
Ethical Issues in Online Advertising & Its Impact on Consumer Buying Behavior: A Study Based on the Survey of University Students in Faisalabad, Pakistan

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Abstract

There is an increasing trend towards online advertising as many of the companies seek to locate their customers on internet. The commercial success of the firms of all sizes depends upon the effective use of advertising in the digital age. However, consumer behavior can be influenced through different tool and techniques and more importantly word of mouth plays a pivotal role in shaping consumer behavior. In the current study, consumer behavior has been predicted through ethical issues in online advertising. The data were collected from 232 students from different department of the University of Faisalabad through self-administered questionnaire. SPSS version 23 and Amos version 23 were used for data analysis purposes. The unit of analysis were individuals who responded the survey questionnaire. The results of the study revealed that ethical issues such as surrogate ads, ads for social cause and unverified claims predicted the consumer buying behavior. Hence all of the hypotheses of the study were supported. The current study is based on the theory of planned behavior. The recommendations and future directions have been made.

Keywords: Online Advertising; Ethics in Online Advertising; Consumer Buying Behavior; Surrogate ads; Social Responsibility; Purchase Intentions.

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1. Introduction

The 21st century have seen many technological developments and this has significantly revamped the business environment. The birth of online advertising created both opportunities and threats for the companies in modern era. To remain competitive, companies spend billions of dollars to on online advertising. Fatima and Lodhi (2015) argued that consumer behavior can be influenced through many ways but advertising remains the most powerful of all. In terms of marketing mix, advertising is part of promotion mix or communication strategies. Advertising which is called a non-personal communication has many shapes such as bill board, newspaper ads, TV commercials, radio etc. However, in the era of 4G and 5G internet connection and ever changing technology, online advertising remains the most important element of companies promotional or communication strategies. Consumers make purchase decision once they are exposed to certain products and services through advertising (Shamout, 2016). This has led companies to invest significantly in different mediums of advertising through online platforms (Tarkianen, 2014). From the business stand point, advertising is a must do

strategy and is the source of engaging customers. However, from societal stand point, advertising is good as well as bad. By considering societal ethics, advertising creates fiasco in social collaboration as different ads are targeting different group of customers. As mentioned earlier, advertising is non-personal communication of goods, ideas and services offered by an identified sponsor (Shaharudin, 2013). However, societal ethics or ethics means that what is right and what is wrong in particular society. According to Romu (2009), understanding ethics or particular marketing ethics needs considerable serious research attention based on years and years. Marketing activities are a very daunting task for many companies (Laczniak 2005). It creates so many issues and problems from copy testing to commercial advertising (Shamout, 2016). However, despite all the issues, advertising remains an important marketing tool to create awareness. If the customers are left alone for instance, who would buy the products? In the early years of advertising, walls were used to be main source of getting customers attentions (Ahluwalia, Rohini (2002) However, since the emergence of TV in 20th century, TV commercial took over the traditional banner ads and wall ads. After the TV commercial, it was internet which entirely changed the advertising battlefield (Kim & Lennon, 2008). Internet advertising is an important source of customers' information. The US Bureau of Statistics 2004 data revealed that the Internet has created a new market with three time higher increased sales. Kim and Lemon (2008) also argued that through internet, the volume of business has gone up and customer prefer to search things of choice on internet. The popularity of online advertising is tenfold in US since its introductions and continues to grow. In most of the advanced countries of the world located in Europe and USA particular, the customers tend to buy products online both in general category and luxury products (Yoo & Kim 2014).

2. Literature Review

Over the past few years, traditional ways of doing business have been reshaped. With the emergence of internet technology, the sources of competitive advantage has been redefined (Percy, 2016). According to SeyedKalali & Heidari (2016) marketing is not all about advertising or advertising is not everything which means marketing. However, advertising is an important mean through which customers can be exposed of companies' products and services. In the past, there were different ways of advertising such as bill boards, using walls, banners ads etc. however, in recent years, things have dramatically changed for businesses of all scales.

It is generally believed that online advertising influences consumer behavior. Niazi, Siddiqui, Alishah, & Hunjra (2012), argued that customers locate their choices on

internet and concluded that consumer behavior is influenced by product or services reviews and ratings. For example, customer would feel confident to buy product or services rated 5 stars to that of rated 2 stars. Bakshi (2012) on the hand, argues that customers can change their mind based on social, psychological, psychographic and behavioral factors.

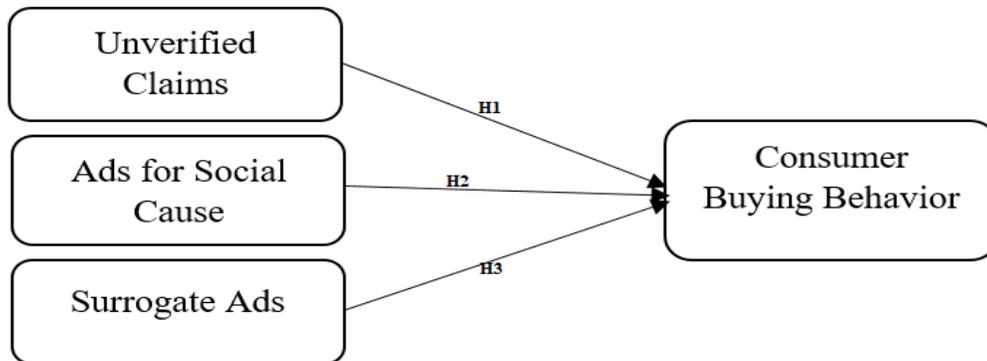
It is worth mentioning that customers are vary of online advertising particularly unethical contents which creates disturbance for many customers. In this regard (Munjal, 2016) stated their different approaches such as pragmatism and relativism and idealism which are primarily used by customers for adverting judgement. Idealism entails the universal perception of right and wrong (Percy, 2016). Through the lenses of idealism, customers can categories the advertisement either right or wrong. On the other hand, pragmatism entails the differences in the time, culture and the active audience of the advertising, hence not declared fully right or wrong. It means that under pragmatic view, advertising can have been seen differently in different cultures. The acceptance and rejection of advertisement is based on various cultural underlying phenomenon, social valued and norms (Park, Kim & Kwon, 2017). By looking at idealism perspective and pragmatism perspective, the critical difference can be made such that idealism accepts or rejects something universally whereas pragmatism entails that advertising or anything is subject to different interpretations under different cultural and social circumstances (Student, 2014).

To get the attention of the customers many brands utilize fake claims about their product's quality or some brands promise to deliver some extraordinary benefits to the consumers without any scientific proof such as "our drink will give you wings", "our shampoo will make your hair stronger", "we produce world's best products" or false claims about their competitors, etc. Such promotions are called unverified claims (Munjal, 2016). According to Banitt, Feuer, Schiffman, & Parrish (2015), consumers have positive attitudes towards the companies that have verified claims and have negative attitudes towards those companies who have unverified claims. Surrogate advertising is often used to advertise the banned products such as alcohol and cigarettes, in the cover-up of some other related or comparatively close category of products (Lamb et al., 2011; Vitell, 2015). Surrogate ads are kind of replacement add. For example companies use the same name for juice drinks and alcoholic products hence influencing consumer buying behavior (Boyland & Halford 2013; Truss & Aiden 2010). Advertising or promotion for social cause can be defined as "the use of advertising to inform the public about a social issue or to influence their behavior" (Truss & Aiden 2010).

2.1. Research Model

The proposed research model is shown in figure 01 which shows the underlying driving effects of ethical issues on consumer buying behavior.

Figure 1: Research model



2.2. Research hypothesis

H1: There is a negative relationship between unverified claims and consumer’s buying behavior.

H2: There is a positive impact of surrogate ads on consumer’s buying behavior.

H3: There is a positive impact of ads for social cause on consumer buying behavior

3. Methodology

This study utilized cross-sectional, quantitative, and explanatory research design. Primary data were collected from 232 students of universities operating in the city of Faisalabad, Pakistan through self-administrated questionnaires. Items of the questionnaire were adapted from the previous researches. 5 point Likert scale was used to measure the items of questionnaire, rating from strongly disagree to strongly agree. To measure unverified claims, surrogate ads, and ads of social cause, 5, 4, and 5 items scale respectively adopted from the study of Canova, (2016). Six items scale of Huang, Cai, Tsang, & Zhou, (2011) was used to measure the consumer buying behavior. Collected data

were analyzed using SPSS version 23 to perform reliability, descriptive, correlation and multi-regression analysis.

4. Empirical Results

The results of construct's reliability are shown in table 01 which shows that all the values are well above 0.70 which is recommended by Kline (2005) for data reliability.

Table 01: Reliability of Scales (Cronbach Alpha)

No	Variables	Cronbach Alpha	Items
1	Consumer Buying Behavior	.841	6
2	Unverified Claims	.971	5
3	Ads for Social Cause	.854	4
4	Surrogate Ads	.797	5

Table 02: Descriptive analysis

Variables	Mean	Std. Deviation
1 Consumer Buying Behavior	3.37	0.07
Unverified Claims	3.74	0.08
Ads for Social Cause	3.85	0.06
Surrogate Ads	3.94	0.11

N=232

Table 03: Correlations

	1	2	3	4
1-Consumer Buying Behavior	1			
2-Unverified Claims	-.421*	1		
3-Ads for Social Cause	.457**	.482**	1	
4-Surrogate Ads	.289**	.519**	.610**	1

N=232; **. Correlation is significant at the 0.01 level (2-tailed).

Descriptive statistics and results of correlation analysis are presented in table 02 and 03. The results demonstrate that majority of the respondents are agreed

that ethical advertising has a significant impact on consumer buying behavior. Furthermore, the results show significant correlation among study variables.

Table 4: Regression

	Coefficients ^a				
	Unstandardized		Standardized		
	Coefficients		Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.116	0.161		0.694	0.479
<i>Ads for social cause</i>	0.451	0.067	0.457	9.427	0.000
<i>Unverified claims</i>	-0.423	0.061	-0.421	-7.540	0.000
<i>Surrogate ads</i>	0.282	0.064	0.289	4.871	0.000

a. Dependent Variable: Consumer buying behavior

The results of correlation coefficients are shown in table 04 which reveal that all the predictors (Ads for social cause, unverified claims, and surrogate ads) significantly ($p < 0.001$) predicting the depending variable (consumer buying behavior). Therefore, all study hypotheses are well supported.

5. Conclusion

This study's primary goal was to investigate how ethical concerns regarding online advertising affect customer purchasing decisions. The results of the study are validated by earlier research indicating that consumers have a more positive view about firms that act ethically than those who don't. Additionally, previous research have shown that negative information has a greater impact on consumer sentiments than positive information (Creyer, 1997; Caudill & Murphy 2000). One-third of consumers, according to Mason (2000), are very concerned about ethics. The hypothesis of this study, according to which there is a positive correlation between surrogate advertisements and customers' buying behavior, is supported by the study of Munjal (2016). Studies by Khan (2007) support the fact that surrogate marketing have an effect on a consumer's choice to make a purchase. Malik et al. (2013) study, which demonstrates a positive relationship between social ads and consumer purchasing behavior,

provides strong support for the study's findings about marketing for social causes. The findings of the study demonstrate how important ethics are in deciding what to buy. Consumers are concerned about advertising ethics. Consumer buying decisions are directly influenced by or assisted by social behavior. According to the research, businesses should encourage ethical behavior because it has a big impact on what people buy.

5.1. *Limitations and Future Directions*

There are several limitations of the study as the sample size was very small and only 232 respondents had become the part of study so future research has to be conducted with large sample size in order to generalize the result of the current study. This research is cross sectional and data was collected in one-go. So future research would be conducted longitudinal nature to examine the influence of situational factors. As this study targets only young university students and further studies can be conducted by taking child and other age groups. Furthermore, the participants of the study were only from the universities of one city Faisalabad, and it could not be generalizable for any other cultural setting.

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