0 tested the model presented in Figure 1. The estimated model includes two second-order exogenous measurement models and one endogenous measurement models and paths among latent constructs. The proposed model fit showed that all goodness-of-fit indices such as, the ratio $\chi^2/df=2.276$, CFI=0.91, TFI=0.90, and RMSEA=0.052, met the generally recommended threshold levels suggested that the proposal model fitted the data well and the hypothesized relationships were tested. The results revealed that all standardized factor loadings were statistically significant at $p<0.000$.

Table 1 shows the estimated path coefficients of the model and the standardized regressions for dependent latent constructs, which provide an estimate of variance explained. Hypothesis H$_1$ predicts positive impact from Respect for privacy on advertising effectiveness is significantly supported with estimated standardized path coefficients 0.758 ($p<0.000$, SMC=0.782). Hypothesis H$_4$ predicted a positive influence of Religious observance and social norms on advertising effectiveness. The results show that the standardized path coefficient were 0.239 ($p<0.01$). Hypothesis H$_2$ predicted no influence of Resorting to ethnic factors on advertising effectiveness. The results show that the standardized path coefficient were -0.002 ($p>0.01$).
Hypothesis H5 predicted a positive influence of providing correct information on advertising effectiveness. The results show that the standardized path coefficient were 0.339 (p>0.01). Hypothesis H3 predicted no influence of True testimonials on advertising effectiveness. The results show that the standardized path coefficient were 0.065 (p>0.01). This results indicates that three hypothesis of five where supported. But two of them didn’t support. These factors were Resorting to ethnic factors and True testimonials.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Estimate</th>
<th>C.R.</th>
<th>P</th>
<th>Supported/Not supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>AE &lt;--- RFP</td>
<td>0.758</td>
<td>7.162</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>AE &lt;--- REF</td>
<td>-0.002</td>
<td>-0.646</td>
<td>0.100</td>
<td>Not supported</td>
</tr>
<tr>
<td>AE &lt;--- TT</td>
<td>0.065</td>
<td>-0.481</td>
<td>0.631</td>
<td>Not supported</td>
</tr>
<tr>
<td>AE &lt;--- ROS</td>
<td>0.239</td>
<td>3.640</td>
<td>0.004</td>
<td>Supported</td>
</tr>
<tr>
<td>AE &lt;--- PCI</td>
<td>0.339</td>
<td>4.955</td>
<td>0.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Conclusion
This generic and parsimonious model was tested reliable and valid and can be used in an ethical principles and advertising effectiveness model. Tests of the effects of the two second-order constructs on ethical principles and advertising effectiveness indicate that some factors at this model like Respect for privacy, Religious observance and social norms and providing correct information have strong and significant effects on advertising effectiveness. Moreover, when checking the loadings of the dimensions on their corresponding constructs, we find that all loadings are significant and above 0.75, indicating that all dimensions of the construct are important factors to influence ethical principles. However they are important in a very unique way. Overall the most important dimension is Respect for privacy in influencing advertising effectiveness, followed by Religious observance and social norms and then providing correct information.

Marketing researchers have documented the vital role of Advertising in a variety of customer behavior model but rarely researched, especially in a banking environment. The findings constitute a contribution to, and extension of, the literature in advertising and banking management.

Although the findings provide meaningful implications for bankers and advertising agencies there are some limitations of this study which should be addressed in the future. First, there are other important antecedents of advertising effectiveness, such as aesthetics, in addition to ethical principles, being considered in an ethical model (Brett, et al., 2002), and not included in the study. Second, value, trust, commitment, relational benefit, and others have been considered as important mediators in advertising and purchase decisions model but not included in this study (Edward et al, 2004). Further studies may consider an integrated advertising model with multiple antecedents of advertising effectiveness, and formally test the mediating effects of the mediators to understand consumers’ behavior and the differential effects of these antecedents and mediators.
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