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An Assessment of Commercial Advertisement's Effects on Consumer Buying Behaviour: A Case Study of Internet Companies In Erbil KRI

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Abstract

Consumer buying behaviour is the study of individuals, groups, or organizations and all the activities associated with the purchase. This study aims to investigate the influence of commercial advertisement on consumer buying behaviour regarding internet companies in Erbil. The objectives of the study are multi fold, first To adumbrate the profile of the consumers in Erbil for future advertisement campaign, second to critically examine the perception of the consumer about advertisements, third to analyses and explain the new medium of advertisement and its impact, fourth to assess the role of advertisement in case of internet companies to promote their brands. Three internet companies are selected as sample size including Fast link, Newroz and Tishkent data collected via questionnaire by using 5 likers scale. A structured questionnaire was developed and distributed among 80 users of three internet service provider in Erbil, whereas 60 employees answered rightly. Most of the employees showed positive answers that they have influence of advertisement on their buying behavior toward internet services. This thing leads toward rejection of our Ho and acceptance of H1. Those who left behind with less positive answers main reason were found during survey that was they are with less education and most of them they are not aware with usage of smartphone. Related to future research other authors can consider other variables that are not coved under this study.

Key words: Advertisement; Buying Behaviour; Internet Companies; Erbil

JEL classification: M31

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Introduction

Advertising had been a subject discussed over centuries ago, but prior to the 20th Century, this subject was not as important as it seems now. According to (Roberts, J. 1987 The reason been that, in the 19th century, economist were busy trying to develop the theory of perfect competitive markets, this theory assumed that,

there was perfect information in the market and that, consumers had fixed preference for their products which were homogenous in nature. It was then thought of as a waste of resource and an increase in cost of production for one to advertise on products because consumers were not in any way going to respond to that. The advancement in transportation and technology, made producers rethink their decision to improve their capacity and thus, ensure publicity of their products (Roberts, J. 1987).

After these happenings, advertising then became an important area for economist to research into. An early reflection was given by (Alfred Marshall, 1890). In his works, "Principles of Economics" and "Industry and Trade". He marks out two roles played by advertising. To him, advertising might be useful in providing information to consumers which will help them satisfy their wants. (Chamberlin, 1933) in his work "The Theory of Monopolistic Competition" came up with new ways of looking at advertising. He modeled the expenditure of a firm as a "selling cost" that expands a firm's demand for a differentiated product. In his work, he describes a market structure in which there are many firms producing and selling similar but not identical products. In this market, (Chamberlin, 1933) believes that advertising may provide consumers with information about their wants but also adds that, it can be persuasive and alter one's demand for another. Advertising when informative makes consumers responsive to price changes and thus increases the demand elasticity for the product but a persuasive advert will create brand loyalty making the demand for a good inelastic.

Consumer is a person who buys and uses products. Therefore, consumers keep the production cycle moving as well as play an important role in the economic system of any nation, as a result, any nation will face crisis if consumers don't have the effective demand for goods produced. Consumers demand different commodities based on their taste and preference for them. Consciousness of good influences consumers purchase of that good. Other factors that influence one's taste and preference for a good are psychological and environmental. Taste and preference for a good change overtime. Thus, advertisements play a role in influencing taste and preference of consumers' choice. Advertising is all about mass publicity of products. Advertising involves creating awareness of product's uses and their benefits to consumers. By doing this, it makes a product to be available to those who want it and this satisfies the needs of the advertiser; increasing sales. According to Cohen, advertising is a business activity that employs creative techniques to design persuasive communication in mass media that promote ideas, goods, and services in a manner consistent with the achievement of the advertiser's objective, the delivery of consumer satisfaction and the development of social and economic welfare (Cohen, 1988).

This study examines the effects of advertisement on customer behavior in Erbil, a city in North part of Iraq. Consumer behavior is an analysis that seeks to explain why consumers act in a certain way towards a service or product under certain circumstances; to find out what influences the consumer's behavior. It also study of how consumers select and purchase goods and services to satisfy their needs and wants. It refers to the underlying reasons behind the purchasing behavior of people in a market place.

To undertake this topic we have following rationales (I) as the region is going through the economic crisis and companies are unable to achieve sales targets. Therefore in such kind of circumstances this is necessary to understand the consumer reaction to an advertisement. (ii) as the region market is highly segmented. Majority population is young . In recent years there is a trend of rapid increase of female labor force participation.

Study will contribute in existing literature while assessing the new mode of advertising through social media. From the business point of view it is always necessary to know consumer behaviour, and develop an understanding about the best way to deliver the information for a goods and services in a setting where density of the population is very low. This study will definitely provide that information.

On the top of that the prime reason behind choice of this subject is our interest in this field. We believe that by doing this research, we will not only fulfil the partial requirement for our graduate program, but we will dwell in to field of research where we might be acquainted with numerous knowledge. This topic will allow us to explore the choices of customers, demands of products, changes in perception and influence of external environment etc.

Theoretical Background

The concept of advertising can be explained in five steps sender, encoding, message, decoding and receiver. This process explains the different stages through which

Message is formed and traveled to the audience. Advertising message is not just a message; it is a bundle of representation of the product and the company. The advertising process starts from sender and end up to receiver (Copi et al, 1995).

Figure 1: Elements in Advertising Process Model

Elements in Advertising Process Model

Zzinkota and Ronkainen explain as the individual or firm who feels the need to deliver the message and selects the combination of symbols, pictures, music or words as a message to be transmitted. All the responsibility of the whole process is on the shoulders of the sender. It is up to the sender how he designs the message and which information he is using for audience (Czinkota and Ronkainen ,2008). They also depict that encoding is the design of the symbolic arrangements which should be understandable by the receiver. It is in fact a crucial stage to develop the basis of the message. Encoding is the functional stage where sender of advertising message sees the functionality of the codes towards the receiver of that particular advertising message.

The message is actually the complete form of encoding. Bovee and Thill define the message as the idea which is capable of being transmitted. When the complete message is encoded, it is now ready to transmit to the audience. From here the message is diffused to the audience through the prescribed media or combination of media by the source (Mescon et al, 2002).

Decoding is the understanding of the delivered message. It is the process to translate the message into an idea (Bovee and Thill, 2002). It is also the crucial stage of Advertising that indicates how the receiver of the message perceives the delivered message. If it was designed rightly according to the knowledge and understanding level of the receiver then the feedback can be positive.

Schramn explains the advertising process in seven sequential stages in which, individual or organization is defined as source, symbolic style as encoding, transmission as signal, comprehension of symbolic style as decoding, individual or organization who receive the message as receiver, their reaction back to source as feedback and the distortion in the process as noise (Copi et al, 1995).

Kotler and Keller in their book describe that the sender should know the audience very well before designing the message. The audience can be varied preferences or homogeneous which should carefully be studied. The suitability of all of the elements is important. The intensity of the noise can be increased if the message will not be suitable which can lead to the failure of advertising(Kotler and Keller, 2006).

Advertisings Models

The figure above describes the three stages through which a consumer passes through before making the decision to purchase a product namely cognitive, affective, and behavioral stage, in that order. The stages are described by using four models of advertising namely; AIDA model, Hierarchy of effects model, innovation-adoption model and Hierarchy of needs model. This study used the AIDA Model.

According to the AIDA (Attention-Interest-Desire-Action) Model developed by (Copi et al, 1995), the decision by a consumer to purchase a particular product begins when the product catches his or her attention. This is followed by developing an interest for that product which is followed by the desire for that product to fulfill his or her needs. Thereafter, the consumer decided to take action, which is to purchase the product

Advertising means that, is a potent vehicle which includes imagination, creativity, concepts, ideas and innovation to promote new products and remind about changes in the old one. Advertising simply means selling but for this one need a creativity of mind with the work of beauty and art. Advertising has been a subject discussed over centuries ago, mostly in the 20th and 21st centuries whether advertising increases prices or lower prices one of the most controversial issues.

Types of Consumer Behavior

There are five types of consumer behavior namely; dissonance reducing, habitual, variety seeking and complex buying behavior as described below;

Dissonance reducing buying behavior

Dissonance reducing buying behavior occurs when the customer finds it difficult to differentiate among the brands. As a result, consumers may respond primarily to a relatively better price. After the purchase consumer might experience post purchase dissonance (after sales discomfort). This is the consumer behavior displayed mostly by uninformed consumers (Kotler and Keller, 2006).

Habitual Buying Behavior

Habitual buying behavior is a consumer purchase decision where by the consumers' level of involvement is low. This means that consumers don't search much information among the available brands and they don't find significant differences among the brands and buy the product without a high level of involvement. If the consumers keep buying the same brand over and over again, it becomes their habit (Kotler and Keller, 2006).

Variety Seeking Buying Behavior

In case of variety seeking buying behavior the level of consumer involvement is low, but consumers perceive significant differences among the brands. In variety seeking buying behavior, consumers very often switch from one brand to another (Kotler and Keller, 2006). This purchase decision is common among consumers who want to stay ahead of the latest fashion trends.

Complex Buying Behavior

Complex buying behavior can be defined when consumers are highly involved for making a purchase decision. Complex buying behavior calls for high level of involvement on the part of the consumer. In case of high involvement, consumers distinguish salient differences among the competing brands. Consumers' are highly involved in case of expensive and highly self-expressive products (Kotler and Keller, 2009).

Factors Influencing Consumer Buying Behavior

The following are the factors influencing consumer buying behavior.

Buyer's readiness

Communication tools vary in cost-effectiveness at different stages of buyer readiness. Advertising and publicity play the most important roles in the awareness building stage. Customer comprehension is primarily affected by advertising and personal selling. Customer conviction is influenced mostly by personal selling. Closing the sale is influenced mostly by personal selling and sales promotion (Kotler and Keller, 2009).

Type of product market

Communication mix allocations vary between consumer and business markets. Consumer marketers tend to spend comparatively more on sales promotion and advertising; business marketers tend to spend comparatively more on personal selling. In general, personal selling is used more with complex, expensive, risky goods and in markets with fewer and larger sellers (Kotler and Keller, 2009).

Product life cycle stage

Communication tools also vary in cost effectiveness at different stages of the product lifecycle. In the introduction stage, advertising, events and experience, publicity have the highest cost effectiveness, followed by personal selling to gain distribution coverage and sales promotion and direct marketing to induce trial. In the growth stage, demand has its own momentum through word of mouth.

Factors Affecting Consumer Purchase Decision

There are three categories of factors which affect consumer behavior namely; cultural factors, social factors and personal factors.

Cultural Factors

Cultural factors exert a broad and deep influence on consumer behavior which including the roles of buyers' culture, subculture and social class. Each culture contains smaller subcultures, or groups of people with shared value systems based on common life experiences and situations. Subcultures include nationalities, religions, racial groups, and geographic regions (Kotler and Armstrong 2008).

Social Factors

A consumer's behavior also is influenced by social factors, such as the consumer's small groups, family, and social roles and status. Social class is an invisible stratification of the inhabitants of the society into different groups based on some traits of the people. Inhabitants in a society can be divided into different social classes according to their income level, occupation, education and so forth (Kotler and Armstrong 2008).

A person's social class can be defined by what he or she does with money. The consumption choice of a person also determines the person's position in society. Every social class varies from each other because of having its own traits that set it apart from other class. Social classes vary in costumes, language patterns and many other activities and preferences (Kotler and Armstrong, 2008).

Personal factors

A buyer's decisions also are influenced by personal characteristics such as the buyers' age and life-cycle stage, occupation, economic situation, lifestyle, and personality and self-concept. People change the goods and services they buy over their lifetimes. A person's occupation affects the goods and services bought. Similarly, a person's economic situation affects product choice (Kotler and Armstrong, 2008).

Psychological factors

A person's buying choices are further influenced by four major psychological factors: motivation, perception and attitudes. Motivation is the driving force within individuals that impels them to action. Perception is the process by which people select, organize, and interpret information to form a meaningful picture of the world (Kotler and Armstrong, 2008).

Research and Methodology

Problem statement

Advertising has been a subject for debate either on one pretext or another for decades at the beginning of the 19th Century. People showed little interest but it later became a fertile topic for research at the turn of the 19th Century. The reason people lost interest was the fact that the role of advertisements was falling apart due to the fact that most increase in product and sales, especially; internet companies had been attributed to other factors like taste, long term use of products and users unwillingness to switch products (Fischhoff et al, 2007).

The falling role raised numerous questions which became the problem of this study. The researcher therefore intended to get answers as to how and why internet companies do advertise their products while they know the increase in product and sales is attributed to other factors and no longer advertisements. Internet companies were considered because they satisfy the conditions of commodities on which they are effective to advertise. There are a lot of internet companies which are differentiated but serve same purpose.

Therefore, this study aimed to find out the role of advertising in the consumer buying behavior toward internet companies.

Research Questions

To disseminate the information about their products companies are exorbitantly increasing their promotion budget. In fact in some of the cases studies have reported that companies are spending more amount on advertisement than the product development which could directly benefit to the consumer.

In such situation it has become pivotal to measure the real effect of advertisement on consumer, and in changing circumstances it should be examined how the advertising techniques are evolving. To complete this process this studies list the following research objectives.

Research Objectives

- To adumbrate the profile of the consumers in Erbil for future advertisement campaign.
- To critically examine the perception of the consumer about advertisements.
- To analyse and explain the new medium of advertisement and its impact.
- To assess the role of advertisement in case of internet companies to promote their brands.

Data Collection

The data was collected through the questionnaires. It was distributed to the users of internet companies including Tishket , Fastlink and newroz. The sampling technique that was being used in this research was non-probability sampling technique, which includes convenience sampling technique. Questionnaire were distributed among 80 users whereas completely get back just 60 This sample size was enough to get the results. The Questionnaire survey tool was used to collect the data. The structured questionnaire was used and this research based on the Self-developed instrument on five likers scale.

Organizations' profile

Profile of Newroz telecom: Company Since the establishment of Newroz Telecom in 2007 the company has been playing marvelous national and moral roles towards Iraq, and the Iraqi citizens; as the company has brought a group of Iraqi minds and expertise in engineering and technology, and professionals in other fields of management, commercial science, and finance. Nevertheless, Newroz Telecom offered trainings and contained many of the new graduates of our universities. Therefore, and through a staff of +1000 employees; Newroz Telecom became one of the main pillars and fundamental in the local market, and one of the key players in determining the course of the telecom sector in the area.

Profile of Fastlink: This 4G company established in June 2013, "Fastlink" has entered the Kurdish Telecom and Data Market as the first 4G LTE operator in Iraq; and one of the very few 4G LTE operators in the Middle East. A private company owned by national partners, aiming to revolutionize the industry of internets and data services in Erbil KRI by introducing state of the art 4G LTE data services into the country FastLink's main objective is to become the foremost data provider in Erbil KRI through a far sighted policy of investment in adopting cutting edge technology to provide state of the art services to clients. This foresight and courage to endlessly change, mature, inspire the industry, and better serve customers and society, makes Fastlink a pillar of the national economy, directly employing over 500 Kurdish and creating indirect job opportunities for thousands more Fastlink has established strategic partnerships with some of the leaders and pioneers in the 4G LTE industry in the world to be able to guarantee the highest level of service.

Tishknet Company: Tishknet is one of the leading internet services in the KRG owned by a private company. TishkNet started operating, in 2011, in the city of Suliamanyah. TishkNet is, now, offering 4G LTE in some areas of KRG.

Study Design

In this study, we want to check the Influence of commercial advertisement on consumer buying behaviour of internet user. Moreover, this research needs to cover the relationship between the variables. We were intended to check whether the association actually existed between the variables which the researchers presented in the framework and if yes then what could be the possible factors for that. The statistical tools which were being used in this research is Microsoft Excel 2010 versions

Research Model

Conceptual Framework Advertising and Consumer's Buying Behaviour

The conceptual framework provides a description of the relationships between the concepts being used (Fisher and Krutilla, 2009). Defining the concepts and creating a conceptual framework are means to simplify the research task and to clear away issues that are not related to the topic and research question. In above framework work dependent independent and intervening variables are used.

Population and sample size

In this study pollution is all the internet companies Erbil KRI and selected sample size are three internet companies in Erbil. The names are Tishknet, fastlink and newroz.

Hypothesis

Following are the two hypotheses are proposed in this study:

Ho: Advertisement doesn't have positive impact on buying behaviour of internet consumer.

H1: Advertisement has positive impact on buying behaviour of internet consumer.

Results and discussion

1- Do you purchase a product after seeing the advertisement of that product?

Figure 1: purchase a product after seeing the advertisement

In this question 66 % people were agree and 10 % people were uncertain were as 23 % people were disagree. Though majority 66 % people were on it that they see the advertisement then they buy.

2. Do you think an advertisement make a brand stronger?

Figure 2 : advertisement make a brand stronger.

In this question 66 % people were agree and 11 % people were uncertain and 21 % people were disagree. Though 66 % people are agree that advertisement make brand stronger.

3. Do you think an advertisement affect the buying behavior?

Figure 3: advertisement affect the buying behavior.

In this question 51 % people were agree and 8% people were uncertain and 40 % people were disagree.

However 51%people are agree That advertisement affect the buying behavior.

4. Sometime even you consider to purchase goods which are not in much use after seeing the advertisement.

Figure 4: purchase goods which are not in much use after seeing the advertisement.

In this question 36 % people were agree and 31% people were uncertain and 31 % people were disagree. Thought 36% people are agree To purchase goods which are not in much use after seeing the advertisement.

5. Do you agree advertising changes the preferences of customer?

Figure 5: advertising changes the preferences of customer.

In this question 58 % people were agree and 15% people were uncertain and 26 % people were disagree. However 58% of people are agree that advertisement change preference of customer.

6. Do you mostly purchase continuously advertised product?

Figure 6: purchase continuously advertised product.

In this question 26 % people were agree and 23% people were uncertain and 50 % people were disagree.

However 50% of people are disagree to purchase continuously advertised product.

7. Now a days which medium of advertisement which you usually see?

Figure 7: medium of advertisement which you usually see.

In this question 5 % people were choose print media and 20% people choose digital media were and 5% people were choose bill board and %66 people choose social media. Thought 66%of people choose social media that usually see advertisement on it.

8. Which medium of advertisement you believe the most effective way to promote the brand and reach out to the public in Erbil.

Figure 8: the most effective way to promote the brand.

In this question 11% people were choose print media and 31% people choose digital media were and 11% people were choose bill board and 20% people choose social media. However 31%of people choose digital media That are the most effective way to promote the brand.

9. Which internet service provider you are using?

Figure 9: internet service provider.

In this question 41 % people were choose fastlink and 3% people were choose tishk net and 25 % people were choose Newroz. Thought 41% of people choose Fastlink.

10. Did you select the service provider after seeing the advertisement?

Figure 10: service provider after seeing the advertisement

In this question 66% people were agree and 31% people were uncertain and 20 % people were disagree. However 66% of people are agree to select the service after seeing the advertisement.

11. To continue the services of the selected service provider you think there is a role of advertisement.

Figure 11: role of advertisement.

In this question 81 % people were agree and 30% people were uncertain and 15 % people were disagree. The role of advertisement for selecting service.

12. In which medium do you often see the advertisement of your selected service provider?

Figure12: the advertisement of your selected service provider.

In this question 8% people were choose print media and 11% people choose digital media were and 28% people were choose bill board and 51% people choose social media. Thought 51%choose social media to often see the advertisement of your selected service.

13. The time you see the advertisement of your selected service provider you believe if somebody will ask you will recommend the service provider.

Figure 13: recommend the service provider.

In this question 65% people were agree and 16% people were uncertain and 11% people were disagree. However 65% of people agree To recommend the service they have to people that they see the advertisement of it.

Conclusion

The study was related to the influence of commercial advertisement on consumer buying behaviour regarding internet companies in Erbil Erbil KRI. This study contains upon four fold objectives that are 1) to adumbrate the profile of the consumers in Erbil for future advertisement campaign, 2) to critically examine the perception of the consumer about advertisements, 3) analyse and explain the new medium of advertisement and its impact, 4) to assess the role of advertisement in case of internet companies to promote their brands. The internet sector is selected in order to check the influence of advertisement upon the buying behaviour and data is collected from 50 users of internet companies including fastlink , tishknet, and Newroz. Most of the users showed positive answers Such as 66 % users they said that they buy after having a look upon advertisement and 66 % user also were agree that advertisement is very important for make the brand stronger also 51 % users mentioned that advertisement affects the buying behaviour, 58% users were agree that advertisement changes the preferences of customer, 66 % user also showed their interest toward social media means the highly useable media is social media where as 66% also answered that they buy internet service after seeing the advertisement, 81 % people also replied that they consider to advertisement element in order to keep continue the service that they are using. So in this way most of the users showed positive intention toward influence of advertisement upon buying behaviour and upon the base of positive intention in our study H1 is accepted and Ho is rejected because advertisement having influence upon buying behaviour of internet user.

Recommendations

One of the point that is observed during survey that internet companies can increase their sale by increasing the advertisement because it is proven in our study that advertisement having positive influence upon buying behaviour of the internet users.

Limitations and future research of the study

The big limitation of the study was less time during our survey and could not add the other internet companies form sulamania and Dhok in Erbil KRI. After this few other small challenges faced such as time availability of the users and language barrio as our research was in English.

Related to future research other authors can consider other variables of the advertisement as well as other internet companies that are working in Erbil KRI.

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